

ALLEGHENY TECHNOLOGIES INC

Form 11-K

June 27, 2006

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

FORM 11-K

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

o ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-12001

**ALLEGHENY LUDLUM CORPORATION PERSONAL
RETIREMENT AND 401(K) SAVINGS ACCOUNT PLAN**

(Title of Plan)

ALLEGHENY TECHNOLOGIES INCORPORATED

(Name of Issuer of securities held pursuant to the Plan)

1000 Six PPG Place, Pittsburgh, Pennsylvania 15222-5479

(Address of Plan and principal executive offices of Issuer)

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Audited Financial Statements and Supplemental
Schedule

Allegheny Ludlum Corporation Personal Retirement and 401(k) Savings Account Plan

Years Ended December 31, 2005 and 2004

With Report of Independent Registered Public Accounting Firm

Allegheny Ludlum Corporation
Personal Retirement and 401(k) Savings Account Plan
Audited Financial Statements
and Supplemental Schedule
Years Ended December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

Allegheny Technologies Incorporated

We have audited the accompanying statements of net assets available for benefits of the Allegheny Ludlum Corporation Personal Retirement and 401(k) Savings Account Plan as of December 31, 2005 and 2004, 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 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 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 years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the 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 our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
June 23, 2006
Pittsburgh, Pennsylvania

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Statements of Net Assets Available for Benefits

	December 31	
	2005	2004
Investments:		
Interest in Allegheny Master Trust	\$ 86,987,344	\$ 83,874,307
Interest in registered investment companies	33,345,677	29,009,444
Corporate common stocks	16,967,188	13,117,734
Participant loans	5,733,748	5,832,153
Interest in common collective trusts	11,756	15,066
 Total investments	 143,045,713	 131,848,704
 Employer contribution receivable	 69,283	 76,669
Employee contributions receivable	209,237	220,852
Other (payables) receivables, net	(7,965)	345
 Net assets available for benefits	 \$143,316,268	 \$132,146,570

See accompanying notes.

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Statements of Changes in Net Assets Available for Benefits

	Years Ended December 31	
	2005	2004
Contributions:		
Employer	\$ 2,091,082	\$ 2,296,863
Employee	8,172,992	8,031,596
Total contributions	10,264,074	10,328,459
Investment income:		
Net realized/unrealized gain on corporate common stocks	7,846,503	6,155,259
Net gain from interest in Allegheny Master Trust	4,422,436	4,810,536
Net gain from interest in registered investment companies	2,785,863	3,294,616
Interest income	325,028	286,284
Dividend income	147,819	166,802
Net gain from interest in common collective trusts	2,195	611
Other income	4,519	29,169
Total investment income	15,534,363	14,743,277
	25,798,437	25,071,736
Distributions to participants	(14,625,912)	(10,013,614)
Fees	(2,827)	(245)
	(14,628,739)	(10,013,859)
Net increase in net assets available for benefits	11,169,698	15,057,877
Net assets available for benefits at beginning of year	132,146,570	117,088,693
Net assets available for benefits at end of year	\$143,316,268	\$132,146,570

See accompanying notes.

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Allegheny Ludlum Corporation
Personal Retirement and 401(k) Savings Account Plan
Notes to Financial Statements
December 31, 2005

1. Significant Accounting Policies

Investments are valued as follows:

Bank and insurance investment contracts are included in the financial statements at contract value, (which represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses), because they are fully benefit responsive. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are no reserves against contract value for credit risk of the contract issuer or otherwise.

Although it is management's intention to hold the investment contracts in the Standish Fixed Income Fund until maturity, certain investment contracts provide for adjustments to contract value for withdrawals made prior to maturity.

All other investments are stated at their net asset value, based on the quoted market prices of the securities held in such funds on applicable exchanges.

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 could differ from those estimates.

The financial statements are prepared under the accrual basis of accounting.

