

PARKER HANNIFIN CORP  
Form 11-K  
June 23, 2010  
Table of Contents

# 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 year ended December 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4982

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

### **PARKER RETIREMENT SAVINGS PLAN**

Edgar Filing: PARKER HANNIFIN CORP - Form 11-K

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:  
**PARKER-HANNIFIN CORPORATION**

**6035 PARKLAND BOULEVARD**

**CLEVELAND, OHIO 44124-4141**

**Table of Contents**

**Parker Retirement Savings Plan**

**Index of Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statements of Net Assets Available for Benefits at December 31, 2009 and 2008</u>	2
<u>Statements of Changes in Net Assets Available for Benefits for the Years Ended December 31, 2009 and 2008</u>	2
<u>Notes to Financial Statements</u>	3-14
Supplemental Schedule:	
<u>Schedule of Assets (Held at End of Year) at December 31, 2009</u>	15

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Participants and Board of Directors

Parker-Hannifin Corporation

Parker Retirement Savings Plan

Cleveland, Ohio

We have audited the statements of net assets available for benefits of the Parker Retirement Savings Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing 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. 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 Parker Retirement Savings Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the accompanying index as of December 31, 2009, 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 United States 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.

Cleveland, Ohio

June 23, 2010

McGladrey & Pullen, LLP is a member firm of RSM International

an affiliation of separate and independent legal entities.

**Table of Contents****Parker Retirement Savings Plan****Statements of Net Assets Available for Benefits****At December 31, 2009 and 2008**

(Dollars in Thousands)	2009	2008
<b><u>ASSETS</u></b>		
Plan interest in Parker Master Savings Plan Trust at fair value	\$ 1,757,301	\$ 1,439,242
Participant loans	74,303	71,502
Investment in company stock	610,902	484,382
Employer contribution receivable	12,678	13,537
<b>Total assets</b>	<b>2,455,184</b>	<b>2,008,663</b>
<b><u>LIABILITIES</u></b>		
<b>Net assets available for benefits at fair value</b>	<b>2,455,184</b>	<b>2,008,663</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(6,657)	18,020
<b>Net assets available for benefits</b>	<b>\$ 2,448,527</b>	<b>\$ 2,026,683</b>

**Statements of Changes in Net Assets Available for Benefits  
For The Years Ended December 31, 2009 and 2008**

(Dollars in Thousands)	2009	2008
<b><u>ADDITIONS</u></b>		
Plan interest in Parker Master Savings Plan Trust		
Investment income	\$ 310,759	\$
Company stock		
Dividend and interest income	11,284	10,709
Net appreciation	127,718	
Participants contributions	96,910	119,518
Employer contributions	59,960	55,440
<b>Total additions</b>	<b>606,631</b>	<b>185,667</b>
<b><u>DEDUCTIONS</u></b>		
Plan interest in Parker Master Savings Plan Trust		
Investment loss		505,864
Company stock		
Net depreciation		370,379
Distributions to participants	183,387	168,084
Trustee fees and other expenses	1,400	1,632
<b>Total deductions</b>	<b>184,787</b>	<b>1,045,959</b>

Edgar Filing: PARKER HANNIFIN CORP - Form 11-K

<b>Net increase (decrease) before transfers</b>	<b>421,844</b>	(860,292)
Transfers from other plans		18,963
<b>Net increase (decrease)</b>	<b>421,844</b>	(841,329)
Net assets available for benefits - beginning of year	<b>2,026,683</b>	2,868,012
<b>Net assets available for benefits - end of year</b>	<b>\$ 2,448,527</b>	\$ 2,026,683

The accompanying notes are an integral part of these financial statements

**Table of Contents**

**Parker Retirement Savings Plan**

**Notes to Financial Statements**

**(Dollars in Thousands)**

**1. Summary of Significant Accounting Policies**

***Investment Valuation***

Investments are reported at fair value. Fair value is the price 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 7 for discussion of fair value measurements). The Parker Retirement Savings Plan's (the Plan) interest in the Parker Master Savings Plan Trust (the Master Trust) is based on the beginning of the year value of the Plan's interest plus allocated investment income less actual distributions and administrative expenses. The investment in Parker-Hannifin Corporation (the Company) common shares and underlying investments in the Master Trust are valued at quoted market prices or net asset values of stock at the reported trade price on the last business day of the period. The Plan presents in the Statements of Changes in Net Assets Available for Benefits investment income (loss) which includes interest and dividend income and the net depreciation or appreciation in the fair value of its investments which consists of the realized gains and losses from the sale of investments and the unrealized appreciation and depreciation of investments held by the Plan and Master Trust.

