

PACCAR INC
Form 11-K
June 23, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 11-K

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

For the fiscal year ended December 31, 2005

OR

**o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 0-6394

PACCAR INC SAVINGS INVESTMENT PLAN
(Full title of plan)

PACCAR Inc
777 106th Avenue, N.E.
Bellevue, Washington 98004
(Name of issuer of securities held pursuant to the
plan and address of its principal executive office)

REQUIRED INFORMATION

A. Financial Statements and Schedules:

Report of Independent Registered Public Accounting Firm

Audited Financial Statements:

Statements of Net Assets Available for Benefits
Statement of Changes in Net Assets Available for Benefits
Notes to Financial Statements

Supplemental Schedules:

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

B. Exhibits

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Consent of Independent Registered Public Accounting Firm

SIGNATURES

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

Date June 23, 2006

PACCAR INC SAVINGS INVESTMENT PLAN

By:

/s/ G. V. Huffman
G. V. Huffman
Acting Human Resources Manager
PACCAR Inc

Financial Statements and Schedules

PACCAR Inc Savings Investment Plan
December 31, 2005 and 2004 and Year Ended December 31, 2005
With Report of Independent Registered Public Accounting Firm

PACCAR Inc
Savings Investment Plan

Financial Statements and Supplemental Schedules

**December 31, 2005 and 2004 and
Year Ended December 31, 2005**

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Report of Independent Registered Public Accounting Firm

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Schedule H, Line 4j – Schedule of Reportable Transactions

Report of Independent Registered Public Accounting Firm

The Administrator of the
PACCAR Inc Savings Investment Plan

We have audited the accompanying statements of net assets available for benefits of the PACCAR Inc Savings Investment Plan as of December 31, 2005 and 2004, and the related statement of changes in net assets available for benefits for the year ended December 31, 2005. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of the Plan's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the year ended December 31, 2005, in conformity with accounting principals 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 schedules of assets (held at end of year) as of December 31, 2005, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

May 20, 2006

/s/ Ernst & Young LLP

PACCAR Inc
Savings Investment Plan

Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

	2005	2004
Assets		
Investments, at fair value:		
Money market funds	\$ 148,455	\$ 147,269
Commingled trust funds	188,928,995	198,598,259
Mutual funds	332,247,343	293,857,358
Common stock	715,835,009	822,110,445
Participant loans	30,500,941	29,706,719
Total investments	1,267,660,743	1,344,420,050
Dividends receivable	20,721,038	20,416,424
Due from broker for securities sold	987,741	404,652
Total assets	1,289,369,522	1,365,241,126
Liabilities		
Accrued expenses	41,380	43,690
Net assets available for benefits	\$ 1,289,328,142	\$ 1,365,197,436

See accompanying notes.

PACCAR Inc

Savings Investment Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2005

Additions	
Investment income:	
Interest and dividends	\$ 44,507,775
Contributions:	
Company	17,072,384
Participants	36,202,879
	53,275,263
Total additions	97,783,038
Deductions	
Net depreciation in fair value of investments	90,570,547
Benefits paid to participants	82,866,860
Administrative expenses	214,925
Total deductions	173,652,332
Net decrease	(75,869,294)
Net assets available for benefits at beginning of year	1,365,197,436
Net assets available for benefits at end of year	\$ 1,289,328,142

PACCAR Inc
Savings Investment Plan

Notes to Financial Statements

1. Description of the Plan

The PACCAR Inc Savings Investment Plan (the Plan) is a defined contribution plan covering substantially all nonunion U.S. employees of PACCAR Inc and its U.S. subsidiaries (the Company). Such employees are eligible to participate in the Plan after completion of 30 days of service. Participants are eligible to receive employer contributions after one year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code of 1986 (the Code). This description of the Plan provides only general information. Participants should refer to the Plan document for a complete description of the Plan's provisions.

Contributions

Participants may elect to contribute not less than 1% and not more than 35% of their respective annual compensation (as defined in the Plan document) subject to the Internal Revenue Service-mandated annual maximum of \$14,000 and \$13,000 for 2005 and 2004, respectively. Participant contributions to the Plan are excluded from the participants' current taxable earnings in accordance with Code Section 401(k). Beginning in 2002, catch-up contributions were made available under the Plan for those participants age 50 and older. The maximum annual catch-up contribution for 2005 and 2004 was \$4,000 and \$3,000, respectively.

