

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

ALLEGHENY TECHNOLOGIES INC
Form 11-K
June 27, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-12001

Savings and Security Plan of The Lockport and Waterbury Facilities

(Title of Plan)

ALLEGHENY TECHNOLOGIES INCORPORATED
(Name of Issuer of securities held pursuant to the Plan)

1000 Six PPG Place, Pittsburgh, Pennsylvania 15222-5479
(Address of Plan and of principal executive office of Issuer)

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE

Savings and Security Plan of the Lockport and Waterbury Facilities
Years ended December 31, 2002 and 2001 with Report of Independent Auditors

Savings and Security Plan of the
Lockport and Waterbury Facilities

Audited Financial Statements
and Supplemental Schedule

Years ended December 31, 2002 and 2001

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

CONTENTS

Report of Independent Auditors

Audited Financial Statements

Statements of Net Assets Available for Benefits.....

Statements of Changes in Net Assets Available for Benefits.....

Notes to Financial Statements

Supplemental Schedule

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

EXHIBITS

23 Consent of Independent Auditors

99 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Report of Independent Auditors

Allegheny Technologies Incorporated

We have audited the accompanying statements of net assets available for benefits of the Savings and Security Plan of the Lockport and Waterbury Facilities as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. 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 auditing standards generally accepted in the 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002 is presented for purposes of additional analysis and is not a required part of the 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. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule 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

Pittsburgh, Pennsylvania
June 11, 2003

1

Savings and Security Plan of the Lockport and Waterbury Facilities

Statements of Net Assets Available for Benefits

	DECEMBER 2002
Investments:	
Interest in Allegheny Technologies Incorporated Savings Plan Trust	\$4,844,166
Interest in registered investment companies	816,231
Interest in common collective trusts	340,168
Participant loans	301,606
Corporate common stocks	69,496
Total investments	6,371,667
Other payables, net	(21,568)
Net assets available for benefits	\$6,350,099

See accompanying notes.

2

Savings and Security Plan of the Lockport and Waterbury Facilities

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

Statements of Changes in Net Assets Available for Benefits

	YEAR ENDED 2002
Contributions:	
Employer	\$ 67,987
Employee	186,316

Total contributions	254,303
Investment income (loss):	
Net gain from interest in Allegheny Technologies Incorporated Savings Plan Trust	72,236
Net loss from interest in registered investment companies	(194,032)
Net loss from interest in common collective trusts	(44,495)
Interest income	21,915
Dividend income	6,878
Net realized/unrealized loss on corporate common stocks	(113,827)

Total investment loss	(251,325)

	2,978
Distributions to participants	(190,941)
Net (decrease) increase in net assets available for benefits	(187,963)
Net assets available for benefits at beginning of year	6,538,062

Net assets available for benefits at end of year	\$6,350,099
	=====

See accompanying notes.

3

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements

December 31, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Investments are valued as follows:

Bank and insurance contracts with varying contract rates and maturity dates are stated at contract value.

Although it is management's intention to hold the investment contracts in the Fixed Income Fund until maturity, certain investment contracts provide

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

for adjustments to contract value for withdrawals made prior to maturity.

All other funds are stated at their net asset value, based on the quoted market prices of the securities held in such funds on applicable exchanges.

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 could differ from those estimates.

2. DESCRIPTION OF THE PLAN

The Savings and Security Plan of the Lockport and Waterbury Facilities of Allegheny Ludlum Corporation (the Plan) is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The purpose of the Plan is to provide a savings and retirement plan to eligible employees of the Lockport and Waterbury Facilities of Allegheny Ludlum Corporation (ALC) by allowing a portion of their salary to be set aside each month through payroll deductions. ALC (the Company) is a wholly owned subsidiary of Allegheny Technologies Incorporated (ATI, the Plan Sponsor). The Plan allows employees to contribute a portion of eligible wages each pay period through payroll deductions subject to Internal Revenue Code limitations. The Company's contribution effective July 1, 2001 consists solely of \$0.50 for each hour worked by the participant (fixed dollar retirement). Prior to July 1, 2001, participants could defer up to 8% of their eligible wages to the Plan based on years of service (basic savings deferral). In addition, participants could defer additional amounts such that when combined with the basic savings deferral, the total deferral did not exceed 16% of eligible wages or Internal Revenue Code limitations. The Company, prior to July 1, 2001, contributed 6.5% of the participant's eligible wages plus a fixed dollar percentage as defined in the Plan regardless of whether the participant made any basic savings deferrals. The Company also contributed a matching contribution equal to 50% of the participant's basic savings deferral.

