

CARPENTER TECHNOLOGY CORP

Form 11-K

June 28, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 11-K**

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**ANNUAL REPORT**

**Pursuant to Section 15(d) of the  
Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2011**

**Commission File Number 1-5828**

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**SAVINGS PLAN OF  
CARPENTER TECHNOLOGY CORPORATION**

(Full title of the plan)

# **CARPENTER TECHNOLOGY CORPORATION**

(Name of issuer of the securities held pursuant to the plan)

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**P.O. Box 14662**

**Reading, Pennsylvania, 19610**

(Address of principal executive office of the issuer)

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*Savings Plan of Carpenter Technology Corporation*

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***Report of Independent Registered Public Accounting Firm***

To the Participants and Administrator of  
the Savings Plan of Carpenter Technology Corporation

We have audited the accompanying statements of net assets available for benefits of the Savings Plan of Carpenter Technology Corporation (the Plan ) as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. 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. 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 as of December 31, 2011 and 2010, and the changes in net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of assets (held at end of year) as of December 31, 2011 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. The supplementary schedule is the responsibility of the Plan's management. The supplementary 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/ ParenteBeard LLC

Reading, Pennsylvania  
June 28, 2012

Table of Contents*Savings Plan of Carpenter Technology Corporation***Statements of Net Assets Available for Benefits**

December 31, 2011 and 2010

| Dollars in thousands                                                                           | 2011       | 2010       |
|------------------------------------------------------------------------------------------------|------------|------------|
| Investments, at fair value:                                                                    |            |            |
| Registered investment companies                                                                | \$ 276,401 | \$ 286,666 |
| Interest in Carpenter Technology Master Trust Fund                                             | 168,933    |            |
| Standish Mellon Stable Value Fund                                                              |            | 81,398     |
| Carpenter Technology Corporation Stock Fund                                                    |            | 67,756     |
| Total investments                                                                              | 445,334    | 435,820    |
| Notes receivable from participants                                                             | 10,798     | 11,800     |
| Net assets reflecting investments at fair value                                                | 456,132    | 447,620    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (2,655)    | (1,694)    |
| Net assets available for benefits                                                              | \$ 453,477 | \$ 445,926 |

*See accompanying notes to financial statements.*

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*Savings Plan of Carpenter Technology Corporation*

**Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31, 2011

**Dollars in thousands**

|                                                               |    |          |
|---------------------------------------------------------------|----|----------|
| Investment income (loss):                                     |    |          |
| Net appreciation (depreciation) in fair value of investments, |    |          |
| Registered investment companies                               | \$ | (9,127)  |
| Carpenter Technology Corporation Stock Fund                   |    | 4,232    |
| Interest in Carpenter Technology Master Trust Fund income     |    | 17,890   |
| Interest and dividends                                        |    | 7,174    |
| Total investment income                                       |    | 20,169   |
| Interest income from notes receivable from participants       |    | 533      |
| Contributions:                                                |    |          |
| Participant                                                   |    | 13,658   |
| Participant rollover                                          |    | 1,204    |
| Employer                                                      |    | 5,556    |
| Total contributions                                           |    | 20,418   |
| Benefits paid to participants                                 |    | (33,273) |
| Administrative expenses                                       |    | (296)    |
| Net increase                                                  |    | 7,551    |
| Net assets available for benefits, beginning of year          |    | 445,926  |
| Net assets available for benefits, end of year                | \$ | 453,477  |

*See accompanying notes to financial statements.*

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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 1. Description of Plan**

The following description of the Savings Plan of Carpenter Technology Corporation (the Plan) provides general information. A more comprehensive description of the Plan's provisions can be found in the Plan document, which is available to participants upon request from Carpenter Technology Corporation, or any participating affiliate (collectively referred to as the Company).