For eligible participants that are actively employed at December 31 of each year, the Company matches participant contributions (other than age 50 catch-up deferrals) to the lesser of 5% of the participants' respective annual compensation or their annual salary deferrals. In certain cases, as described in the Plan document, employees who terminated during the year will be eligible to receive matching contributions. Company matches contributions in the form of PACCAR Inc common stock. The Company may suspend or reduce its contributions when its Consolidated Net Earnings are less than 8% of the Company's Capital Base, as defined by the Plan.

Participant Accounts

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

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Vesting

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

Investment Options

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

Effective April 1, 2005, participants age 50 or older with five or more years of service have the ability to make an unlimited number of transfers, at any time, of some or all of their Company matching contribution balances held in PACCAR Inc common stock into any of the other investment fund options within the Plan.

Effective April 1, 2005, PACCAR Inc amended and restated the Plan to provide that a portion of the Plan will constitute an employee stock ownership plan within the meaning of IRC Section 4975(e)(7). Effective July 1, 2005, participants can choose to reinvest dividends in PACCAR Inc common stock or the participants can elect to receive the dividends in cash.

Participant Loans

Actively employed participants may borrow from their individual accounts a minimum of \$1,000, up to the lesser of \$50,000 reduced by the highest outstanding loan balance during the previous 12 months, 50% of the participants' total account balance, or the participants' total account balance excluding Company matching contributions in the PACCAR Inc common stock fund and related earnings. Loan terms range from 1 to 5 years, or up to 15 years for the purchase of a primary residence, and early payoffs can be made without penalty. The loans are secured by the balance in the participant's account and bear interest at a fixed rate equal to the prime rate plus 1%, determined as of the loan date. Interest rates ranged from 5.0% to 10.5% on loans outstanding as of December 31, 2005. Principal and interest are repaid either through after-tax payroll deductions or by personal check sent directly to Fidelity Management Trust Company (the Trustee). Loans outstanding will not affect the amount of annual matching contributions the Company pays to participants' accounts. The number of loans that a participant can take is limited to two new loans per calendar year.

Benefit Payments

Participants who leave the Company may choose a single cash payment or whole shares of PACCAR Inc common stock included in the participant's account, plus a cash payment for the remaining balance. Participants that leave the Company whose account balance is less than \$5,000 will automatically receive a single cash payment. Effective March 28, 2005, this threshold was lowered so that participants whose balance is less than \$1,000 will automatically receive a cash payment. Also, active employees who reach age 70½ have the additional options of electing to have their account balance distributed to them or to receive minimum required distributions.

Plan Termination

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

Expenses

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

2. Summary of Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. The fair value of the participation units owned by the Plan in mutual funds is based on the mutual funds' quoted market prices, which represent the net asset value of the underlying investments as reported by the mutual funds on the last business day of the Plan year. The fair value of participation units in commingled trust funds are based on the quoted market price of the underlying securities and the number of units owned by the Plan at year-end. Investments in securities traded on a national securities exchange are valued at their market prices on the last business day of the Plan year. The money market fund is valued at cost, which approximates fair value. Participant loans are recorded at their outstanding balances.

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

Use of Estimates

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

Risks and Uncertainties

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

3. Investments

Assets held in the Plan are managed and investment transactions are executed by Fidelity Management Trust Company or other outside mutual fund companies.

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During 2005, the Plan's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

	Net Appreciation (Depreciation) in Fair Value of Investments
Year Ended December 31, 2005	
Fidelity commingled trust funds:	
U.S. Equity Index Commingled Pool	\$ 3,741,402
Fidelity mutual funds:	
Contrafund	19,030,750
Asset Manager	(346,393)
Asset Manager: Growth	735,347
Asset Manager: Income	231,645
Freedom Income	3,768
Freedom 2000	9,562
Freedom 2010	233,384
Freedom 2020	317,858
Freedom 2030	142,358
Freedom 2040	109,082
Other mutual funds:	
PIMCO Total Return Fund: Administrative Class	94,970
PIMCO Total Return Fund: Institutional Class	(286,387)
Morgan Stanley Institutional Fund, Inc:	
International Equity Portfolio Class A	(197,361)
International Equity Portfolio Class B	(137,852)
JP Morgan Mid Cap Value Fund: Institutional Class	1,463,074
Other investments:	
PACCAR Inc common stock	(115,715,754)
	\$ (90,570,547)

