MERITOR INC
Form 11-K
June 17, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2012

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: 1-15983

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

Meritor, Inc. Savings Plan
(formerly known as ArvinMeritor, Inc. Savings Plan)

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Meritor, Inc.
2135 West Maple Road
Troy, Michigan 48084

MERITOR, INC. SAVINGS PLAN
(FORMERLY KNOWN AS ARVINMERITOR, INC. SAVINGS PLAN)
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Report of Independent Registered Public Accounting Firm
To the Meritor, Inc. Employee Benefit Plan Committee
and Participants

We have audited the accompanying statements of net assets available for benefits of Meritor, Inc. Savings Plan (formerly known as ArvinMeritor, Inc. Savings Plan) (the "Plan") as of December 31, 2012 and 2011 and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of 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 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, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, 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 supplemental schedule of assets (held at end of year) as of December 31, 2012 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/ Plante & Moran, PLLC
Clinton Township, Michigan
June 14, 2013

MERITOR, INC. SAVINGS PLAN
(FORMERLY KNOWN AS ARVINMERITOR, INC. SAVINGS PLAN)

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| ASSETS | | |
| Participant-Directed Investments | | |
| Mutual funds | $201,627,950 | $174,983,843 |
| Common collective fund | 47,403,132 | 48,402,155 |
| Common stock | 30,465,757 | 28,567,261 |
| Total investments at fair value | 279,496,839 | 251,953,259 |
| Cash | 29,290 | 2,488 |
| Contributions receivable | 910,384 | 859,242 |
| Participant notes receivable | 5,687,391 | 5,940,251 |
| Net assets reflecting all investments at fair value | 286,123,904 | 258,755,240 |
| Adjustment from fair value to contract value for interest in common collective trust fund relating to fully benefit-responsive investment contracts | (1,953,879) | (1,688,008) |
| NET ASSETS AVAILABLE FOR BENEFITS | $284,170,025 | $257,067,232 |

See accompanying notes to financial statements.

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MERITOR, INC. SAVINGS PLAN
(FORMERLY KNOWN AS ARVINMERITOR, INC. SAVINGS PLAN)

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2012

| | |
|---|---|
| CONTRIBUTIONS | |
| Participant contributions | $14,638,347 |
| Employer contributions, net of forfeitures | 12,494,717 |
| Total contributions, net of forfeitures | 27,133,064 |
| INVESTMENT INCOME | |
| Dividends | 7,043,569 |
| Net appreciation in fair value of investments | 16,388,125 |
| Net investment income | 23,431,694 |
| Interest from participant notes receivable | 248,412 |
| Total additions | 50,813,170 |
| DEDUCTIONS | |
| Benefits paid to participants | (23,607,998) |
| Administrative expenses | (102,379) |
| Total deductions | (23,710,377) |
| INCREASE IN NET ASSETS | 27,102,793 |
| NET ASSETS AVAILABLE FOR BENEFITS | |
| Beginning of year | 257,067,232 |
| End of year | $284,170,025 |

See accompanying notes to financial statements.

MERITOR, INC. SAVINGS PLAN
(FORMERLY KNOWN AS ARVINMERITOR, INC. SAVINGS PLAN)

NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012 AND 2011, AND FOR THE YEAR ENDED DECEMBER 31, 2012

1. DESCRIPTION OF THE PLAN

The following description of the amended and restated Meritor, Inc. Savings Plan (formerly known as ArvinMeritor, Inc. Savings Plan) (the “Plan”) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General – The Plan is a defined contribution savings plan covering eligible salaried and certain non-union hourly employees of Meritor, Inc. (formerly ArvinMeritor, Inc.) and other affiliated companies (the “Company” or "Meritor"). Eligible employees may participate in the Plan immediately on the date they become employees. The Plan is administered by the Company’s Employee Benefit Plan Committee and the Plan Administrator. The trustee for the Plan assets is T. Rowe Price Trust Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Employee Contributions – Eligible employees may elect to contribute up to 20% of their compensation, by electing to defer receipt of compensation (pre-tax contribution) or authorizing deductions from compensation (after-tax contribution), subject to the limits prescribed under the Internal Revenue Code (“IRC”).

The Plan allows participants who are at least age 50 by the end of the plan year to make additional pre-tax contributions up to the limits prescribed under the IRC.

Participants may also make contributions to the Plan in the form of a rollover of funds from another qualified plan.

Employer Matching Contributions – Participants are immediately eligible for matching contributions. The Company matches 100% of the participant’s contribution up to the first 3% of eligible compensation deferred and 50% of the participant’s contribution on the next 3% of eligible compensation deferred. Company matching contributions are invested according to the investment mix participants have elected for their own contributions.