**General**

The Plan is a profit-sharing and stock bonus plan which covers substantially all domestic non-union employees of the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**Contributions**

As defined in the Plan, each year, participants may contribute up to 35% of annual compensation on a pre-tax basis, and up to 35% of annual compensation on an after-tax basis. Effective January 1, 2011, the combined contributions limit was increased from 35% to 100% of annual compensation on both a pre-tax and after-tax basis. Participants who are age 50 or older may make catch-up contributions, which are additional pre-tax contributions. Participants may also contribute amounts representing rollover distributions from other qualified pension plans. The Company contributes an amount equal to 3% of each employee's base pay. Contributions are subject to certain limitations.

**Participants' Accounts**

Several accounts, all participant directed, may be maintained for each participant, as follows:

- Employee pre-tax salary deferral account - credited with participant pre-tax contributions
- Employee after-tax account - credited with participant after-tax contributions
- Company basic contribution account - credited with Company contributions

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- Rollover contribution account - credited with participant rollover contributions
- Inter-plan transfer account - credited with transfers from other Company plans

Allocations of these credited amounts are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that is provided from the participant's vested account.

**Vesting**

All contributions and Plan earnings thereon are fully vested and non-forfeitable.



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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 1. Description of Plan (Continued)**

**Notes Receivable from Participants**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 minus the amount of the highest outstanding loan balance on any Plan loan during the preceding twelve months or 50% of their vested account balance minus the current outstanding balance on any other Plan loan. Borrowings are secured by the balance in the participant's account and bear interest at rates that range from 4.25% to 10.5% at December 31, 2011, which represents the Prime Rate plus 1% on the last business day of the month in which the loan was distributed. Principal and interest are paid ratably through bi-weekly payroll deductions.

**Benefits Paid to Participants**

Benefits paid to participants include participant distributions and withdrawals. Participants are entitled to a lump sum distribution upon separation from service. Upon separation, a participant may elect to defer such distribution, provided the account balance is at least \$5,000. The total distribution of benefits to all separated participants must occur by April 1st of the year following the year in which the participant attains age 70-1/2. Hardship and non-hardship in-service withdrawals, and withdrawals after age 59-1/2, are permitted subject to certain restrictions. Benefits paid to participants are in cash, except for those accounts which consisted of investments in the Carpenter Technology Stock Fund, which was made in shares of the Company's common stock or cash, at the participant's option.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Accounting**

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

**Investment Valuation and Income Recognition**

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The Plan's investments are stated at fair value. Fair value 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. See Note 6 for detailed discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Gain or loss on sales of investments is based on average cost. Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on the accrual basis.

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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 2. Summary of Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of 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 assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Significant estimates include the determination of the fair value of plan assets. Actual results could differ from those estimates.

**Notes Receivable from Participants**

Notes receivable from participants are stated at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant notes are reclassified as distributions according to the terms of the Plan.

**Payment of Benefits**

Benefit payments to participants are recorded when paid.

**Administrative Expenses**

Investment management fees, trustee fees, and transaction fees are paid by the Plan. A portion of these fees are netted against investment income. All other fees are paid by the Company.

**Reclassification**

Certain prior period amounts have been reclassified to conform with the current year's presentation.

**Recent Accounting Standard**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2011-04: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, ( ASU 2011-04 ). ASU 2011-04 will expand disclosures about fair value measurement and result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. ASU 2011-04 is effective for fiscal years and interim reporting periods beginning after December 15, 2011. Plan management is evaluating the impact of adopting ASU 2011-04 and believes it will not be material to the financial statements but will provide additional disclosures.

