MATTEL INC /DE/
Form 11-K
June 21, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 31, 2012.

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ______ to ______.

Commission File Number 001-05647

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
MATTEL, INC. PERSONAL INVESTMENT PLAN

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

MATTEL, INC.

333 Continental Boulevard

El Segundo, California 90245-5012

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MATTEL, INC. PERSONAL INVESTMENT PLAN

December 31, 2012 and 2011

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of

Mattel, Inc. Personal Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Mattel, Inc. Personal Investment Plan (the Plan) at 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. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers

Los Angeles, California

June 21, 2013

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MATTEL, INC. PERSONAL INVESTMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Investments (Note 7)	$ 786,030	$ 715,994
Receivables:		
Transfer from HIT Entertainment, Inc. 401(k) Plan	10,681	
Notes receivable from participants	8,993	8,653
Employer contributions	709	1,469
Participant contributions	783	1,626
Due from brokers for securities sold	625	603
Interest and dividends	214	300
Total receivables	22,005	12,651
Total assets	808,035	728,645
LIABILITIES		
Accrued expenses	217	227
Due to brokers for securities purchased	331	256
Total liabilities	548	483
Net assets available for benefits, at fair value	807,487	728,162
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(5,661)	(5,557)
Net assets available for benefits	$ 801,826	$ 722,605

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

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MATTEL, INC. PERSONAL INVESTMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended December 31, 2012

	(In thousands)
Additions	
Investment income:	
Net appreciation in fair value of investments	$ 70,085
Interest and dividends	9,991
Total investment income	80,076
Interest income on notes receivable from participants	381
Contributions:	
Employer	27,540
Participant	32,699
Total contributions	60,239
Total additions	140,696
Deductions	
Benefits paid to participants	(58,805)
Direct rollover of Plan assets into the Mattel Cash Balance Plan	(12,272)
Administrative expenses	(1,079)
Total deductions	(72,156)
Net increase before transfer of assets	68,540
Transfer of HIT Entertainment, Inc. 401(k) Plan assets into the Plan	10,681
Net increase	79,221
Net assets available for benefits:	
Beginning of year	722,605
End of year	$ 801,826

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

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MATTEL, INC. PERSONAL INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

1. General Description of the Plan

The Mattel, Inc. Personal Investment Plan (the Plan or PIP) was established by Mattel, Inc. (the Company) effective November 1, 1983. The PIP is a contributory thrift savings form of a defined contribution plan that covers non-union employees of the Company and certain of its subsidiaries.

The Plan is sponsored and administered by the Company, acting by and through the Administrative Committee. The Plan s assets are held by Wells Fargo Bank, N.A. (Wells Fargo or the Trustee) and the recordkeeper is Aon Hewitt.

During July 2012, the Company converted one of its unrelated defined benefit plans, the Fisher-Price Pension Plan, into the Mattel Cash Balance Plan (the Mattel CBP). In connection with this conversion, PIP participants were allowed the option to rollover eligible PIP funds into the Mattel CBP through a one-time direct rollover, subject to a minimum rollover amount of $5,000. Eligible funds included balances that could be distributed or withdrawn by active, terminated, or retired employees of the Company, Fisher-Price, or American Girl.

On February 1, 2012, the Company acquired Helium Holdings 1A Ltd (HIT Entertainment). The HIT Entertainment employees that were participants of the HIT Entertainment, Inc. 401(k) Plan (HIT 401(k) Plan) as of May 31, 2012 became participants of the Plan as of June 1, 2012. On December 31, 2012, the Company merged the HIT 401(k) Plan with and into the Plan. At December 31, 2012, the Plan recognized a receivable in the amount of the net assets transferred from the HIT 401(k) Plan into the Plan, as the net assets were not received by the Plan until January 2013.

Eligibility

Employees of the Company and certain of its subsidiaries are generally eligible to participate in the Plan immediately upon their hire date if they are full-time or part-time employees of the Company or certain of its subsidiaries and are age 20 or older, except that American Girl retail store employees age 20 and older are eligible to participate in the PIP after a 90-day waiting period has been completed and American Girl variable employees are not eligible to participate.