2. Description of the Plan

The Allegheny Ludlum Corporation Personal Retirement and 401(k) Savings Account Plan (the Plan) is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The purpose of the Plan is to provide retirement benefits to eligible employees of Allegheny Ludlum Corporation (ALC or the Company) through company contributions and to encourage employee thrift by permitting eligible employees to defer a part of their compensation and contribute such deferral to the Plan. ALC is a wholly owned subsidiary of Allegheny Technologies Incorporated (ATI, the Plan Sponsor). ALC contributes to the Plan \$0.50 per hour worked per eligible union employee. Unless otherwise specified by the participant, all contributions are made to the Standish Fixed Income Fund. Such contributions are made only from current income or accumulated earnings of the Plan Sponsor. The Plan allows participants to direct contributions made on their behalf to any of the investment alternatives. The Plan allows employees to contribute a portion of eligible wages each pay period through payroll deductions subject to Internal Revenue Code limitations. In addition, the employees' annual pretax profit

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

2. Description of the Plan (continued)

sharing award and pretax Longevity Incentive Payment Plan award may be contributed at the employees' discretion as their deferral. Separate accounts are maintained by the Plan Sponsor for each participating employee. Trustee fees and asset management fees charged by the Plan's trustee, Mellon Bank, N.A., for the administration of all funds are charged against net assets available for benefits of the respective fund. Certain other expenses of administering the Plan are paid by the Plan Sponsor.

Participants may make in-service and hardship withdrawals as outlined in the plan document. Participants are fully vested in their entire participant account.

Active employees can borrow up to 50% of their vested account balances minus any outstanding loans. The loan amounts are further limited to a minimum of \$500 and a maximum of \$50,000, and an employee can obtain no more than three loans at one time. Interest rates are determined based on commercially accepted criteria, and payment schedules vary based on the type of the loan. General-purpose loans are repaid over 6 to 60 months, and primary residence loans are repaid over periods up to 180 months. Payments are made by payroll deductions.

Further information about the Plan, including eligibility, vesting, contributions, and withdrawals, is contained in the plan document, summary plan description, and related contracts. Copies of these documents are available from the Plan Sponsor.

3. Investments

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

	December 31	
	2005	2004
Standish Fixed Income Fund	\$69,943,385	\$66,293,877
Allegheny Technologies Incorporated common stock	16,967,188	13,117,734
Alliance Capital Growth Pool	9,539,045	9,073,800
Oakmark Balanced Fund	8,960,627	8,365,660
T. Rowe Price Structured Research Common Trust Fund	7,504,914	8,506,630
Dreyfus Emerging Leaders Fund	6,561,303*	6,877,142

* Presented for comparison purposes only; does not represent investment that is 5% or more of the Plan's net assets.

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

3. Investments (continued)

Certain of the Plan's investments are in the Allegheny Master Trust, which has three separately managed institutional investment accounts; the T. Rowe Price Structured Research Common Trust Fund (formerly the ATI Disciplined Stock Fund), the Alliance Capital Growth Pool, and the Standish Fixed Income Fund, which were valued on a unitized basis (collectively, the Allegheny Master Trust). In May, 2005, Dreyfus was terminated as the manager of the ATI Disciplined Stock Fund and T. Rowe Price Associates, Inc. (T. Rowe Price) was appointed. At that time all holdings in the institutional investment account managed by Dreyfus were moved to the institutional investment account managed by T. Rowe Price. T. Rowe Price administered the transition of the holdings by transferring securities in kind to the T. Rowe Price Structured Research Common Trust Fund. Trust investments formerly in the ATI Disciplined Stock Fund are reported as T. Rowe Price Structured Research Common Trust Fund investments for all periods presented.

The Allegheny Master Trust was established for the investment of assets of the Plan, and several other ATI sponsored retirement plans. Each participating retirement plan has an undivided interest in the Allegheny Master Trust. At December 31, 2005 and 2004, the Plan's interest in the net assets of the Alliance Capital Growth Pool, the Standish Fixed Income Fund, and the T. Rowe Price Structured Research Common Trust Fund was as follows:

	2005	2004
Standish Fixed Income Fund	32.87%	33.34%
Alliance Capital Growth Pool	23.99	23.80
T. Rowe Price Structured Research Common Trust Fund	11.33	11.49

Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Allegheny Master Trust.

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

3. Investments (continued)

The composition of the net assets of the Standish Fixed Income Fund at December 31, 2005 and 2004, was as follows:

	2005	2004
Guaranteed investment contracts:		
Canada Life	\$	\$ 1,371,538
GE Life and Annuity	5,423,371	8,735,242
Hartford Life Insurance Company	3,957,897	8,250,446
John Hancock Life Insurance Company	3,007,848	4,670,166
Monumental Life Insurance Company	1,017,237	1,017,190
New York Life Insurance Company	4,678,585	6,769,166
Ohio National Life	1,994,712	2,687,551
Pacific Mutual Life Insurance Company		5,061,507
Principal Life	1,302,255	1,243,795
Pruco Pace Credit Enhanced	3,699,594	7,132,148
Security Life of Denver	1,511,089	5,972,064
United of Omaha	1,415,656	2,929,738
	28,008,244	55,840,551
Synthetic guaranteed investment contracts:		
State Street Bank	15,346,138	
MDA Monumental BGI Wrap	44,677,978	36,520,489
Bank of America	33,678,591	33,366,628
Rabobank	41,850,313	37,879,291
Union Bank of Switzerland	36,377,616	25,166,696
	171,930,636	132,933,104
Interest in common collective trusts	12,085,541	9,386,961
Other	746,684	670,702
Total net assets	\$212,771,105	\$198,831,318