For fiscal years beginning after December 15, 2009, the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requires disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2 and requires a separate presentation of purchases, sales, issuances, and settlements rather than a net presentation in the Level 3 reconciliation. Management is currently evaluating the impact this adoption will have on the Plan's financial statement disclosures.

***Risks and Uncertainties***

Management believes that the Plan's investments are well diversified and do not create a significant concentration of interest rate, market or credit risk. 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 amount reported in the Statements of Net Assets Available for Benefits. Participants assume all risk in connection with any decrease in the fair value price of any securities in all the funds. Although the annual rates of return with respect to the contracts held in the Contract Income Fund are guaranteed by major insurance companies and banks, the Company does not make any representations as to the financial capability of such companies or their ability to make payments under the contracts.

***Subsequent Events***

The Plan has evaluated subsequent events that have occurred through the date these financial statements were issued. No subsequent events occurred, except as noted in Note 11, that required either adjustment to, or disclosure in, these financial statements.

## **Table of Contents**

### **Parker Retirement Savings Plan**

#### **Notes to Financial Statements (Continued)**

**(Dollars in Thousands)**

#### **1. Summary of Significant Accounting Policies (cont d)**

##### ***Other***

Purchases and sales of securities are reflected on a trade-date basis.

Dividend income is recorded on the ex-dividend date. Interest and other income are recorded as earned on the accrual basis.

Costs incident to the purchase and sale of securities, such as brokerage commissions and stock transfer taxes, as well as investment advisory fees, are charged to the funds to which they relate and are netted against dividend and interest income. Certain costs and expenses incurred in administering the Plan are paid out of the Plan's assets and the Company pays the remainder.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

Benefit distributions are recorded when paid.

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

#### **2. Description of the Plan**

##### ***General***

The following description of the Plan provides only general information. Participants should refer to the Plan document or Summary Plan Description for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan which is available to all U.S. domestic regular full-time and part-time non-union employees, and some union employees (if negotiated). Employees are automatically enrolled in the Plan the first day of the month following their date of hire. The Plan is subject to Sections 401(a) and 401(k) of the Internal Revenue Code and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

##### ***Contributions and Transfers***

Participants may make contributions on a before-tax and/or after-tax basis. Contributions from employees and the Company are recorded in the period that payroll deductions are made from Plan participants. Contributions are subject to certain limitations.

Company matching contributions are invested solely in a non-participant directed Employee Stock Ownership Plan (the ESOP Fund), which holds primarily Company stock (see Note 5).

Participants may elect to contribute, through payroll deductions, not less than 1% nor more than 75% of their total compensation for a Plan year and may change such percentage upon request. Participants may suspend their contributions at any time and may designate one or more of



Edgar Filing: PARKER HANNIFIN CORP - Form 11-K

several available funds within the Master Trust in which their contributions are to be invested. Investment elections may be changed at any time.  
Available funds are:

**Table of Contents**

**Parker Retirement Savings Plan**

**Notes to Financial Statements (Continued)**

**(Dollars in Thousands)**

**2. Description of the Plan (cont d)**

- (a) Parker-Hannifin Common Stock Fund (Company Stock Fund): Invested primarily in common shares of the Company purchased on the open market. A participant's contribution is limited to 50% of the total amount invested.
- (b) Vanguard Institutional Index Fund: Invested in stocks which comprise the S&P 500 Index.
- (c) Vanguard Extended Market Index Fund: Invested primarily in a large sampling of stocks that match certain characteristics of the Wilshire 4500 Corporation index.
- (d) Vanguard Institutional Developed Markets Index Fund: Invested in two Vanguard Funds – the European Stock Index Fund and the Pacific Stock Index Fund – which seek to track the performance of the MSCI EAFE Index.
- (e) Vanguard Total Bond Market Index Fund: Invested primarily in bonds and securities and attempts to track the performance of the Lehman Brothers Aggregate Bond Index.
- (f) Contract Income Fund: Invested primarily in high-quality fixed income investments such as contracts issued by insurance companies and banks which provide a return guaranteed by the issuer, and debt securities such as notes and bonds issued by Federal agencies or mortgage backed securities, with each of these investments typically providing a stable rate of return for a specific period of time. Refer to Note 6 for a further description of this fund.
- (g) PIMCO Total Return Portfolio: Invested primarily in securities which have a fixed rate of return such as U.S. government and corporate debt securities, mortgage and other asset-backed securities, U.S. dollar and foreign currency-denominated securities of foreign issuers, and money market instruments.
- (h) Victory EB Diversified Stock Fund: Invested primarily in a portfolio of common stocks of large publicly held companies and securities convertible into common stock.
- (i) AIM Mid Cap Core Equity Fund: Invested primarily in equity securities, including convertible securities, of mid-capitalization companies.
- (j) Sentinel Small Company Fund: Invested primarily in common stocks issued by small and medium-sized companies.