Table of Contents*Savings Plan of Carpenter Technology Corporation***Notes to Financial Statements****Note 3. Investments**

The following table presents investments that represent 5% or more of the Plan's net assets at December 31:

| <b>Dollars in thousands</b>                        | <b>2011</b> | <b>2010</b> |
|----------------------------------------------------|-------------|-------------|
| Interest in Carpenter Technology Master Trust Fund | \$ 168,933  | **          |
| Standish Mellon Stable Value Fund                  | **          | 81,398      |
| Carpenter Technology Stock Fund                    | **          | 67,756      |
| Vanguard 500 Index Fund                            | 58,833      | 60,509      |
| PIMCO Total Return Fund                            | 36,641      | 36,654      |
| American Funds EuroPacific Growth Fund             | 25,432      | 33,714      |
| Vanguard Mid-Cap Index Fund                        | *           | 23,275      |

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\* does not represent 5% of investments for this year

\*\* investment did not exist for this year

**Note 4. Investment in the Carpenter Technology Master Trust Fund**

Effective April 1, 2011, the Company established the Carpenter Technology Master Trust Fund (the "Master Trust") to hold certain investments of the Company's participating plans, which include the Plan and the Savings Plan of Amega West Services, LLC. The Master Trust maintains a separate account for each of the participating Plans' assets and liabilities held. As of December 31, 2011, the Plan's interest in the net assets of the Master Trust was 99.99%.

The Master Trust is invested in two funds—the Carpenter Technology Stock Fund and the Standish Mellon Stable Value Fund. The Carpenter Technology Stock Fund holds investments in the common stock of the Company.

Table of Contents*Savings Plan of Carpenter Technology Corporation***Notes to Financial Statements****Note 4. Investment in the Carpenter Technology Master Trust Fund (Continued)**

The total assets of the Master Trust are as follows as of December 31:

| <b>Dollars in thousands</b>                                                                    | <b>2011</b> | <b>2010</b> |
|------------------------------------------------------------------------------------------------|-------------|-------------|
| Investments, at fair value:                                                                    |             |             |
| Standish Mellon Stable Value Fund                                                              |             |             |
| Monumental Life (Aegon)                                                                        | \$ 32,157   | \$          |
| Natixis Financial Products                                                                     | 26,932      |             |
| ING Life & Annuity Co                                                                          | 1,529       |             |
| Prudential                                                                                     | 1,505       |             |
| Metropolitan                                                                                   | 1,008       |             |
| United of Omaha                                                                                | 13,432      |             |
| Prudential                                                                                     | 8,671       |             |
| JP Morgan Chase Bank                                                                           | 1,627       |             |
| Bank of America, N.A.                                                                          | 1,020       |             |
| Mellon Trust of New England                                                                    | 8,623       |             |
| Total Standish Mellon Stable Value Fund                                                        | 96,504      |             |
| Carpenter Technology Corporation Stock Fund                                                    | 72,449      |             |
| Assets in Master Trust, at fair value                                                          | 168,953     |             |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (2,655)     |             |
| Net assets in Master Trust                                                                     | \$ 166,298  | \$          |

Table of Contents*Savings Plan of Carpenter Technology Corporation***Notes to Financial Statements****Note 4. Investment in the Carpenter Technology Master Trust Fund (Continued)**

The total investment income of the Master Trust for the period ended December 31, 2011 was as follows:

**Dollars in thousands**

|                                                |    |        |
|------------------------------------------------|----|--------|
| Investment income:                             |    |        |
| Net appreciation in fair value of investments: |    |        |
| Carpenter Technology Corporation Stock Fund    | \$ | 15,624 |
| Interest and dividends:                        |    |        |
| Standish Mellon Stable Value Fund              |    | 1,458  |
| Carpenter Technology Corporation Stock Fund    |    | 808    |
| Total investment income                        | \$ | 17,890 |

**Note 5. Standish Mellon Stable Value Fund**

As of December 31, 2010, the Plan was invested in the Standish Mellon Stable Value Fund. The following chart shows the underlying assets of the fund at December 31, 2010. The Standish Mellon Stable Value Fund was transferred to the Master Trust on April 1, 2011.