4

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

2. DESCRIPTION OF THE PLAN (CONTINUED)

Separate accounts are maintained by the Plan Sponsor for each participating employee. Trustee fees and asset management fees charged by the Plan's trustee, Mellon Bank, N.A., for the administration of all funds are charged against net assets available for benefits of the respective fund. Certain other expenses of administering the Plan are paid by the Plan Sponsor.

Participants may make "in-service" and hardship withdrawals as outlined in the plan document.

Prior to July 1, 2001, under certain provisions of the Plan, contributions by the Plan Sponsor, which have been allocated to the accounts of the participants, were subject to forfeiture upon participant's termination of employment with less than five years of service. Such forfeitures will be used to reduce future contributions by the employer. Prior to July 1, 2001, employer matching

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

contributions allocated to a participant's account became fully vested after a participant completed five years of service. Employee contributions and the fixed dollar retirement contributions are fully vested at all times. Effective July 1, 2001, participants are fully vested in their entire participant account balance.

Active employees can borrow up to 50% of their vested account balances. The loan amounts are further limited to a minimum of \$500 and a maximum of \$50,000, and an employee can obtain no more than three loans at one time. Interest rates are determined based on commercially accepted criteria, and payment schedules vary based on the type of the loan. General purpose loans are repaid over 6 to 60 months, and primary residence loans are repaid over periods up to 180 months. Payments are made by payroll deductions.

Effective November 29, 1999, Allegheny Teledyne Incorporated's name was changed to Allegheny Technologies Incorporated. Also, the Aerospace and Electronics and Consumer segments of Allegheny Teledyne were spun off into two new freestanding public companies--Teledyne Technologies Incorporated and Water Pik Technologies, Inc. Stockholders of Allegheny Teledyne became stockholders of Teledyne Technologies Incorporated and Water Pik Technologies, Inc., thus creating two new master trusts. Participants continued to hold interests in the two new companies until December 31, 2002, at which time these two holdings were terminated and the assets were transferred to one of the other plan investment options.

Further information about the Plan, including eligibility, vesting, contributions, and withdrawals, is contained in the plan documents, summary plan description and related contracts. These documents are available from the Plan Sponsor.

5

Savings and Security Plan of the Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets:

	DECEMBER 2002
Fixed Income Fund	\$4,393,812
Dreyfus Emerging Leaders Fund	657,542
Allegheny Technologies Disciplined Stock Fund	334,088

Certain of the Plan's investments are in the Allegheny Technologies Incorporated Savings Plan Trust, which has three subsidiary Master Trusts: the Allegheny Technologies Disciplined Stock Fund Master Trust, the Alliance Equity Master Trust and the Fixed Income Master Trust, which are institutional separate accounts valued on a unitized trust basis (collectively, the "Master Trust"). The Master Trust was established for the investment of assets of the Plan, and

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

several other ATI sponsored retirement plans. Each participating retirement plan has an undivided interest in the Master Trust. At December 31, 2002 and 2001, the Plan's interest in the net assets of the Allegheny Technologies Disciplined Stock Fund Master Trust, the Alliance Equity Master Trust and the Fixed Income Master Trust were as follows:

	2002
Fixed Income Master Trust	2.43%
Allegheny Technologies Disciplined Stock Fund Master Trust	0.61
Alliance Equity Master Trust	0.44

Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

6

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

3. INVESTMENTS (CONTINUED)

The composition of the net assets of the Fixed Income Master Trust at December 31, 2002 and 2001 was as follows:

	2002
Guaranteed investment contracts:	
Business Mens Assurance Company of America	\$ -
Canada Life	2,757,412
Combined Life Insurance Company	-
GE Life and Annuity	10,420,327
Hartford Life Insurance Company	10,460,185
John Hancock Life Insurance Company	9,854,982
Monumental Life Insurance Company	2,363,422
New York Life Insurance Company	7,808,955
Ohio National Life	5,976,900
Pacific Mutual Life Insurance Company	6,074,436
Principal Life	1,134,634
Protective Life Insurance Company	1,006,463
Pruco Pace Credit Enhanced	8,689,223
Safeco Life Insurance	1,973,290
Security Life of Denver	6,465,137
Sun America, Inc.	2,988,024
United of Omaha	7,226,335
	85,199,725

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

Synthetic guaranteed investment contracts:	
Caisse des Depots et Consignations	4,953,210
CIT Equipment	996,925
Common Wealth Edison	2,999,980
Commit to purchase FNMA 02-74 LC	3,071,979
Conn RRB Spec Trust	2,948,436
Detroit Edison	2,027,941
FHLMC	5,977,227
Illinois Power Sp Trust	1,971,078
MBNA Master CC Trust	1,993,490
MDA Monumental BGI Wrap	41,868,727
Peco Energy Company	1,970,899
Peoples Security Life Insurance Company	2,491,608
Public Service	2,036,624
Transamerica Occidental	6,568,303
Union Bank of Switzerland	174,682
Westdeutsche Landesbank Girozentrale	3,556,463
	85,607,572
Interest in common collective trust	7,972,257
Receivables	-
Interest-bearing cash	212,167
Other	1,817,668
	\$180,809,389

7

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

3. INVESTMENTS (CONTINUED)

The Fixed Income Fund (the Fund) invests in guaranteed investment contracts (GICs) and actively managed structured or synthetic investment contracts (SICs). The GICs are promises by a bank or insurance company to repay principal plus a fixed rate of return through contract maturity. SICs differ from GICs in that there are specific assets supporting the SICs, and these assets are owned by the Master Trust. The bank or insurance company issues a wrapper contract that allows participant-directed transactions to be made at contract value. The assets supporting the SICs are comprised of government agency bonds, corporate bonds, asset-backed securities (ABOs) and collateralized mortgage obligations (CMOs) with fair values of \$88,750,762 and \$55,854,607 at December 31, 2002 and 2001, respectively. The contract value minus the market value of the wrapper contracts at December 31, 2002 and 2001 is \$(2,667,261) and \$(1,397,030), respectively.

Interest crediting rates on the GICs in the Fund are determined at the time of purchase. Interest crediting rates on the SICs are either: (1) set at the time of purchase for a fixed term and crediting rate; (2) set at the time of purchase for a fixed term and variable crediting rate or (3) set at the time of purchase and reset monthly within a "constant duration." A constant duration contract may specify a duration of 2.5 years and the crediting rate is adjusted monthly based upon quarterly rebalancing of eligible 2.5 year duration investment instruments

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

at the time of each resetting; in effect the contract never matures. At December 31, 2002 and 2001, the interest crediting rates for GICs and Fixed Maturity SICs ranged from 3.27% to 8.05% and 3.49% to 8.05%, respectively.

For the years ended December 31, 2002 and 2001, the average annual yield for the investment contracts in the Fund was 5.74% and 6.25%, respectively. Fair value of the GICs was estimated by discounting the weighted average of the Fund's cash flows at the then-current interest crediting rate for a comparable maturity investment contract. Fair value for the SICs was estimated based on the fair value of each contract's supporting assets at December 31, 2002 and 2001.