Edgar Filing: PARKER HANNIFIN CORP - Form 11-K

- (k) Dodge and Cox International Stock Fund: Invested primarily in equity securities issued by non-U.S. companies from at least three different foreign countries, including emerging markets.
  
- (l) Fidelity Freedom Funds: Twelve mutual funds designed to help participants diversify their assets based on their life cycle. The Freedom Funds are invested in equities, fixed income and money markets based on the participant's targeted retirement date.

## **Table of Contents**

### **Parker Retirement Savings Plan**

#### **Notes to Financial Statements (Continued)**

**(Dollars in Thousands)**

## **2. Description of the Plan (cont d)**

### ***Parker-Hannifin Corporation Contributions***

The Company contributes an amount equal to 100% of the first 3 percent of the before-tax contributions and an amount equal to 50% of the 4<sup>th</sup> percent and 5<sup>th</sup> percent of the contribution. The Company may also match after-tax contributions, but matches only 25% of the 4<sup>th</sup> percent and 5<sup>th</sup> percent of after-tax contributions. Company contributions match the before-tax contributions prior to the after-tax contributions. Participants may diversify their shares of stock in the ESOP Fund at any time to any of the investment funds available within the Plan.

### ***Participant Loans***

The Plan has a loan provision which allows an active participant to borrow a minimum of five hundred dollars and up to the lesser of a) 50% of their account balance or b) fifty thousand dollars less the largest outstanding loan balance he/she had in the last 12 months. The loan must be repaid, with interest equal to the prime rate at the time the loan is entered into plus 1%, over a period from 1 year to 4 1/2 years for a general purpose loan and up to 10 years for a residential loan. Participant loans are valued at their outstanding balances, which approximates fair value.

### ***Participant Accounts***

The Plan utilizes the unit value method for allocating Plan earnings for all funds. Unit values are determined on a daily basis and exclude contributions receivable and benefits payable.

## **3. Vesting, Withdrawals and Distributions**

Participants are fully vested at all times, except for the retirement income account portion. In general, a participant's account is only paid out after termination of employment, but under certain circumstances, a participant may withdraw in cash a portion of his/her before-tax and/or after-tax contributions, subject to certain limitations and restrictions.

After a participant terminates employment for any reason, all amounts are distributable to the participant or if the participant is deceased, to the participant's designated beneficiary. The distribution may be deferred until the age of 70 1/2 if the participant's account exceeds five thousand dollars. Distribution is in cash either in a single payment, quarterly installments, or by purchase of an annuity, except that amounts held in the Company Stock Fund and ESOP Fund may be distributed in the form of common shares or cash, as the participant elects. The Plan provides that mandatory or involuntary lump-sum distributions in an amount in excess of one thousand dollars but less than five thousand dollars, shall only be made in the form of an automatic rollover IRA. Dividends received by the ESOP Fund are either paid to the participants annually or reinvested quarterly, at the participants' election.

## **4. Investments**

The investments of the Plan, except for the Company common stock held in the ESOP Fund (see Note 5), are held in a Master Trust with Fidelity Management Trust Company. The Master Trust was established for the investment of assets of the Plan and other Company sponsored retirement plans. The Plan's interest in the net assets of the Master Trust is allocated based upon the respective participant balances within each fund for each plan. The Plan's interest in the Master Trust's investment income is not proportionate to its interest in the net assets due to the ability of participants to select investment options within the Master Trust. At December 31, 2009 and 2008, the Plan's interest in the net assets of the Master Trust was approximately 99.5%. Administrative expenses are specifically allocated to the Plan.