| <b>Dollars in thousands<br/>2010</b> | <b>Major<br/>Credit<br/>Ratings</b> | <b>Investment<br/>at Fair<br/>Value</b> | <b>Adjustment<br/>to Contract<br/>Value</b> | <b>Contract<br/>Value</b> |
|--------------------------------------|-------------------------------------|-----------------------------------------|---------------------------------------------|---------------------------|
| Monumental Life (Aegon)              | AA/Aa2                              | \$ 30,752                               | \$ (741)                                    | \$ 30,011                 |
| Natixis Financial Products           | AA/Aa2                              | 25,712                                  | (685)                                       | 25,027                    |
| Metropolitan                         | AA-/Aa3                             | 1,539                                   | (23)                                        | 1,516                     |
| Prudential                           | AA-/A2                              | 1,542                                   | (32)                                        | 1,510                     |
| JP Morgan Chase Bank                 | AAA/Aaa                             | 5,678                                   | (101)                                       | 5,577                     |
| United of Omaha                      | AAA/Aaa                             | 5,566                                   | (46)                                        | 5,520                     |
| Bank of America, N.A.                | AAA/Aaa                             | 3,723                                   | (66)                                        | 3,657                     |
| TBC Inc Pooled Daily Liquidity       | N/A                                 | 6,886                                   |                                             | 6,886                     |
| Total Fund                           |                                     | \$ 81,398                               | \$ (1,694)                                  | \$ 79,704                 |

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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 6. Fair Value Measurements**

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

- Level 1 Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement in its entirety. There have been no changes in the methodology used at December 31, 2011 and 2010.

Valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following is a description of the valuation methodologies used for assets measured at fair value.

*Registered Investment Companies:* Valued at closing price reported on the active market on which the individual securities are traded.

*Carpenter Technology Stock Fund:* Valued at closing price of the Company's common stock as reported on the active market on which the securities are traded. These investments were transferred to the Master Trust effective April 1, 2011.





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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 6. Fair Value Measurements (Continued)**

*Standish Mellon Stable Value Fund:* This fund invests in high credit quality fixed income securities within contracts that are intended to minimize market volatility and guaranteed investment contracts issued by financial institutions which are backed by investment-grade, fixed-income securities and bond mutual funds, and money market securities. These investments are valued based on the fair value of the underlying assets which consists of short-term investment funds, Traditional Guaranteed Investment Contracts (GICs), Fixed Maturity Synthetic Guaranteed Investment Contracts and Constant Duration Synthetic Guaranteed Investment Contracts as follows:

Short-term investment funds are valued based on quoted market values reported on active markets on which the individual securities are traded.

Traditional guaranteed investment contracts ( GICs ) are unsecured, general account obligations of insurance companies backed by the general account assets of the insurance company that writes the investment contract. The fair values for traditional GICs are calculated using the present value for the contract 's future cash flows discounted by comparable duration.

Fixed maturity synthetic guaranteed investment contracts ( GICs ) consist of an asset or collection of assets that are owned by the fund and a benefit responsive, book value wrap contract purchased for the portfolio. The fair values for fixed maturity GICs are calculated using the sum, of all the underlying assets market values based on market values reported on active markets on which the individual securities are traded. However, the individual contracts are not actively traded.

Constant duration synthetic guaranteed investment contracts consist of a portfolio of securities owned by the fund and a benefit responsive, book value wrap contract purchased for the portfolio. The fair values for constant duration synthetic GICs are determined by reference to the net asset values reported by the investment managers holding the funds.

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The following tables set forth the Plan's assets that are measured at fair value on a recurring basis, as of December 31, 2011 and 2010. The information presented for December 31, 2011 for the Master Trust represents the total assets in the Master Trust.

