MDU RESOURCES GROUP INC
Form 11-K
June 12, 2015

UNITED STATES 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 fiscal year ended December 31, 2014

OR

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

For the transition period from ______________ to ________________

Commission file number 1-3480

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)

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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, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. 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, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, 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, 2014, and (2) Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2014 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 12, 2015

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

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31,

	2014	2013
Assets:		
Investments at fair value (Notes 3 and 6)	$766,209,590	$793,435,298
Cash equivalents (Note 4)	3,482,710	2,924,943
	769,692,300	796,360,241
Receivables:		
Employer contributions	14,755,301	14,289,617
Participant contributions	964,026	869,031
Notes receivable from participants	21,668,823	20,122,538
Dividends	1,473,918	1,513,647
Other receivables	23,387	8,105
Total assets at fair value	808,577,755	833,163,179
Liabilities:		
Accrued expenses	64,817	43,348
Excess contributions payable	7,798	—
Total liabilities	72,615	43,348
Net assets available for benefits at fair value	808,505,140	833,119,831
Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 5)	(509,046)	(445,665)
Net assets available for benefits	$807,996,094	$832,674,166

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

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

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year ended December 31, 2014

Additions to Net Assets Attributed to:	
Investment income:	
Dividends from Company stock	$5,857,779
Interest and dividends	8,903,114
Total investment income	14,760,893
Interest income on notes receivable from participants	794,742
Contributions:	
Employers	33,242,774
Participants	36,610,681
Participant rollovers	1,903,788
Total contributions	71,757,243
Total additions	87,312,878
Deductions from Net Assets Attributed to:	
Net realized/unrealized depreciation in fair value of investments (Note 3)	35,019,364
Distributions to participants	76,748,303
Administrative expenses	223,283
Total deductions	111,990,950
Net decrease in net assets available for benefits	(24,678,072)
Net assets available for benefits at beginning of year	832,674,166
Net assets available for benefits at end of year	$807,996,094

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, 2014 and 2013

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 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). Previously New York Life Retirement Plan Services was the Plan's recordkeeper, until they were acquired by John Hancock Retirement Plan Services, effective April 14, 2015. The trustee of the Plan is New York Life Trust Company (the Trustee).

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Plan Amendments
Effective July 14, 2014, the Plan was amended to allow Employers the ability, under certain circumstances, to request and obtain approval from the Committee to allow employees who participate in a multiemployer plan to participate in the Plan.

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 $17,500 for the 2014 Plan year. The Plan includes an automatic deferral escalation feature to increase the participant's deferral percentage by 1 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 $5,500 for 2014.

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 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 $20.9 million were credited to participant accounts for the year ended December 31, 2014.

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.

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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, 2014:

- 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
- BlackRock Inflation Protected Bond Fund - Inflation Protected Bond Fund
- BlackRock U.S. Debt Index T Fund - Income Bond Collective Trust Fund
- Columbia Acorn Z Fund - Mid-Cap Growth Mutual Fund
- DFA International Value Portfolio - International Value Mutual Fund
- Dodge & Cox Balanced Fund - Growth and Income Mutual Fund
- PIMCO Total Return Fund - Income Bond Mutual 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.

In March 2014, the T. Rowe Price Retirement 2050 and 2055 Funds and T. Rowe Price Retirement Balanced Fund were added to the Plan as available investment options.

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

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.

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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 $751,000 and $473,000 at December 31, 2014 and 2013, respectively. Approximately $776,000 in forfeitures were used to reduce employer contributions for the year ended December 31, 2014.

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, 2014, 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 fair value and then adjusted to contract value.

The collective trust fund, the BlackRock U.S. Debt Index T Fund, is 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. Redemption is permitted daily with generally no other restrictions or notice periods and there are no unfunded commitments. The investment objective is to match the performance of Barclays Capital Aggregate Bond Index by investing in a diversified sample of the bonds that make up the index.

For further information on fair value measurements, see Note 6.

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.

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New Accounting Standard
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. Management is currently evaluating the impact of the new guidance on the Plan's financial statements and disclosures.

Benefit Payments
Distributions to Plan participants are recorded when paid.

Contributions
Employer and participant contribution