**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****4. Investments (cont d)**

The following represents the fair value of investments in the Master Trust at December 31, 2009 and 2008 (investments which exceed 5% of the Master Trust's net assets in 2009 or 2008 are separately identified):

	2009	2008
Cash and cash equivalents	\$ 34	\$ 68
Mutual funds:		
Vanguard Institutional Index Fund	131,137	103,291
Dodge and Cox International Stock Fund	113,983	72,872
Sentinel Small Company Fund	103,239	84,538
Others	411,762	297,529
Common/collective funds:		
Victory EB Diversified Stock Fund	234,734	192,915
PIMCO Total Return Portfolio	133,164	115,738
Company Stock Fund	213,205	172,757
Contract Income Fund	424,293	406,957
Participant loans	74,697	72,046
<b>Total investments at fair value</b>	<b>1,840,248</b>	<b>1,518,711</b>
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(6,683)	18,092
<b>Total Investments</b>	<b>\$ 1,833,565</b>	<b>\$ 1,536,803</b>

The following table presents the investment income (loss) for the Master Trust for the years ended December 31, 2009 and 2008:

	2009	2008
Net appreciation / (depreciation) in fair value of investments:		
Company Stock Fund	\$ 50,818	\$ (110,596)
Common/collective funds	70,055	(117,878)
Mutual funds	154,656	(332,616)
	275,529	(561,090)
Investment income:		
Interest and dividends	36,670	52,692
	\$ 312,199	\$ (508,398)



**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****5. Nonparticipant-Directed Investments**

Information about the net assets as reported on the Statements of Net Assets Available for Benefits, and the significant components of the changes in net assets relating to the non-participant directed investments at December 31 is as follows:

	<b>2009</b>	<b>2008</b>
Net Assets: ESOP Fund	<b>\$ 610,902</b>	\$ 484,382
	<b>Year Ended December 31,</b>	<b>2008</b>
<b>Changes in Net Assets:</b>		
Contributions	<b>\$ 47,203</b>	\$ 41,808
Transfers (to) other plan funds	<b>(22,567)</b>	(42,755)
Dividend and interest income	<b>11,284</b>	10,709
Net appreciation / (depreciation)	<b>127,718</b>	(370,379)
Benefits paid to participants and interest expense	<b>(37,118)</b>	(34,805)
	<b>\$ 126,520</b>	\$ (395,422)



**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****6. Contract Income Fund**

The Contract Income Fund holds guaranteed investment contracts (GICs). The Financial Services - Investment Companies, Plan Accounting Defined Contribution Pension Plans and Financial Instruments Topics of the FASB ASC requires that fair value be based upon the discounted cash flow methodology for traditional and separate account GICs and be based upon market value for fixed maturity and constant duration synthetic GICs. All contracts are fully benefit-responsive.

As required by the Financial Services - Investment Companies Topic of the FASB ASC, the Statements of Net Assets Available for Benefits presents the Plan's investments at fair value within the Master Trust as well as the adjustment of the Contract Income Fund investments from fair value to contract value. The Statements of Changes in Net Assets Available for Benefits are prepared on a contract value basis.

	2009	2008
Average yield based on actual earnings	3.49%	4.66%
Average yield based on interest rate credited to participants	3.93%	4.72%

Traditional GICs are unsecured, general account obligations of insurance companies. The obligation is backed by the general account assets of the insurance company that writes the investment contract. The crediting rate on this product is typically fixed for the life of the investment. Separate account GICs are investments in a segregated account of assets maintained by an insurance company for the benefit of the investors. The total return of the segregated account assets supports the separate account GICs return. The crediting rate on this product will reset periodically and it will have an interest rate of not less than 0%.

General fixed maturity synthetic 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 wrap contract provides book value accounting for the asset and assures that book value, benefit responsive payments will be made for participant directed withdrawals. The crediting rate of the contract is set at the start of the contract and typically resets every quarter. Generally, fixed maturity synthetics are held to maturity. The initial crediting rate is established based on the market interest rates at the time the initial asset is purchased and it will have an interest crediting rate not less than 0%.

Constant duration synthetic GICs consist of a portfolio of securities owned by the fund and a benefit responsive, book value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration, and assures that book value, benefit responsive payments will be made for participant directed withdrawals. The crediting rate on a constant duration synthetic GIC resets every quarter based on the book value of the contract, the market yield of the underlying assets, the market value of the underlying assets and the average duration of the underlying assets. The crediting rate aims at converging the book value of the contract and the market value of the underlying portfolio over the duration of the contract and therefore will be affected by movements in interest rates and/or changes in the market value of the underlying portfolio. The initial crediting rate is established based on the market interest rates at the time the underlying portfolio is first put together and it will have an interest crediting rate of not less than 0%.

Withdrawals and transfers resulting from certain events, including employer initiated events and changes in the qualification of the Plan may limit the ability of the fund to transact at book or contract value. These events may cause liquidation of all or a portion of a contract at market value. The Plan administrator does not believe that the occurrence of any event which would limit the Plan's ability to transact at book or contract value is probable.