Employer Pension Contributions – Eligible employees hired on or after October 1, 2005 receive a Pension Contribution into the Plan in lieu of accruing benefits under the Company's defined benefit plan. Effective January 1, 2008, eligible employees hired prior to October 1, 2005 who were not 50 years old with at least 10 years of service with the Company, or did not have at least 20 years of service with the Company began receiving Pension Contributions into the Plan in the same manner as eligible employees hired after October 1, 2005. Effective July 1, 2011, those eligible employees hired prior to October 1, 2005 who were 50 years old with at least 10 years of service with the Company, or had at least 20 years of service with the Company as of January 1, 2008, began receiving an additional Pension Contribution into the Plan in lieu of benefits previously accrued under the Company's defined benefit plan. Pension Contributions are fully funded by the Company and are made to all eligible employees regardless of whether they choose to contribute to the Plan. Pension Contributions range between 2% and 4% of participants’ compensation, depending on the participant's age. Pension Contributions are invested according to the investment mix participants have elected for their own contributions.

Participant Accounts – Individual accounts are maintained for each plan participant. Each participant’s account is credited with the participant’s contributions, the Company’s matching contributions, Pension Contributions, and an allocation of Plan earnings, and is charged with withdrawals and an allocation of Plan losses and administrative expenses.

Allocations are based on participants’ account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Investments – Participants direct the investment of contributions into various investment options offered by the Plan. The Plan currently offers 21 mutual funds, a common collective trust fund and the Company’s common stock as investment options for participants.

Vesting – Amounts attributable to participant and rollover contributions and employer matching contributions are fully vested at all times. Pension Contributions vest in annual 20% increments beginning with the completion of the second year of service. Participants become fully vested after they reach six years of service. Forfeited Pension Contributions are netted against future employer contributions.

Plan Withdrawals – Vested amounts contributed may be withdrawn by, or distributed to, a participant only upon (1) termination of employment or (2) attaining the age of 59½. Pre-tax withdrawals prior to attaining age 59½ are not permitted except in the event of retirement, disability or as a hardship distribution. Certain income tax penalties may apply to withdrawals or distributions prior to age 59½. Upon termination of service due to death, disability, retirement or other reasons, a participant would generally receive an amount equal to the value of the participant’s vested interest in their account as a lump-sum distribution.

Participants may request that all or a portion of their account be distributed in the case of severe financial hardship, as defined in the plan document. T. Rowe Price Retirement Plan Services, Inc., the recordkeeper of the Plan, must approve any such hardship withdrawals.

Transfers – The Company also sponsors a separate defined contribution savings plan for certain union hourly employees. The Plan allows for employees changing status between union hourly and certain non-union hourly or salaried to move invested assets to the Plan that corresponds to their current status. During 2012, there were no transfers.

Participant Notes Receivable – Participants may borrow from their accounts an amount not less than $1,000 and not greater than the lesser of (i) $50,000 less the amount of notes receivable outstanding during the preceding 12-month period, (ii) amounts in the participant’s account attributable to participant contributions, or (iii) one-half of the participant’s vested account balance. The notes receivable are secured by the balances in the respective participants' accounts. Participant notes receivable are written off when deemed uncollectible.

Interest is charged at 1% over the prime rate in place at the note receivable origination date, which is defined as the base rate on corporate loans posted by at least 75% of the 30 largest U.S. banks. At year end, interest rates charged on outstanding balances ranged from 4.25% to 9.25%. The notes receivable are repaid through payroll deductions over periods not to exceed 60 months unless they are for the purchase of a primary residence. Payments of principal and interest are reinvested under the participant's current investment election for new contributions. Participants may have only one outstanding note receivable.

Plan Termination – Although the Company has not expressed any intent to terminate the Plan, it reserves the right to do so at any time. In the event of termination of the Plan, participants with Pension Contribution balances would become fully vested.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation – The Plan's investments are stated at fair value, except for its stable value common collective trust fund investment (commonly referred to as a stable value fund), which is valued at contract value. Contract value represents investments at cost plus accrued interest income less amounts withdrawn to pay benefits. The fair value of the stable value fund is based on the fair value of the underlying net assets at the measurement date by the issuer of the fund. The stable value fund primarily holds guaranteed investment contracts, separate account contracts (SAC), fixed income securities, wrapper contracts, and short-term investments. The issuer determines the fair value of the guaranteed investment contracts based on current yields of similar instruments with comparable durations taking into account the contract terms including interest reset intervals and the credit rating of the issuer. The issuer determines the fair value of a SAC by reference to (1) the fair value of underlying securities held by the issuer and designated for payment of benefit-responsive withdrawals and (2) the price of benefit-responsive contracts of comparable quality and terms (including provision of a crediting rate floor) based, in part, on issuer quotes. The issuer determines the fair value of the fixed income securities using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The fair value of a wrapper contract provided by a security-backed contract issuer is based on the replacement cost methodology which is the present value of the difference between the replacement wrapper fee and the contracted wrapper fee. Short-term investments are valued at cost, which approximates fair value. Mutual funds and common stock are reported at fair value based on quoted market prices. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date. See Note 4 for Fair Value Measurements disclosure.

