

MDU RESOURCES GROUP INC
Form 11-K
June 17, 2016

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-3480

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN
(Full title of the plan)
MDU RESOURCES GROUP, INC.
(Name of issuer of securities held pursuant to the plan)
MDU RESOURCES GROUP, INC.
1200 WEST CENTURY AVENUE
P.O. BOX 5650
BISMARCK, NORTH DAKOTA 58506-5650
(Address of the plan and address of the issuer's principal executive offices)

CONTENTS

	Page
Required Information	
Report of Independent Registered Public Accounting Firm	<u>1</u>
Financial Statements:	
Statements of Net Assets Available for Benefits - December 31, 2015 and 2014	<u>2</u>
Statement of Changes in Net Assets Available for Benefits - Year Ended December 31, 2015	<u>3</u>
Notes to Financial Statements	<u>4</u>
Supplemental Schedules:	
Schedule H, Line 4a - Schedule of Delinquent Participant Contributions - Year Ended December 31, 2015	<u>16</u>
Schedule H, Line 4i - Schedule of Assets (Held at End of Year)	<u>17</u>
Signature	<u>18</u>
Exhibit Index:	<u>19</u>
Consent of Independent Registered Public Accounting Firm	

Note: All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Employee Benefits Committee of
MDU Resources Group, Inc. 401(k) Retirement Plan
Bismarck, North Dakota

We have audited the accompanying statements of net assets available for benefits of MDU Resources Group, Inc. 401(k) Retirement Plan (the "Plan") as of December 31, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015. 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. 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, 2015 and 2014, and the changes in net assets available for benefits for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedules of (1) Schedule H, Line 4a Schedule of Delinquent Participant Contributions for the year ended December 31, 2015, and (2) Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is presented for the purpose of additional analysis and is not a required part of the financial statements, but includes supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
June 17, 2016

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31,

	2015	2014
Assets:		
Investments at fair value (Note 5)	\$645,543,804	\$674,799,510
Fully benefit-responsive investment contract at contract value (Note 4)	88,806,420	90,901,034
Cash equivalents (Note 3)	2,572,088	3,482,710
	736,922,312	769,183,254
Receivables:		
Employer contributions	16,017,375	14,755,301
Participant contributions	358,141	964,026
Notes receivable from participants	22,397,613	21,668,823
Dividends	1,626,657	1,473,918
Other receivables	2,494	23,387
Total assets	777,324,592	808,068,709
Liabilities:		
Accrued expenses	51,581	64,817
Excess contributions payable	3,849	7,798
Total liabilities	55,430	72,615
Net assets available for benefits	\$777,269,162	\$807,996,094

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

-2-

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31, 2015

Additions to Net Assets Attributed to:

Investment income:

Dividends from Company stock	\$6,234,652
Interest and dividends	8,626,103

Total investment income	14,860,755
-------------------------	------------

Interest income on notes receivable from participants	883,432
---	---------

Contributions:

Employers	35,561,371
Participants	39,434,890
Participant rollovers	1,571,805

Total contributions	76,568,066
---------------------	------------

Total additions	92,312,253
-----------------	------------

Deductions from Net Assets Attributed to:

Net realized/unrealized depreciation in fair value of investments	49,941,720
Distributions to participants	72,817,521
Administrative expenses	279,944

Total deductions	123,039,185
------------------	-------------

Net decrease in net assets available for benefits	(30,726,932)
---	---------------

Net assets available for benefits at beginning of year	807,996,094
--	-------------

Net assets available for benefits at end of year	\$777,269,162
--	---------------

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

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

1. Description of the Plan

The following description of the MDU Resources Group, Inc. 401(k) Retirement Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

General

The Plan, formerly the MDU Resources Group, Inc. Tax Deferred Compensation Savings Plan, was initially adopted by the Board of Directors of MDU Resources Group, Inc. (the Company) on August 4, 1983, to be effective January 1, 1984. The Plan is a defined contribution plan. On January 1, 1999, the name was changed and the Plan was amended to reflect the merger of the MDU Resources Group, Inc. Tax Deferred Compensation Savings Plan for Collective Bargaining Unit Employees (the Bargaining Plan) into the Plan. Each participant in the Bargaining Plan automatically became a participant in the Plan. The merger and the transfer of assets were effectuated in accordance with Sections 401(a)(12), 411(d)(6) and 414(l) of the Internal Revenue Code of 1986, as amended (the Code), and the regulations thereunder. On May 25, 2006, the Plan designated the portion of the Plan invested in MDU Resources Group, Inc. Common Stock Fund as an Employee Stock Ownership Plan (ESOP). Effective September 9, 2013, the Plan is maintained as a multiple-employer plan.

The Company and any of its direct or indirect subsidiaries that participate in the Plan are the Employers (the Employers). The fiscal year of the Plan is the calendar year. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Board of Directors of the Company may, at any time, amend or modify the Plan. The Company has delegated to the Employee Benefits Committee (the Committee) the authority to amend or modify the Plan; however, certain amendments identified in the Plan document are subject to approval by the Board of Directors of the Company.