| Dollars in thousands<br>2011                  | Level 1   | Level 2   | Level 3 | Total<br>Fair Value |
|-----------------------------------------------|-----------|-----------|---------|---------------------|
| <b>Registered investment companies</b>        |           |           |         |                     |
| Short-term reserve funds                      | \$ 15,454 | \$        | \$      | \$ 15,454           |
| Bond funds                                    | 36,641    |           |         | 36,641              |
| Balanced funds                                | 64,272    |           |         | 64,272              |
| Domestic equity funds                         | 131,633   |           |         | 131,633             |
| International equity funds                    | 28,401    |           |         | 28,401              |
| Total registered investment companies         | 276,401   |           |         | 276,401             |
| <b>Carpenter Technology Master Trust Fund</b> |           |           |         |                     |
| Carpenter Technology Stock Fund               | \$ 72,449 | \$        | \$      | \$ 72,449           |
| <b>Standish Mellon Stable Value Fund</b>      |           |           |         |                     |
| Short-term investment funds                   | 8,623     |           |         | 8,623               |
| Traditional GICs                              |           | 4,042     |         | 4,042               |
| Fixed maturity synthetic GICs                 |           | 16,079    |         | 16,079              |
| Constant duration synthetic GICs              |           | 67,760    |         | 67,760              |
| Total Standish Mellon Stable Value Fund       | 8,623     | 87,881    |         | 96,504              |
| Total Carpenter Technology Master Trust Fund  | \$ 81,072 | \$ 87,881 | \$      | \$ 168,953          |

Table of Contents*Savings Plan of Carpenter Technology Corporation***Notes to Financial Statements****Note 6. Fair Value Measurements (Continued)**

| 2010                                    | Level 1    | Level 2   | Level 3 | Total<br>Fair Value |
|-----------------------------------------|------------|-----------|---------|---------------------|
| Registered investment companies         |            |           |         |                     |
| Short-term reserve funds                | \$ 14,118  | \$        | \$      | \$ 14,118           |
| Bond funds                              | 36,654     |           |         | 36,654              |
| Balanced funds                          | 55,232     |           |         | 55,232              |
| Domestic equity funds                   | 142,268    |           |         | 142,268             |
| International equity funds              | 38,394     |           |         | 38,394              |
| Total registered investment companies   | 286,666    |           |         | 286,666             |
| Carpenter Technology Stock Fund         | 67,756     |           |         | 67,756              |
| Standish Mellon Stable Value Fund       |            |           |         |                     |
| Short-term investment funds             | 6,886      |           |         | 6,886               |
| Traditional GICs                        |            | 3,081     |         | 3,081               |
| Fixed maturity synthetic GICs           |            | 14,967    |         | 14,967              |
| Constant duration synthetic GICs        |            | 56,464    |         | 56,464              |
| Total Standish Mellon Stable Value Fund | 6,886      | 74,512    |         | 81,398              |
| Total investments at fair value         | \$ 361,308 | \$ 74,512 | \$      | \$ 435,820          |

**Note 7. Investment Contracts**

A portion of the Plan's assets were invested in fully benefit-responsive investment contracts through its investment in the Standish Mellon Stable Value Fund as of December 31, 2010, which was transferred to the Master Trust effective April 1, 2011. Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to 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. Contract value, as reported to the Plan, represents contributions made to the fund, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The Statements of Net Assets Available for Benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 7. Investment Contracts (Continued)**

There were no reserves against contract value for credit risk of the underlying investments of the fund. The crediting interest rate was based on a formula agreed upon with the various issuers. The fully benefit-responsive investments had minimum crediting interest rates, which reset periodically.

Certain events limited the ability of the Plan to transact at contract value with the various issuers. Such events included the following: (1) amendments to the plan documents (including complete or partial plan termination or merger with another plan), (2) changes to plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the plan sponsor or other plan sponsor events (for example, divestitures or spin-offs of a subsidiary) that cause a significant withdrawal from the plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA. The Company does not believe that any events which would limit the plan's ability to transact at contract value with participants are probable of occurring.