**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****7. Fair Value Measurements**

A summary of the assets that were measured at fair value on a recurring basis at December 31, 2009 follows:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan interest in Master Trust:				
Cash and cash equivalents	\$ 34	\$ 34	\$	\$
Mutual Funds				
Fidelity Freedom Funds	327,478	327,478		
Vanguard Institutional Index Fund	131,137	131,137		
Dodge and Cox International Stock Fund	113,983	113,983		
Sentinel Small Company Fund	103,239	103,239		
Vanguard Total Bond Market Fund	29,149	29,149		
AIM Mid Cap Core Equity Fund	23,047	23,047		
Vanguard Institutional Developed Markets Index Fund	16,762	16,762		
Vanguard Extended Market Index Fund	15,326	15,326		
Common / Collective Funds				
Victory EB Diversified Stock Fund	234,734		234,734	
PIMCO Total Return Portfolio	133,164		133,164	
Contract Income Fund	424,293		424,293	
Company Stock Fund	213,205		213,205	
Participant loans	74,697			74,697
ESOP Fund	610,902	610,902		

**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****7. Fair Value Measurements (cont d)**

A summary of the assets that were measured at fair value on a recurring basis at December 31, 2008 follows:

	Total	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan interest in Master Trust:				
Cash and cash equivalents	\$ 68	\$ 68	\$	\$
Mutual Funds				
Fidelity Freedom Funds	236,079	236,079		
Vanguard Institutional Index Fund	103,291	103,291		
Dodge and Cox International Stock Fund	72,872	72,872		
Sentinel Small Company Fund	84,538	84,538		
Vanguard Total Bond Market Fund	24,725	24,725		
AIM Mid Cap Core Equity Fund	15,124	15,124		
Vanguard Institutional Developed Markets Index Fund	12,967	12,967		
Vanguard Extended Market Index Fund	8,634	8,634		
Common / Collective Funds				
Victory EB Diversified Stock Fund	192,915		192,915	
PIMCO Total Return Portfolio	115,738		115,738	
Contract Income Fund	406,957		406,957	
Company Stock Fund	172,757		172,757	
Participant loans	72,046			72,046
ESOP Fund	484,382	484,382		

Refer to Note 2 for information on the above investments.

The valuation techniques used to measure the fair values in the tables above are as follows:

Cash and cash equivalents: Stated at cost, which approximates fair value.

Mutual Funds and ESOP Fund: Measured at fair value using quoted market prices.

Common / Collective Funds: Measured at fair value using market observable inputs for similar assets in active markets. The fair value is estimated using the net asset value per share. These investments can be redeemed daily and without any restrictions on the timing of the redemption. Redemption of the entire investment balance generally requires at least a 30-day notice period. At December 31, 2009, the Plan had no unfunded commitments related to these investments.

Contract Income Fund: Measured at fair value using a model that utilizes market observable inputs including index rates, duration rates, swap rates, and quoted market values from investment managers.

Company Stock Fund: Measured at fair value using market observable inputs for similar assets in active markets.

Participant loans: Valued at their outstanding balances, which approximates fair value.

**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****7. Fair Value Measurements (cont d)**

The following table shows the changes in fair value of assets measured on a recurring basis using unobservable inputs (Level 3) for the years ended December 31:

	<b>2009</b>	<b>2008</b>
	<b>Participant</b>	<b>Participant</b>
	<b>Loans</b>	<b>Loans</b>
Balance - beginning of year	\$ 72,046	\$ 67,311
Purchases, sales, issuances, and settlements	2,651	4,735
<b>Balance - end of year</b>	<b>\$ 74,697</b>	<b>\$ 72,046</b>

**8. Tax Status**

The Internal Revenue Service has determined and informed the Company by letter dated December 27, 2005, that the terms of the Plan and related trust comply with applicable sections of the Internal Revenue Code (IRC). Since receiving the determination letter, the Plan has been amended to provide for various administrative changes including adding additional investment funds. The Plan administrator believes that the Plan continues to be designed and operated in compliance with the applicable provisions of the IRC.

Contributions matched by the Company and all earnings generally are not taxable until distributed to the participants.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Plan adopted this new guidance for the year ended December 31, 2009. The Plan's administrator has evaluated the Plan's tax positions and concluded that the Plan has maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

**9. Plan Termination**

Although it has not expressed any intent to do so, the Company, by action of its Board of Directors, without further approval by the shareholders, has the right to amend, modify, suspend, or terminate the Plan in its entirety, or as to any subsidiary or operating location. No amendment, modification, suspension, or termination may permit assets held in trust by the Trustee to be used for or diverted to purposes other than for the exclusive benefit of participants or their beneficiaries. If the Plan is terminated, the Company contributions credited to each affected participant will continue to be fully vested.