Although it has not expressed any intent to do so, the Board of Directors of 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. The Board of Directors or governing entities of any Employer may, at any time, terminate participation in the Plan with respect to such Employer. In the event of a Plan termination, participants would become 100 percent vested in their employer contributions.

The Committee is the Plan administrator. The Committee consists of the Chief Financial Officer of the Company and other individuals appointed by the Chief Executive Officer of the Company who are employed by the Company or an affiliate of the Company. The recordkeeper of the Plan is John Hancock Retirement Plan Services (the Recordkeeper), formerly known as New York Life Retirement Plan Services. The trustee of the Plan is John Hancock Trust Company (the Trustee), which replaced New York Life Trust Company effective November 1, 2015.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Eligibility

Generally, employees may participate in the Plan upon hire if they are at least 18 years of age and regular full-time employees or part-time employees with at least 1,000 hours of service in a year.

Deferred Savings Contributions

Although the Plan has an auto-enrollment feature, it allows participants who are highly compensated employees to elect pre-tax deferral contributions varying from one percent through 22 percent and participants who are not highly compensated employees to elect pre-tax deferral contributions varying from one percent to 50 percent, in one percent increments, of eligible compensation for each pay period, up to a maximum pre-tax deferral contribution of \$18,000 for the 2015 Plan year. The Plan includes an automatic deferral escalation feature to increase the participant's deferral percentage by one percent annually until the participant reaches 15 percent, unless the participant opts out. The Plan also allows participants who are eligible to make pre-tax deferral contributions and will have attained age 50 before the close of the Plan year to make elective catch-up deferrals of up to \$6,000 for 2015.

Employer Matching Contributions

Each participant's Employer may elect to provide a matching contribution, equal to a percentage of such participant's monthly pre-tax deferral contributions up to a specified percent of the participant's compensation as provided under the Plan or as adopted by the Employer and approved by the Committee. All matching contributions are made in cash to the participant's Matching Contribution Account and invested as directed by the participant.

Profit Sharing/Retirement Contributions

Profit sharing contributions are made based on the discretion of the Board of Directors of the Company or Board of Directors or governing entities of any of the Employers. Retirement contributions are nondiscretionary contributions made to certain eligible employees equal to a certain percent of their eligible compensation, a certain percent based upon their eligible compensation and their age at a certain date, or an amount based on hours worked. Participants may choose to invest profit sharing/retirement contributions allocated to their individual accounts in any or all of the available investment options. Profit sharing/retirement contributions totaling \$22.5 million were credited to participant accounts for the year ended December 31, 2015.

Rollover Contributions

The Plan accepts rollover contributions from an eligible retirement plan or an individual retirement account that holds only assets distributed from a qualified plan, including after-tax employee contributions.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Participant Accounts

The Employers remit all authorized contributions made by the participants to the Trustee to be held in trust and invested for the respective accounts of the participants, pursuant to the terms of a trust agreement effective January 1, 1998, as amended. Individual accounts are maintained for each participant of the Plan. Each participant's account is credited with deferred savings contributions, employer matching contributions, profit sharing/retirement contributions, rollover contributions and allocated investment earnings and losses.

Investment Options

An election is made by each participant to allocate contributions in one percent increments to any or all of the following 25 available investment options as of December 31, 2015:

♣MDU Resources Group, Inc. Common Stock Fund (MDU Resources Stock Fund)*

♣New York Life Insurance Anchor Account - Stable Value Fund

♣Allianz NFJ Small Cap Value Fund - Small-Cap Value Fund

♣American Funds - EuroPacific Growth Fund - International Growth Mutual Fund

♣Artisan Mid Cap Fund - Mid-Cap Growth Mutual Fund

♣BlackRock Inflation Protected Bond Fund - Inflation Protected Bond Fund

♣BlackRock U.S. Debt Index T Fund - Income Bond Collective Trust Fund

♣DFA International Value Portfolio - International Value Mutual Fund

♣Dodge & Cox Balanced Fund - Growth and Income Mutual Fund

♣Loomis Sayles Core Plus Fixed Income Fund - Income Collective Trust Fund

♣Royce Total Return Fund - Small-Cap Value Fund

♣T. Rowe Price Institutional Large Cap Growth Fund - Growth Mutual Fund

♣T. Rowe Price Institutional U.S. Structured Research Fund - Growth Mutual Fund

♣T. Rowe Price Retirement 2010 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2015 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2020 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2025 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2030 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2035 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2040 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2045 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2050 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement 2055 Fund - Growth and Income Mutual Fund

♣T. Rowe Price Retirement Balanced Fund - Growth and Income Mutual Fund

♣Vanguard Institutional Index Fund - Growth and Income Mutual Fund

* Eligible employees of Dakota Prairie Refining, LLC, are prohibited from investing in this fund.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

If a participant does not specify how contributions to their account are to be invested, they will automatically be invested in the applicable T. Rowe Price Retirement Fund most closely aligned with the year the participant turns age 65.

In April 2015, the PIMCO Total Return Fund was replaced with the Loomis Sayles Core Plus Fixed Income Fund.