The underlying fully benefit-responsive investment contracts did not permit the insurance companies to terminate the agreements prior to the scheduled maturity dates.

|                                                      | 2011  | 2010  |
|------------------------------------------------------|-------|-------|
| Average Yields of Standish Mellon Stable Value Fund: |       |       |
| Based on actual earnings                             | 2.48% | 2.93% |
| Based on interest rate credited to participants      | 2.59% | 3.04% |

**Note 8. Related Parties and Party-in-Interest Transactions**

Certain funds within the Plan are invested in shares of registered investment companies managed by Vanguard Fiduciary Trust Company, an affiliate of The Vanguard Group. The Vanguard Group is the Plan's Trustee, as defined by the Plan. The Company also issues loans to participants, which are secured by the participant's account balance. These transactions qualify as party-in-interest transactions. Fees paid by the Plan in 2011 to the Trustee for investment management services related to these funds amounted to \$152,000.

The Carpenter Technology Stock Fund held in the Master Trust at December 31, 2011 is invested in shares of Carpenter Technology Corporation, the Plan Sponsor, therefore these transactions qualify as related party and party-in-interest transactions. Fees paid to the Trustee by the Plan in 2011 for investment management services related to this fund amounted to \$11,000. In addition, total purchases and sales, at market value, for 2011 were \$55,342,000 and \$70,521,000 respectively. The Carpenter Technology Stock Fund included 1,407,020 and 1,683,799 of equivalent shares as of December 31, 2011 and 2010, respectively.



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*Savings Plan of Carpenter Technology Corporation*

**Notes to Financial Statements**

**Note 9. Plan Termination**

The Company has the right under the Plan to discontinue or change its contributions at any time and to terminate the Plan subject to the provisions of ERISA and any contractual obligations.

**Note 10. Tax Status**

The Plan obtained its latest determination letter dated March 21, 2003 from the Internal Revenue Service ( IRS ) informing the Company that the Plan and related trust are designed in compliance with Section 401(a) of the Internal Revenue Code ( IRC ). Although the Plan has been amended since receiving the determination letter, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Company believes that the related trust is exempt from federal income tax under applicable provisions of the IRC. Therefore, the financial statements contain no provision for income taxes. The Plan filed for a new determination letter in January 2011, which is pending from the IRS.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not 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, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

**Note 11. Risks and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain 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 participants' account balances and the amounts reported in the statements of net assets available for benefits.

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According to the terms of enrollment guidelines in the Plan, participant contribution rates are automatically increased by 1% each year up to a maximum of 10% or the IRS limit. Participants can elect a higher annual increase and can also elect to change or stop the annual increases at any time. In January 2011, the Plan Sponsor failed to execute the automatic increase for approximately 125 participants. The Company plans to file a Voluntary Correction Program submission (the VCP submission) with the IRS, which further details this matter, including the plan for correction.

The expected cost of correction for past due amounts is currently estimated at \$39,000, which includes an amount for past due contributions and lost earnings. The contributions and lost earnings due to participants will be funded by the Plan Sponsor.

**Note 13. Reconciliation of Financial Statements to Form 5500**

The following is a reconciliation of net assets available and investment income per the financial statements to the Form 5500:

| <b>Dollars in thousands</b>                                                                    | <b>2011</b> | <b>December 31,</b> | <b>2010</b> |
|------------------------------------------------------------------------------------------------|-------------|---------------------|-------------|
| Net assets available for benefits, at contract value, per the financial statements             | \$          | 453,477             | \$ 445,926  |
| Adjustment from contract value to fair value for fully benefit-responsive investment contracts |             | 2,655               | 1,694       |
| Net assets available for benefits, at fair value, per Form 5500                                | \$          | 456,132             | \$ 447,620  |

|                                                                                                          | <b>Year Ended</b>   |
|----------------------------------------------------------------------------------------------------------|---------------------|
|                                                                                                          | <b>December 31,</b> |
|                                                                                                          | <b>2011</b>         |
| Investment income, per the financial statements                                                          | \$ 20,169           |
| Interest from notes receivable from participants                                                         | 533                 |
| Change in adjustment from contract value to fair value for fully benefit-responsive investment contracts | 961                 |
| Investment income, per Form 5500                                                                         | \$ 21,663           |