Contributions

For the Plan participants, excluding participants who are also participating in the Mattel CBP, the Company makes automatic contributions ranging from three percent to eight percent of compensation based on participants ages, regardless of whether the participants elect to personally contribute to the Plan. For all Plan participants, the Company makes matching contributions equal to 100 percent of the first two percent of compensation and 50 percent of the next four percent of compensation contributed by participants. Plan participants who are not classified as highly compensated employees under the Internal Revenue Code may contribute up to an additional 74 percent of compensation, with no matching contributions by the Company. Plan participants who are classified as highly compensated employees may contribute up to an additional 14 percent of compensation, with no matching contributions by the Company.

The Plan includes provisions for automatic enrollment and re-enrollment of participants and automatic increases in participant contributions. Under these provisions, each employee is automatically enrolled for contributions upon his or her commencement of employment equal to two percent of his or her compensation. In addition, the contribution election of each participant who has elected (or who has been automatically enrolled) to contribute less than six percent of his or her compensation is automatically increased by one percent as of the first April that is at least 90 days after the participant has elected (or who has been automatically enrolled) to contribute to the Plan. The automatic one percent increase continues on each subsequent April until the participant s contribution level reaches six percent of compensation. A participant may affirmatively elect to override the automatic enrollment and contribution increases at any time. Effective January 1, 2013, the automatic increase in participant contributions for those participants contributing less than six percent of his or her compensation changed to two percent.

All contributions made to the Plan are subject to annual limitations imposed by the Internal Revenue Code.

Plan participants are able to direct all contributions into one or more of the 15 separate investment funds available under the Plan in 2012 and 2011, including a fund that is invested primarily in the Company s common stock (the Mattel, Inc. stock fund). Participants may not invest more than 25 percent of the contributions made to their accounts in the Mattel, Inc. stock fund or transfer more than 25 percent of their account balances to the Mattel, Inc. stock fund. Participants are not required to allocate any funds to the Mattel, Inc. stock fund, which allows them to limit or eliminate their exposure to market changes in the Company s stock price.

Vesting

Participants are immediately vested in their contributions plus earnings thereon. Participants vest in the Company s contributions plus earnings thereon after three years of credited service. Participants who terminate employment due to retirement at or after the age of 65, permanent and total disability, or death become fully vested in the balances of their accounts.

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Notes Receivable from Participants

Participants may borrow from their accounts a minimum of $2,000 and a maximum equal to the lesser of $50,000 less the highest outstanding loan balance in the last 12 months, or 50 percent of the vested balance of their account. Loan terms generally range from one to five years but can range from one to fifteen years if the loan proceeds are used for the purchase of a primary residence. The loans are secured by the vested balance of accounts and bear interest at the prime rate plus one percent set at the beginning of the month in which the loan is granted, and is fixed for the duration of the loan. Annual interest rates on loans outstanding for the Plan ranged from 4.25 to 10.5 percent at both December 31, 2012 and December 31, 2011. Principal and interest are paid ratably through payroll deductions.

Participant Accounts

Participant accounts are credited with the participants contributions and allocations of (a) the Company s contributions and (b) the Plan s earnings. The Company s contributions are invested in the Plan s investment funds based on the investment fund percentages chosen by participants for their contributions. Allocations of the Plan s earnings are based on the funds earnings and the percentage of the funds the participants choose to hold. Nonvested account balances of participants who terminate employment are forfeited and used to reduce Company contributions in the future. Forfeitures used to reduce Company contributions in 2012 were approximately $1,048,000.

Payment of Benefits

Participants or beneficiaries of participants who terminate employment due to retirement, disability, death, or other reasons are allowed to receive a lump-sum payment equal to the vested balance of their account or installment payments over a period of five, ten, or fifteen years, unless the distributable benefit is less than $1,000 in which case the payment is made in a lump sum.

Expenses of the Plan

Investment manager expenses are allocated to the funds and paid by the Plan, with all other expenses paid by the Company.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Investment contracts held by the Plan are reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of net assets available for benefits present the fair value of the investment contracts, as well as adjustments from fair value to contract value for fully benefit-responsive investment contracts. The statement of changes in net assets available for benefits is prepared on a contract value basis.