The Standish Fixed Income Fund (the Fund) invests in guaranteed investment contracts (GICs) and actively managed structured or synthetic investment contracts (SICs). The GICs are promises by a bank or insurance company to repay principal plus a fixed rate of return through contract maturity. SICs differ from GICs in that there are specific assets supporting the SICs, and these assets are owned by the Allegheny Master Trust. The bank or insurance company issues a wrapper contract that allows participant-directed transactions to be made at contract value. The assets supporting the SICs are comprised of government agency bonds, corporate bonds, asset-backed securities (ABOs), and collateralized mortgage obligations (CMOs) with fair values of \$169,324,880 and \$134,332,201 at December 31, 2005 and 2004, respectively.

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

3. Investments (continued)

Interest crediting rates on the GICs in the Fund are determined at the time of purchase. Interest crediting rates on the SICs are either: (1) set at the time of purchase for a fixed term and crediting rate, (2) set at the time of purchase for a fixed term and variable crediting rate, or (3) set at the time of purchase and reset monthly within a constant duration. A constant duration contract may specify a duration of 2.5 years and the crediting rate is adjusted monthly based upon quarterly rebalancing of eligible 2.5 year duration investment instruments at the time of each resetting; in effect the contract never matures. At December 31, 2005 and 2004, the interest crediting rates for GICs and Fixed Maturity SICs ranged from 4.15% to 7.08% and 3.87% to 8.05%, respectively.

For the years ended December 31, 2005 and 2004, the average annual yield for the investment contracts in the Fund was 4.59% and 4.89%, respectively. Fair value of the GICs was estimated by discounting the weighted average of the Fund's cash flows at the then-current, interest-crediting rate for a comparable maturity investment contract. Fair value for the SICs was estimated based on the fair value of each contract's supporting assets at December 31, 2005 and 2004. The composition of net assets of the Alliance Capital Growth Pool at December 31, 2005 and 2004 was as follows:

	2005	2004
Investment in pooled separate accounts:		
Alliance Equity Fund S.A. #4	\$39,779,750	\$38,135,320
Operating payables	(11,734)	(11,230)
Total net assets	\$39,768,016	\$38,124,090

The composition of net assets of the T. Rowe Price Structured Research Common Trust Fund at December 31, 2005 and 2004, was as follows:

	2005	2004
Interest in common collective trusts	\$66,391,950	\$ 71,478
Corporate common stocks		72,955,300
Receivables		1,085,015
Payables	(126,421)	(97,126)
Total net assets	\$66,265,529	\$74,014,667

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

3. Investments (continued)

The composition of the changes in net assets of the Allegheny Master Trust is as follows:

	Standish Fixed Income Fund		Alliance Capital Growth Pool		T. Rowe Price Structured Research Common Trust Fund	
	2005	2004	2005	2004	2005	2004
Investment income (loss):						
Interest income	\$ 9,077,315	\$ 9,236,594	\$	\$	\$	\$
Net realized/unrealized gain (loss) on corporate common stocks	(543)	(1,358)	(1)		(1,585,846)	4,352,382
Dividends					427,913	1,368,881
Net loss, registered investment companies	(7,739)					
Net gain, pooled separate accounts			4,438,949	5,432,718		
Net gain, common collective trusts	443,616	122,717			4,781,495	8,488
Administrative expenses	(254,334)	(240,688)	(129,310)	(128,988)	(461,975)	(551,752)
Transfers	4,681,472	(1,892,602)	(2,665,712)	(2,835,451)	(10,910,725)	(9,000,958)
Net increase (decrease)	13,939,787	7,224,663	1,643,926	2,468,279	(7,749,138)	(3,822,959)
Total net assets at beginning of year	198,831,318	191,606,655	38,124,090	35,655,811	74,014,667	77,837,626
Total net assets at end of year	\$212,771,105	\$198,831,318	\$39,768,016	\$38,124,090	\$66,265,529	\$74,014,667

Interest, realized and unrealized gains and losses, and management fees from the Allegheny Master Trust are included in the net gain from interest in Allegheny Master Trust on the statements of changes in net assets available for benefits.