In August 2015, the Columbia Acorn Z Fund was replaced with the Artisan Mid Cap Fund.

Contributions to the MDU Resources Stock Fund are used by the Trustee to purchase shares of MDU Resources Group, Inc. common stock directly on the open market, or to purchase shares of authorized but unissued common stock directly from the Company if the Company chooses to issue new stock.

Vesting

A participant's interest in a Deferred Savings Contribution Account, Matching Contribution Account or a Rollover Account is at all times fully vested and nonforfeitable. Generally, a participant's interest in a Profit Sharing/Retirement Contribution Account is 100 percent vested after completing three years of service; however, certain grandfathered vesting schedules are maintained due to plan mergers. Participants are 100 percent vested in the dividends paid on the MDU Resources Stock Fund regardless of years of service. Participant accounts are valued on a daily basis.

Distributions and Withdrawals

The amount credited to a participant's Deferred Savings Contribution Account, Matching Contribution Account and Rollover Account shall become payable to the participant or the participant's beneficiary/beneficiaries, as applicable, upon death, retirement, disability, or other termination of employment with the Employers. The distribution of such amounts will be in accordance with the Plan, based on the method of payment elected by the participant or designated beneficiary/beneficiaries. Generally, the Plan only allows single-sum distributions or annual installments over a period of time, not to exceed five years; however, certain grandfathered distribution features are maintained due to plan mergers.

Distributions with respect to investment options other than the MDU Resources Stock Fund are in the form of cash. Distributions with respect to the MDU Resources Stock Fund are in the form of a Direct Registration System statement, except for distributions of fractional shares which are in the form of cash. Any MDU Resources Group, Inc. Common Stock included in a direct transfer to an individual retirement account or other qualified plan will be electronically transferred to the individual retirement account or to the qualified plan's custodian.

A participant may make in-service withdrawals (hardship or age 59 1/2) under certain conditions. Distributions from a participant's Rollover Account may be elected at any time.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

Notes Receivable from Participants

A participant may be eligible to obtain a loan from the Plan. The maximum amount available for a loan is the lesser of \$50,000 or one-half of the participant's vested account balance, subject to certain limitations. Loans must be repaid over specified periods generally through payroll deduction and bear interest at a commercially reasonable rate in effect at the time the loan is made, as established by the Committee.

Forfeited Accounts

Forfeited non-vested accounts are used to reduce employer contributions to the Plan, and remaining amounts are carried forward to future years. Forfeited non-vested accounts totaled approximately \$432,000 and \$751,000 at December 31, 2015 and 2014, respectively. Approximately \$872,000 in forfeitures were used to reduce employer contributions for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are maintained on an accrual basis. The Plan has also evaluated for events or transactions occurring after December 31, 2015, up to the date of issuance of these financial statements.

Investment Valuation

Investments held by the Plan are carried at fair value. The Plan's cash equivalents, common stock and mutual fund investment valuations, as determined by the Trustee, are based on published market quotations.

The fully benefit-responsive investment contract, the New York Life Insurance Anchor Account, is stated at contract value.

There are two collective trust funds, the BlackRock U.S. Debt Index T Fund and the Loomis Sayles Core Plus Fixed Income Fund. Both funds are valued at fair value reported by the fund manager based on the underlying investments within each fund and are expressed in units representing the net asset value of each fund.

For further information on fair value measurements, see Note 5.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance, plus any accrued but unpaid interest. Delinquent notes receivable from participants are recorded as distributions based on the terms of the Plan document.

MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

New Accounting Standards

In May 2015, the Financial Accounting Standards Board (FASB) issued guidance on fair value measurement and disclosure requirements removing the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient. This guidance is effective for the Plan on January 1, 2016, with early adoption permitted. Plan management made the election to early adopt this guidance, which affected the Plan's disclosures; however, it did not impact the Plan's net assets available for benefits.

In July 2015, the FASB issued guidance associated with plan accounting comprised of three parts. Part I eliminates the requirements to measure the fair value of fully benefit-responsive investment contracts and provide certain disclosures. Contract value is the only required measure for fully benefit-responsive investment contracts. Part II eliminates the requirements to disclose individual investments that represent five percent or more of net assets available for benefits and the net appreciation (depreciation) in fair value of investments by general type. Part II also simplifies the level of disaggregation of investments that are measured using fair value. Plans will disaggregate investments that are measured using fair value by general type; however, plans are no longer required to also disaggregate investments by nature, characteristics and risk. Further, the disclosure of information about fair value measurements will be provided by general type of plan asset. Part III is not applicable to the Plan. This guidance is effective for the Plan on January 1, 2016, with early adoption permitted. The guidance applicable to the Plan is to be applied retrospectively. Plan management elected early adoption of this guidance in 2015, which affected the Plan's disclosures; however, it did not impact the Plan's net assets available for benefits.

Benefit Payments

Distributions to Plan participants are recorded when paid.

Contributions

Employer and participant contributions are recorded by the Plan when received or determined to be receivable. Participant contributions are deposited with the Plan by the Employers through payroll reductions.