Valuation of Investments

The Plan s investments are stated at fair value and are valued as follows:

The Plan s investments in the common and commingled trust funds, short-term investment fund, and mutual fund are valued at the net asset value of shares held. In general, there are no restrictions as to the redemption of these funds, nor does the Plan have any contractual obligations to further invest in any of these funds. In addition, these funds have daily liquidity with trades settling between one and three days and are fully benefit-responsive to participant transactions at the measurement date. Investments in common stock, including the Company s common stock, are valued using quoted market prices reported on the active market upon which the individual securities are traded. The stable asset fund holds primarily guaranteed investment contracts (GICs) and synthetic guaranteed investment contracts (synthetic GICs). The fair value of the GICs is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the credit worthiness of the issuer. The fair value of the synthetic GICs is determined based on the fair value of the individual underlying securities, which are primarily composed of high-quality fixed income securities and a collective trust fund. The fair value of the fixed income securities is determined based on valuations provided by an independent pricing service, which uses multiple valuation techniques that incorporate available market information and proprietary valuation models, which consider market characteristics, such as benchmark yield curve, credit spreads, estimated default rates and other security features. The fair value of the collective trust fund is based on the net asset value of shares held. The fair value of the synthetic GICs wrapper is determined using a market approach discounting methodology, which incorporates the difference between current market level rates for contract wrap fees and the wrap fee being charged.

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In determining the net assets available for benefits, the GICs and synthetic GICs are considered to be fully benefit-responsive and thus adjusted to contract value, which is equal to the principal balance plus accrued interest. Full or partial Plan sponsor-directed redemptions or terminations of the stable asset fund may be delayed for up to 30 days.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based on the terms of the plan document. No allowance for credit losses was recorded as of December 31, 2012 or 2011.

Contributions

Company and participant contributions are reported in the financial statements in the period in which the related employee services are rendered. Participant rollover contributions are reported as participant contributions in the financial statements.

Income Recognition

The net appreciation or depreciation in investment values during the period is reflected in the statement of changes in net assets available for benefits. The net appreciation or depreciation includes realized gains and losses on investments sold during the period and unrealized gains and losses on investments held. Securities transactions are recorded on the transaction date. Interest income is recorded on the accrual basis as earned. Dividend income is recorded on the ex-dividend date.

Payment of Benefits

Benefit payments are recorded in the period in which the benefit payments occur. Benefits that are due to participants but remained unpaid at December 31, 2012 and December 31, 2011 totaled $71,000 and $199,000, respectively.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks 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. Market values of the Plan s investments may decline for a number of reasons, including changes in prevailing market and interest rates, increases in defaults and credit rating downgrades.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management of the Plan to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

3. Investment Contracts

The Plan holds both GICs and synthetic GICs. These contracts are managed by Morley Capital Management, Inc. (Morley). The GICs are issued with a fixed crediting rate and a fixed maturity that does not change over the life of the contract. The synthetic GICs are wrap contracts paired with underlying investments, primarily consisting of high-quality fixed income securities owned by the Plan. The synthetic GICs provide for a variable crediting rate, based on current yields of the underlying assets, and do not have a final stated maturity date. The crediting rate typically re-sets on a monthly basis with a one-month look-back for the underlying investment portfolio statistics. The primary variables impacting future crediting rates include current yield of the investments within the contract, duration of the investments covered by the contract, and the existing difference between the fair value and the contract value of the investments within the contract.

For synthetic GICs, the contract issuers guarantee a minimum zero percent crediting rate.

The average yield earned on the underlying investments equaled approximately 1% in both 2012 and 2011. The average yield earned reflecting actual crediting rates to participants equaled approximately 2% in both 2012 and 2011.

As described in Note 2, because the GICs and synthetic GICs held are fully benefit-responsive, contract value is the relevant measurement attribute for the portion of the net assets available for benefits attributable to the GICs and synthetic GICs. Contract value, as reported to the Plan by Morley, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. At December 31, 2012 and 2011, no reserves are considered necessary for any potential credit risk or other risk to the contract value of the investments. The contract issuers guarantee that all qualified participant withdrawals will occur at contract value, subject to the events described in the following paragraph.