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Investments that represent 5% or more of the fair value of the Plan's net assets are as follows:

	December 31 2005	2004
PACCAR Inc common stock*	\$ 715,835,009	\$ 822,110,445
Contrafund	158,255,733	139,268,140
U.S. Equity Index Commingled Pool	82,467,574	86,036,590
Managed Income Portfolio II Class 2	106,461,421	112,561,669

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

4. Non-participant Directed Investments

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

	December 31 2005	2004
Investments in PACCAR Inc common stock at fair value	\$ 715,835,009	\$ 822,110,445
Dividends receivable	20,721,038	20,416,424
Less accrued expenses	(3,208)	(2,044)
	\$ 736,552,839	\$ 842,524,825

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	Year Ended December 31, 2005
Changes in net assets:	
Contributions	\$ 23,124,374
Dividends	29,388,777
Net depreciation in fair value	(115,715,754)
Net transfers to other participant directed investments	(9,584,063)
Benefits paid to participants	(33,638,937)
Net participant loan repayments	453,617
	\$ (105,971,986)

5. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated October 2, 2002, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. On December 16, 2002, the Plan was amended and restated effective January 1, 2002 to comply with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended and restated, is qualified and the related trust is tax exempt.

6. Transactions With Parties in Interest

The Plan invests in the common stock of the Plan's sponsor, PACCAR Inc, which is purchased by the Trustee on the open market at fair value. The Plan made purchases totaling \$71,539,250 and sales totaling \$97,295,684 of PACCAR Inc common stock during 2005. The Plan received dividends on this stock totaling \$29,084,163 in 2005. Dividends receivable as of December 31, 2005 and 2004 are \$20,721,038 and \$20,416,424, respectively.

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PACCAR Inc
Savings Investment Plan
EIN: 91-0351110 Plan Number: 002
Schedule H, Line 4i Schedule of Assets
(Held at End of Year)

December 31, 2005

(a)	(b) Identity of Issue, Fund, or Borrower	(c) Description of Investment	(d) Cost	(e) Current Value
Money market funds				
*	Fidelity Management Trust Company:			
	Retirement Money Market	148,455 units	(1) \$	148,455
Commingled trust funds:				
*	Fidelity Management Trust Company:			
	Managed Income Portfolio II Class 2	106,461,421 units	(1)	106,461,421
	U.S. Equity Index Commingled Pool	2,101,620 units	(1)	82,467,574
Mutual funds				
*	Fidelity Management Trust Company:			
	Contrafund	2,443,727 units	(1)	158,255,733
	Asset Manager	1,989,473 units	(1)	31,931,035
	Asset Manager: Growth	3,010,573 units	(1)	45,399,439
	Asset Manager: Income	1,593,835 units	(1)	20,448,909
	Freedom Income	35,996 units	(1)	409,270
	Freedom 2000	76,306 units	(1)	931,698
	Freedom 2010	579,490 units	(1)	8,141,839
	Freedom 2020	422,354 units	(1)	6,212,831
	Freedom 2030	193,703 units	(1)	2,909,420
	Freedom 2040	209,350 units	(1)	1,848,561
	PIMCO Total Return Fund:			
	Institutional Class	1,248,163 units	(1)	13,105,714
	Morgan Stanley Institutional Fund, Inc:			
	International Equity Portfolio-Class A	488,478 units	(1)	9,935,639
	JP Morgan Mid Cap Value Fund:			
	Institutional Class	1,387,500 units	(1)	32,717,255
Other investments				
*	PACCAR Inc common stock	10,339,953 shares	269,290,629	715,835,009
*	Participant loans	Maturing through October 14, 2020, interest rates 50% 10.5%	30,500,941	30,500,941
				\$ 1,267,660,743

* Indicates party in interest to the Plan.

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

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PACCAR Inc
Savings Investment Plan
EIN: 91-0351110 Plan Number: 002
Schedule H, Line 4j Schedule of Reportable Transactions
Year Ended December 31, 2005

(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain
Category (iii) Series of securities transactions aggregating in excess of 5% of Plan assets.						
PACCAR Inc	Common stock	\$ 71,539,250	\$	\$ 71,539,250	\$ 71,539,250	\$
	Common stock		97,295,684	61,718,751	97,295,684	35,576,933

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

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

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