Participant Notes Receivable – Participant notes receivable are recorded at their unpaid principal balances plus any accrued interest. Participant notes receivable are written off when deemed uncollectible.

Security Transactions and Investment Income – Purchases and sales of securities are reported on a trade-date basis. Dividends are recorded on the ex-dividend date and interest income is recorded on the accrual basis.

MERITOR, INC. SAVINGS PLAN
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NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012 AND 2011, AND FOR THE YEAR ENDED DECEMBER 31, 2012

Administrative Expenses – Administrative expenses for services required by the Plan document are paid by the Plan. All expenses not required by the Plan are paid by the Company. The amounts reported in the financial statements represent administrative expenses paid by the Plan. The Company did not pay any expenses on behalf of the Plan during the year ended December 31, 2012

Benefit Payments – Benefit payments to participants are recorded upon distribution.

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 and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties – The Plan utilizes various investment instruments which are exposed to various risks related to, among other things, interest rate, foreign currency, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

New Accounting Pronouncement – In May 2011, the FASB issued ASU 2011-4, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS. The standard clarifies existing fair value measurement and disclosure requirements and changes existing principles and disclosure guidance. Clarifications were made to the relevancy of the highest and best use valuation concept and measurement of an instrument classified in an entity's shareholder's equity. Changes to existing principles and disclosures included measurement of financial instruments managed within a portfolio, the application of premiums and discounts in fair value measurement, and additional disclosures related to fair value measurements. The updated guidance and requirements are effective for financial statements issued for the first annual period beginning after December 15, 2011. The adoption of this standard did not have a material effect on the Plan's financial statements for the year ended December 31, 2012.

MERITOR, INC. SAVINGS PLAN
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NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012 AND 2011, AND FOR THE YEAR ENDED DECEMBER 31, 2012

3. INVESTMENTS

The Plan’s significant investments as of December 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|---|---|---|
| Mutual funds - At fair value: | | |
| T. Rowe Price Mid-Cap Growth Fund | $31,951,616 | $29,820,247 |
| T. Rowe Price Growth and Income Fund | 26,558,005 | 24,019,918 |
| T. Rowe Price Retirement 2020 Fund | 14,590,106 | 12,758,056 |
| T. Rowe Price Retirement 2030 Fund | 17,210,556 | 14,478,043 |
| Vanguard Institutional Index Fund | 17,151,220 | 15,565,233 |
| Pimco U.S. Total Return Admin | — | 17,426,925 |
| Pimco U.S. Total Return Instl | 20,352,551 | — |
| Common Collective Fund - At contract value: | | |
| T. Rowe Price Stable Value Common Trust Fund | 45,449,253 | 46,714,147 |
| Common stock - At fair value: | | |
| Meritor, Inc. | 30,465,757 | 28,567,261 |

During 2012, 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:

| | |
|---|---|
| Mutual funds | $19,595,022 |
| Common stock - Meritor, Inc. | (3,206,897) |
| Net appreciation | $16,388,125 |

4. FAIR VALUE MEASUREMENTS

Accounting standards require certain assets be reported at fair value in the financial statements and provide a framework for establishing that fair value. The guidance 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) and the lowest priority to unobservable inputs (Level 3). The following tables present information about the Plan's assets measured at fair value on a recurring basis at December 31, 2012 and 2011 and the valuation techniques used by the Plan to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access.

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Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Plan also holds other assets not measured at fair value on a recurring basis, including accrued income, cash, and participant notes receivable. The fair value of these assets approximates the carrying amounts in the accompanying financial statements due to either the short maturity of the instruments or the use of interest rates that approximate market rates for instruments of similar maturity. Under the fair value hierarchy these financial instruments are valued primarily using Level 2 inputs.

Investments measured at fair value on a recurring basis at December 31, 2012 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual Funds: | | | | |
| Equity investments | 113,216,585 | — | — | 113,216,585 |
| Fixed income investments | 20,352,551 | — | — | 20,352,551 |
| Balanced investments | 1,370,135 | — | — | 1,370,135 |
| Retirement-year based investments | 66,688,679 | — | — | |