8

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

3. INVESTMENTS (CONTINUED)

The composition of net assets of the Alliance Equity Master Trust at December 31, 2002 and 2001 was as follows:

	2002

Investment in registered investment companies:	
Alliance Equity Fund S.A. #4	\$26,603,639
Operating payables	(49,895)

Total net assets	\$26,553,744
	=====

The composition of net assets of the Allegheny Technologies Disciplined Stock Fund Master Trust at December 31, 2002 and 2001 was as follows:

	2002

Corporate common stocks	\$53,256,475
Interest in common collective trusts	1,630,752
Receivables	67,848
Payables	(25,733)

Total net assets	\$54,929,342
	=====

9

The composition of the changes in net assets of the various master trusts is as follows:

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

	FIXED INCOME MASTER TRUST		ALLIANCE EQUITY MASTER TRUST		AL
	YEAR ENDED DECEMBER 31				
	2002	2001	2002	2001	2001
Investment income (loss):					
Interest income	\$ 9,786,577	\$ 9,147,492	\$ -	\$ -	\$ -
Net realized/unrealized gain (loss) on corporate common stocks	1,528	-	-	-	(17,400)
Dividends	-	-	-	-	9,000
Net gain (loss), registered investment companies	-	32,606	(10,652,634)	(9,248,179)	-
Net gain, common collective trusts	172,081	401,062	-	-	-
Other income	69,815	-	-	-	-
Administrative expenses	(236,944)	(208,589)	(118,618)	(170,195)	(4,000)
Transfers	5,374,077	11,804,280	(2,634,913)	(1,786,437)	(5,700)
Net increase (decrease)	15,167,134	21,176,851	(13,406,165)	(11,204,811)	(22,600)
Total net assets at beginning of year	165,642,255	144,465,404	39,959,909	51,164,720	77,500
Total net assets at end of year	\$180,809,389	\$165,642,255	\$26,553,744	\$39,959,909	\$54,900

Interest, realized and unrealized gains and losses, and management fees from the master trusts are included in the net loss from interest in Allegheny Technologies Incorporated Savings Plan Trust on the statements of changes in net assets available for benefits.

Savings and Security Plan of the
Lockport and Waterbury Facilities

Notes to Financial Statements (continued)

4. INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service dated February 1, 1996, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

believes that the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt.

5. PARTIES-IN-INTEREST

Dreyfus Corporation is the manager of the Dreyfus Mutual Funds that are offered as investment options under this Plan. Dreyfus Service Corporation is the funds' distributor. Dreyfus Corporation and Dreyfus Service Corporation are both wholly owned subsidiaries of Mellon Financial Corporation. Mellon Financial Corporation also owns Mellon Bank, N.A., the Trustee for this Plan. Therefore, transactions with these entities qualify as party-in-interest.

6. PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

11

Savings and Security Plan of the
Lockport and Waterbury Facilities

EIN 25-1792394 Plan 007

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

December 31, 2002

DESCRIPTION	UNITS/SHARES
Registered Investment Companies	
Dreyfus Bond Market Index*	5,127.726
Dreyfus Emerging Leaders Fund*	23,686.680
Dreyfus International Value Fund*	3,252.982
MAS Midcap Growth Fund	4,124.819
Jennison Growth Fund	1,581.054
Total registered investment companies	
Common Collective Trusts	
Dreyfus Lifestyle Growth and Income Fund*	13,696.041
Dreyfus Short Term Investment Fund*	21,864.760
Dreyfus Lifestyle Growth Fund*	5,456.066
Dreyfus Lifestyle Income Fund*	3,155.545
Total common collective trusts	
Participant loans* (5.25% to 10.50% with maturities through 2007)	
Corporate Common Stocks	
Allegheny Technologies Incorporated*	11,155.000

Edgar Filing: ALLEGHENY TECHNOLOGIES INC - Form 11-K

*Party-in-interest

12

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the administrators of the Plan have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLEGHENY TECHNOLOGIES INCORPORATED
SAVINGS AND SECURITY PLAN OF THE LOCKPORT AND
WATERBURY FACILITIES

By: /s/ Richard J. Harshman

Date: June 27, 2003

Richard J. Harshman
Senior Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer and Duly
Authorized Officer)

13