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Certain events limit the ability of the Plan to transact at contract value with the insurance company and the financial institution issuer. Such events may include, but are not limited to: (1) amendments to the Plan s documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan s prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan s sponsor or other Plan s sponsor events that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under the Employee Retirement Income Security Act. The Plan s administrator does not believe that the occurrence of any such event, which would limit the Plan s ability to transact at contract value with participants, is probable. Certain events allow issuers to terminate GIC and wrap contracts with the Plan and settle at an amount different from the contract value. Such events may include, but are not limited to: (1) management of the portfolio which is not in accordance with investment guidelines, (2) breach of any material obligation under the wrap agreement, (3) any representation or warranty made by the contract holder that becomes untrue in any material way, (4) replacement of the advisor without prior consent of the issuer, (5) termination of fund, (6) fund ceases to qualify as a group trust or the Plan ceases to meet the appropriate tax qualifications, or (7) the wrap becomes a prohibited transaction within the meaning of Section 406 of the Employee Retirement Income Security Act.

4. Tax Status of the Plan

The Internal Revenue Service (the IRS) has determined and informed the Company by a letter dated March 11, 2009, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (the Code). Although the Plan has been amended since receiving the determination letter, the Company and the Plan s counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Code and, therefore, believe that the Plan is qualified, and the related trust is tax-exempt.

US GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2009.

5. Related-Party Transactions

The Company and Wells Fargo are parties-in-interest. The Plan s investment managers include BlackRock Financial Management, Institutional Capital Management, Morley, Northern Trust Company, Pyramis Global Advisors, PIMCO, and Lazard Asset Management, which are also parties-in-interest. A statutory exemption exists for transactions with these parties-in-interest.

The Plan had transactions in the common stock of the Company and the Wells Fargo Short-Term Investment Fund, which is managed by Wells Fargo. During 2012, purchases and sales of the Company s common stock totaled $4,419,000 and $5,655,000, respectively, and the purchases and sales of Wells Fargo Short-Term Investment Fund shares totaled $289,242,000 and $286,902,000, respectively.

6. Plan Termination

The Company anticipates the Plan will continue without interruption but reserves the right to discontinue the Plan. In the event such discontinuance results in the termination of the Plan, participants will become 100 percent vested in their accounts.

7. Investments

The following investments individually represent five percent or more of the Plan s net assets (in thousands):

	December 31, 2012	December 31, 2011
S&P 500 Equity Index Fund	$ 107,312	$ 94,714
Prudential Trust Co Collective Trust at contract value (fair value of $55,504,000 and $53,564,000, respectively)	53,257	52,090

International Equity Index Fund	43,487	41,193
Mattel, Inc. stock fund	40,906	*(a)*

(a) The Mattel, Inc. stock fund did not represent five percent or more of the Plan s net assets at December 31, 2011.

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The Plan s investments include realized gains and losses on investments sold and unrealized gains and losses on investments held. The Plan s investments appreciated during the year ended December 31, 2012 as follows (in thousands):

Common and commingled trust funds	$ 41,973
Common stock	27,664
Mutual fund	448
Net appreciation in fair value of investments	$ 70,085

The Company has directed the Trustee to invest any excess cash balances in the Wells Fargo Short-Term Investment Fund, which is a diversified portfolio of short-term investment securities.

8. Fair Value Measurements

The following tables present information about the Plan s assets and liabilities measured and reported in the financial statements at fair value and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are unobservable, supported by little or no market activity, and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The Plan s assets measured and reported in the financial statements at fair value on a recurring basis include the following (in thousands):

	December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Short-term investment fund	$	$ 20,726	$	$ 20,726
Common stock:				
Large Cap	81,387			81,387
Small/Mid Cap	50,325			50,325
Mattel, Inc. common stock	40,906			40,906
Total common stock	172,618			172,618
Common and commingled trust funds:				
S&P 500 Equity Index Fund		107,312		107,312
International Equity Index Fund		43,487		43,487
Intermediate Bond Index Fund		38,963		38,963

Wilshire 4500 Equity Index Fund		36,677	36,677
LifePath 2030 Index Fund		34,818	34,818
LifePath 2040 Index Fund		32,672	32,672
LifePath 2020 Index Fund		32,384	32,384
LifePath Retirement Index Fund		18,610	18,610
International Equity Fund		7,130	7,130
LifePath 2015 Index Fund		4,537	4,537
Total common and commingled trust funds		356,590	356,590
Long-term US government bond mutual fund	31,716		31,716
Synthetic guaranteed investment contracts		202,233	202,233
Guaranteed investment contracts		2,147	