

UNITED TECHNOLOGIES CORP /DE/

Form 11-K

June 23, 2006

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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, 2005

Commission File Number 1-812

**UNITED TECHNOLOGIES CORPORATION
EMPLOYEE SAVINGS PLAN**

UNITED TECHNOLOGIES CORPORATION

One Financial Plaza

Hartford, Connecticut 06103

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UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

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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, 2005 and December 31, 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 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 23, 2006

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UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Statements of Net Assets Available for Benefits

(Thousands of Dollars)

	December 31,	December 31,
	2005	2004
Assets:		
Investments, at fair value (Notes 3 through 6)	\$ 12,464,265	\$ 11,813,387
Contributions receivable:		
Participants	553	578
Employer s	58	35
	611	613
Net Assets Available for Benefits	\$ 12,464,876	\$ 11,814,000

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

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UNITED TECHNOLOGIES CORPORATION

EMPLOYEE SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits

(Thousands of Dollars)

	Year Ended December 31, 2005
Additions to net assets attributed to:	
Investment Income:	
Plan interest in net appreciation and investment income of Master Trust (Note 6)	\$ 927,804
Contributions:	
Participants	274,209
Employer s	19,741
Total additions	1,221,754
Deductions from net assets attributed to:	
Distributions to participants	(549,166)
Interest expense	(28,389)
Administrative expenses	(1,862)
Total deductions	(579,417)
Net increase prior to transfers	642,337
Plan transfers:	
Assets transferred into Plan	8,564
Assets transferred (out) of Plan	(25)
Net transfers	8,539
Net increase	650,876
Net Assets Available for Benefits, December 31, 2004	11,814,000
Net Assets Available for Benefits, December 31, 2005	\$ 12,464,876

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

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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). 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. Participants are eligible for matching employer contributions after one year of service. The following is a brief description of the Plan. For more complete information, participants should refer to the prospectus and summary plan description as well as the Plan document which are available from UTC.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Contributions and Vesting. The percentages of total compensation participants may elect to contribute, through payroll deductions, varies 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. The Plan offers nine mutual funds, seven commingled index funds, one stable value fund, and a company stock fund as investment options to participants. The Plan 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.

Generally, UTC matches up to 60 percent of a participant's contributions, up to specified limits, in 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 42.5 million shares of Common Stock on November 6, 2003. Subsequent to the ESOP share conversion, UTC established policies that increased Plan participants' rights to diversify their ESOP shares into one or more of the Plan's other investment alternatives. Prior to this change, diversification was generally permitted only at age 55 or later. For existing ESOP accounts, UTC established a three-year phase-in period beginning on January 1, 2004 and ending on December 31, 2006 to permit investment reallocation of Common Stock into other investment options offered by the Plan, without regard to the age of the participant. Existing ESOP account balances of those Plan participants under the age of 54 as of December 31, 2003 would become increasingly available for investment diversification at the rate of 1/36 per month until 100 percent becomes subject to investment diversification at the end of the three-year transition period. For Plan participants 54 years of age or older at December 31, 2003, 50 percent of ESOP shares allocated to their respective accounts became immediately available for diversification beginning on January 1, 2004 with an additional 1/24th of all remaining shares becoming available for diversification on a monthly basis over a two-year phase-in period beginning on January 1, 2005 and fully completed by December 31, 2006. 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 the (a) 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' nonvested employer contribution amounts are used to reduce future UTC contributions and/or to pay Plan expenses. For the year ended December 31, 2005, approximately \$442,000 of forfeitures were used to fund UTC's contributions.

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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.

Trustee and Recordkeeper. The Plan trustee holds all of the Plan's assets. State Street Bank and Trust is the Plan trustee. Fidelity Institutional Retirement Services Company (Fidelity) provides participant account recordkeeping services.

Participant Loans. Participants are allowed to borrow up to 50 percent of their vested account balances (excluding their ESOP Restricted account balance). Loan amounts range from \$1,000 to \$50,000 and must be repaid within 5 years. The loans are secured by the balance in the participant's account and bear interest at prime rate plus one percent per The Wall Street Journal, which ranged from 5.0 percent to 10.0 percent for loans outstanding at December 31, 2005. 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 investment options may be paid in shares of UTC Common Stock instead of cash. Distributions in UTC Common Stock for the year ended December 31, 2005 were approximately \$31,435,000.

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 United Technologies Corporation Employee Savings Plan Master Trust (the Master Trust) maintained by the Plan's 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 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 from the funds' investments, other than the UTC Common Stock Fund and ESOP Common Stock, increases the participating plans' unit values. UTC Common Stock Fund and ESOP Common Stock 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 6).

Investment Valuation and Income Recognition. The Income Fund's investments in fully benefit-responsive investment contracts with insurance companies (see Notes 5 and 14) are stated at contract value, which approximates fair value. Contract value includes contributions plus earnings, less Plan withdrawals and expenses. All other funds are stated at net asset value per unit or share as determined by the Trustee utilizing published market data, as applicable. Participant loans are valued at cost.