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Allegheny Ludlum Corporation
Personal Retirement and 401(k) Savings Account Plan
Notes to Financial Statements (continued)

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated July 25, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to this issuance of the determination letter, the Plan was amended. 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, is qualified and the related trust is tax-exempt.

5. Parties-in-Interest

Dreyfus Corporation is the manager of the Dreyfus Mutual Funds that are offered as investment options under the Plan. Dreyfus Service Corporation is the funds distributor. Dreyfus Corporation and Dreyfus Service Corporation are both wholly owned subsidiaries of Mellon Financial Corporation. Mellon Financial Corporation also owns Mellon Bank, N.A., the trustee for the Plan. T. Rowe Price and Associates, Inc. is the manager of the T. Rowe Price Structured Research Common Trust Fund. Therefore, transactions with these entities qualify as party-in-interest transactions.

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. However, no such action may deprive any participant or beneficiary under the Plan of any vested right.

7. Risks and Uncertainties

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

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 Notes to Financial Statements (continued)

8. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	December 31	
	2005	2004
Net assets available for benefits per the financial statements	\$ 143,316,268	\$ 132,146,570
Deemed distribution of benefits to participants	(123,243)	(160,093)
Net assets available for benefits per the Form 5500	\$ 143,193,025	\$ 131,986,477

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500 for the year ended December 31, 2005:

Benefits paid to participants per the financial statements	\$ 14,625,912
Add: Amounts allocated on Form 5500 to deemed distributions for the year ended December 31, 2005	123,243
Subtract: Amounts allocated on Form 5500 to deemed distributions for the year ended December 31, 2004	(160,093)
Benefits paid to participants per the Form 5500	\$ 14,589,062

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Allegheny Ludlum Corporation
 Personal Retirement and 401(k) Savings Account Plan
 EIN: 25-1792394 Plan: 005
 Schedule H, Line 4i-Schedule of Assets (Held at End of Year)
 December 31, 2005

Description	Units/Shares	Current Value
Registered Investment Companies		
Dreyfus Emerging Leaders Fund*	158,447.3130	\$ 6,561,303
Dreyfus Bond Market Index *	122,164.3520	1,230,195
Dreyfus International Value Fund*	212,548.4000	3,951,275
Artisan Funds	101,539.9500	3,139,615
Dreyfus Appreciation Fund *	8,174.7530	324,947
Oakmark Balanced Fund	358,712.0680	8,960,627
Hartford Midcap Fund	63,258.9670	1,817,430
Lord, Abbett Midcap Fund	108,939.0500	2,441,324
MFS Value Fund	38,352.5240	887,861
Morgan Stanley Small Growth Fund	63,448.7940	817,220
PIMCO NFJ Fund	52,847.0860	1,528,338
PIMCO Total Return Fund	50,989.1550	535,386
Jennison Growth Fund	67,151.3390	1,087,180
		33,282,701
Self-directed accounts:		
Dreyfus 100% US Treasury MM Fund*	38.7100	39
Fidelity CDA Fund	156.3060	6,742
Fidelity Disciplined Equity Fund	128.4430	3,559
Fidelity Select Portfolios Energy	171.2030	8,006
T. Rowe Price Health Sciences Fund*	250.1360	6,271
T. Rowe Price Capital Appreciation Fund*	577.1830	11,578
T. Rowe Price Mid-Cap Value Fund*	517.8580	12,108
T. Rowe Price Real Estate Fund*	328.9470	6,411
Vanguard Windsor Fund	481.7690	8,262
Total self-directed accounts		62,976
Total Registered Investment Companies		\$ 33,345,677
Common Collective Trusts		
Dreyfus Short-Term Investment Fund*	11,759.9000	\$ 11,756
Corporate Common Stocks		
Allegheny Technologies Incorporated*	470,265.7560	\$ 16,967,188

Participant loans* (5.0% to 9.5%, with maturities through 2016) \$ 5,733,748

* Party-in-interest

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SIGNATURES

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

**ALLEGHENY TECHNOLOGIES
INCORPORATED
ALLEGHENY LUDLUM
CORPORATION
PERSONAL RETIREMENT AND 401(K)
SAVINGS
ACCOUNT PLAN**

Date: June 26, 2006

By: /s/ Richard J. Harshman

Richard J. Harshman
Executive Vice President-Finance and
Chief Financial Officer
(Principal Financial Officer and Duly
Authorized Officer)