Table of Contents*Savings Plan of Carpenter Technology Corporation*

Schedule of Assets (Held at End of Year) EIN: 23-0458500

Form 5500 - Schedule H - Line 4i (1 of 2) PN: 020

December 31, 2011

| (a) | (b)<br>Identity of Issue, Borrower,<br>Lessor or Similar Party | (c)<br>Description of Investment,<br>Including Maturity Date, Interest Rate,<br>Collateral, Par or Maturity Value | (e)<br>Current<br>Value |
|-----|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------|
|     | Registered Investment Companies:                               |                                                                                                                   |                         |
| *   | Vanguard                                                       | Vanguard 500 Index Fund                                                                                           | 58,833,000              |
|     | PIMCO                                                          | PIMCO Total Return Fund                                                                                           | 36,641,000              |
|     | American Funds                                                 | American Funds EuroPacific Growth Fund                                                                            | 25,432,000              |
| *   | Vanguard                                                       | Vanguard Mid-Cap Index Fund                                                                                       | 20,279,000              |
|     | American Funds                                                 | American Balanced Fund                                                                                            | 16,676,000              |
| *   | Vanguard                                                       | Vanguard Target Retirement 2015 Fund                                                                              | 15,618,000              |
| *   | Vanguard                                                       | Vanguard Prime Money Market Fund                                                                                  | 15,454,000              |
|     | Artisan Funds                                                  | Artisan Mid Cap Value Fund                                                                                        | 13,190,000              |
| *   | Vanguard                                                       | Vanguard Target Retirement 2025 Fund                                                                              | 13,124,000              |
|     | Loomis Sayles                                                  | Loomis Sayles Value Fund                                                                                          | 12,277,000              |
| *   | Vanguard                                                       | Vanguard Small-Cap Index Fund                                                                                     | 7,846,000               |
| *   | Vanguard                                                       | Vanguard Target Retirement 2035 Fund                                                                              | 7,250,000               |
| *   | Vanguard                                                       | Vanguard PRIMECAP Fund                                                                                            | 7,012,000               |
| *   | Vanguard                                                       | Vanguard Target Retirement 2045 Fund                                                                              | 5,299,000               |
| *   | Vanguard                                                       | Vanguard Small-Cap Value Index Fund                                                                               | 4,883,000               |
| *   | Vanguard                                                       | Vanguard Small-Cap Growth Index Fund                                                                              | 3,809,000               |
|     | T. Rowe Price                                                  | TRP Spectrum Growth Fund                                                                                          | 3,505,000               |
| *   | Vanguard                                                       | Vanguard Target Retirement Income Fund                                                                            | 3,235,000               |
| *   | Vanguard                                                       | Vanguard International Stock Index Fund                                                                           | 2,969,000               |
| *   | Vanguard                                                       | Vanguard Target Retirement 2005 Fund                                                                              | 2,883,000               |
| *   | Vanguard                                                       | Vanguard Target Retirement 2055 Fund                                                                              | 186,000                 |
|     | Total Registered Investment Companies                          |                                                                                                                   | 276,401,000             |
| *   | Participant Loans                                              | Loans to Participants<br>Interest rates range from 4.25% to 10.5%                                                 | 10,798,000              |

*Historical cost has not been presented for investment funds, as all investments are participant directed*

\* Party-in-Interest

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, Carpenter Technology Corporation has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

SAVINGS PLAN OF CARPENTER  
TECHNOLOGY CORPORATION  
(Name of Plan)

Date: June 28, 2012

By: /s/ K. Douglas Ralph  
K. Douglas Ralph  
Senior Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

| <b>Exhibit<br/>No</b> | <b>Description</b>                                       |
|-----------------------|----------------------------------------------------------|
| 23.1                  | Consent of Independent Registered Public Accounting Firm |