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

Plan Expenses. Plan administrative expenses, including Plan trustee and a portion of the recordkeeper fees, were paid directly by the employer in 2005. Participants in 2005 paid a portion of recordkeeper fees. All other administrative, investment management fees and other investment expenses were paid out of Plan assets during 2005.

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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 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. 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. 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 and the statement of changes in net assets available for benefits.

NOTE 3 - INVESTMENTS

The following presents the Plan's participation in Master Trust investments that represent 5 percent or more of the Plan's net assets:

(Thousands of Dollars, except unit amounts)	December 31,	
	2005	2004
Equity Fund, 29,945,503 and 32,028,967 units, respectively	\$ 918,728	\$ 936,207
UTC Common Stock Fund, 23,022,147 and 21,040,343 units, respectively	\$ 865,633	\$ 733,046
UTC ESOP Fund, 206,775,167 and 216,802,237 units, respectively	\$ 2,603,299*	\$ 2,523,578*
Income Fund, 47,818,157 and 49,088,275 units, respectively	\$ 5,065,856	\$ 4,927,481

* Non participant-directed Represents only the allocated assets of the ESOP

During 2005 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

(Thousands of Dollars)	
ESOP Fund	\$ 319,985
UTC Common Stock Fund	70,353
Other Funds	125,981
	\$ 516,319

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

(Thousands of Dollars)	December 31,					
	Allocated	2005 Unallocated	Total	Allocated	2004 Unallocated	Total
Assets:						
Short-term Investments	\$ 30,561	\$	\$ 30,561	\$ 34,244	\$	\$ 34,244
Common Stock	2,565,369	1,634,474	4,199,843	2,489,334	1,601,116	4,090,450
ESOP Receivables	7,369	173,349	180,718		165,755	165,755
Total Assets	2,603,299	1,807,823	4,411,122	2,523,578	1,766,871	4,290,449
Liabilities:						
Accrued ESOP Interest		(1,554)	(1,554)		(1,650)	(1,650)
ESOP Debt		(130,800)	(130,800)		(164,000)	(164,000)
Notes Payable to UTC		(255,033)	(255,033)		(231,933)	(231,933)
Total Liabilities		(387,387)	(387,387)		(397,583)	(397,583)
Net Assets	\$ 2,603,299	\$ 1,420,436	\$ 4,023,735	\$ 2,523,578	\$ 1,369,288	\$ 3,892,866

	Year Ended December 31, 2005		
	Allocated	Unallocated	Total
Additions:			
Interest and dividend income	\$ 40,842	\$ 28,100	\$ 68,942
Contributions		12,238	12,238
Allocation of ESOP shares, at market	82,735		82,735
Net appreciation of ESOP shares	198,051	121,934	319,985
Total Additions	321,628	162,272	483,900
Deductions:			
Distributions to participants	(82,875)		(82,875)
Interest expense		(28,389)	(28,389)
Transfers to participant-directed investments	(159,032)		(159,032)
Allocation of ESOP shares, at market		(82,735)	(82,735)
Total Deductions	(241,907)	(111,124)	(353,031)
Net increase	79,721	51,148	130,869
Net assets:			
Beginning of Year	2,523,578	1,369,288	3,892,866
End of Year	\$ 2,603,299	\$ 1,420,436	\$ 4,023,735

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NOTE 5 - INVESTMENT CONTRACTS WITH INSURANCE COMPANIES

The Plan's Income Fund invests in investment contracts with insurance companies. 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 weighted average interest rates credited to participant accounts for 2005 and 2004 were 5.5 percent and 5.4 percent, respectively. There are no reserves against contract value for credit risk. The guaranteed contract value is \$5,995,000,000 and the market value of the underlying Master Trust assets is \$6,150,000,000 as of December 31, 2005.

NOTE 6 - 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 along with income that the investment funds may earn, less distributions made to the Plans' participants. As of December 31, 2005 and 2004, the Plan's interest in the net assets of the Master Trust was approximately 89 percent and 89 percent, respectively.

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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**Master Trust Statements of Net Assets**

(Thousands of Dollars)

	December 31,					
	Allocated	2005 Unallocated	Total	Allocated	2004 Unallocated	Total
Assets:						
Short-term investments	\$ 63,183	\$	\$ 63,183	\$ 64,251	\$	\$ 64,251
Investments:						
Equity:						
Mutual funds	1,214,028		1,214,028	1,023,561		1,023,561
Equity commingled index funds	1,532,043		1,532,043	1,466,502		1,466,502
Common stock	3,611,273	1,634,474	5,245,747	3,361,344	1,601,116	4,962,460
Debt:						
Fixed income commingled index funds	29,483		29,483	27,634		27,634
Income fund investment contracts	5,995,452		5,995,452	5,833,780		5,833,780
Participant notes receivable	104,446		104,446	95,615		95,615
Subtotal	12,549,908	1,634,474	14,184,382	11,872,687	1,601,116	13,473,803
ESOP receivables	7,369	173,349				