**10. Party-In-Interest**

Certain Plan investments within the Master Trust are investment funds managed by Fidelity Management Trust Company (Fidelity). Fidelity is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

The Plan also holds shares of Parker-Hannifin Corporation common stock. These shares qualify as party-in-interest transactions.



**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****11. Transfers from other Plans**

During calendar year 2008, the net assets of the plans identified below were transferred to the Plan. The value of the individual participant accounts was not changed as a result of the transfer of assets to the Plan. Each participant is eligible to receive the benefits of the Plan as of the date of transfer.

<b>Plan Name</b>	<b>Date of Transfer</b>	<b>Net Assets Transferred</b>
<b><u>2008 Transfers</u></b>		
Shaw Aero Companies 401(k) Profit Sharing Plan	01/18/08	\$ 7,944
Vansco Electronics, Inc. 401(k) Plan	08/14/08	7,423
Titan Industries 401(k) Plan and Trust	08/07/08	3,369
KV Pneumatic Inc. 401(k) Profit Sharing Plan and Trust	03/14/08	227
<b>Total transfers during 2008</b>		<b>\$ 18,963</b>

On March 1, 2010, net assets of \$7,938 were transferred from the Goshen Rubber Company, Inc. GRC Employees 401(k) Savings Plan and Trust to the Plan.

**12. Retirement Income Account**

Effective April 1, 2004, a Retirement Income Account (RIA), a separate account within the Plan, was established. Most new employees of the Company are automatically enrolled in the RIA in lieu of their participation in a defined benefit plan. Some existing employees had the choice to remain with the current defined benefit plan or to participate in the RIA. Participation in the RIA for existing employees commenced July 1, 2004.

The Company makes a contribution to the participant's RIA account in January of each year. The amount of the contribution relates to the prior year and is based on a formula taking into account the participant's age and years of service. Participants do not make contributions to the RIA. A contribution receivable of \$12,678 and \$13,537, reflecting the contribution earned by participants in 2009 and 2008 but paid in 2010 and 2009, has been recorded at December 31, 2009 and 2008, respectively.

The RIA offers the employee the flexibility to invest the money in any of the investment funds (except the Company Stock Fund) offered by the Plan. After three years of service, employees are vested in their RIA and may withdraw their money after termination of employment. Active participants may not borrow or withdraw funds from their RIA account.

**Table of Contents****Parker Retirement Savings Plan****Notes to Financial Statements (Continued)****(Dollars in Thousands)****13. Form 5500 Reconciliation**

	2009	2008
<b><u>Net Assets</u></b>		
Net assets available for benefits per the financial statements	<b>\$ 2,448,527</b>	\$ 2,026,683
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	<b>6,657</b>	(18,020)
<b>Net assets available for benefits per the Form 5500</b>	<b>\$ 2,455,184</b>	\$ 2,008,663

	2009
<b><u>Income</u></b>	
Total investment income and contributions per the financial statements	<b>\$ 606,631</b>
Adjustment from contract to fair value for fully benefit-responsive investment contracts - current year	<b>6,657</b>
Adjustment from contract to fair value for fully benefit-responsive investment contracts - prior year	<b>18,020</b>
<b>Total income per Form 5500</b>	<b>\$ 631,308</b>



**Table of Contents**

**Parker Retirement Savings Plan**

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

**December 31, 2009**

**EIN 34-0451060**

**(Dollars in Thousands)**

(a)	(b)	(c)	(d)	(e)
Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value	
*	ESOP Fund	Parker-Hannifin Corporation Common Stock (11,188,523 shares)	\$ 220,142	\$ 610,902
*	Participant Loans	Participant loans - 4.25 - 6.00% maturing through 2019		74,303
			\$ 220,142	\$ 685,205

\* Denotes party-in-Interest

**Table of Contents**

**SIGNATURE**

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

PARKER RETIREMENT SAVINGS PLAN

BY: Parker-Hannifin Corporation,  
Plan Administrator

BY: /s/ Timothy K. Pistell  
Timothy K. Pistell  
Executive Vice President-Finance and  
Administration and Chief Financial Officer

Parker-Hannifin Corporation,

Plan Administrator

June 23, 2010