COMPUTER TASK GROUP INC
Form 11-K
June 26, 2015
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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, 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 No. 1-9410

COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN
(Full title of the Plan)

COMPUTER TASK GROUP, INCORPORATED
(Name of issuer of the securities held pursuant to the Plan)

800 Delaware Avenue
Buffalo, New York 14209
(Address of principal executive office of the issuer)

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FINANCIAL STATEMENTS

COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

DECEMBER 31, 2014
with
REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
Computer Task Group, Inc.
401(k) Retirement Plan

We have audited the accompanying statement of net assets available for benefits of the Computer Task Group, Inc. 401(k) Retirement Plan (the Plan) as of December 31, 2014, and the related statement of changes in net assets available for benefits for the year 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 audit.

We conducted our audit 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 audit provides 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 the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying Schedule of Assets Held as of December 31, 2014, has been subjected to audit procedures performed in conjunction with the audit of Computer Task Group, Inc. 401(k) Retirement 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 include 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 schedule, 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 schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Bonadio & Co., LLP

Amherst, New York
June 26, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
Computer Task Group, Inc.
401(k) Retirement Plan

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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, 2013, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Freed Maxick, CPAs, PC

Buffalo, New York
June 23, 2014

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
December 31,

	2014	2013
ASSETS		
Investments at fair market value:		
Shares of registered investment companies	$157,603,247	$156,351,778
Common collective trust	9,456,416	10,490,518
Employer stock fund	996,949	2,145,413
	168,056,612	168,987,709
Receivables:		
Notes receivable from participants	2,412,559	2,244,581
Net assets available for benefits at fair value	170,469,171	171,232,290
Adjustment from fair value to contract value for interest in common collective trust relating to fully benefit-responsive investment contracts	(166,112)	—
Net assets available for benefits	$170,303,059	$171,232,290

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

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Years Ended December 31,

	2014	2013
Sources of net assets:		
Employee contributions	$12,895,956	$14,262,625
Employer contributions	2,386,587	2,435,904
Interest and dividend income	5,827,132	4,858,601
Realized loss from investment transactions, net	(107,539)	(14,616)
Unrealized gains on investments, net	3,039,146	22,586,482
Total sources of net assets	24,041,282	44,128,996
Applications of net assets:		
Benefit payments and withdrawals	24,853,204	18,576,446
Administrative expenses	117,309	128,435
Total applications of net assets	24,970,513	18,704,881
Increase (decrease) in net assets	(929,231)	25,424,115
Net assets available for benefits:		
Beginning of year	171,232,290	145,808,175
End of year	$170,303,059	$171,232,290

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

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN
DECEMBER 31, 2014 and 2013

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Computer Task 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 is a defined contribution plan with salary reduction features as permitted under Section 401(k) of the Internal Revenue Code (IRC). The Plan is funded by employee and employer contributions and covers substantially all U.S. based employees of Computer Task Group, Inc. (CTG) who complete one hour of service. The assets of the Plan are maintained in mutual funds, a common collective trust fund, and an employer stock fund held by Reliance Trust Company, the trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA) of 1974.

Contributions - The Plan provides for employee pre-tax contributions ranging from 1% to 30% of salary, up to the maximum annual limitations allowed by the IRC. Participants who have reached age 50 before the end of the Plan year are eligible to make catch-up contributions, also as allowed by the IRC. The Company may contribute one-half of each participant's elective contribution, not to exceed 2% of compensation, for employees who work at least one hour during the Plan year. In addition, the Plan may contribute a discretionary supplemental matching contribution. The supplemental matching contribution is equal to one-half of each participant's elective contribution greater than 4%, but less than or equal to 6% of compensation for employees who work at least 1,000 hours during a 12 month period, and complete one year of service. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan and may initiate one electronic or telephonic fund exchange each business day up to an annual limit of 20 fund exchanges each calendar year. Additional exchanges must be executed via U.S. mail.

Vesting - Participants are vested immediately in their own contributions, including actual earnings or losses thereon. Participants become 20% vested in employer contributions after two years, 50% vested after three years of service, and fully vested after four years of service. Should the Plan be deemed top-heavy as defined under ERISA guidelines, an alternate vesting schedule will apply for those top-heavy years. The Plan was not deemed to be top-heavy in either 2014 or 2013.

Plan Termination - Although it has not expressed any intent to do so, the Company has the right under the Plan to limit or discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in employer contributions.

Forfeitures - Amounts forfeited by participants are used to reduce future employer contributions. Forfeitures used to reduce employer contributions during the year ended December 31, 2014 totaled $847,095 ($1,042,404 - 2013). At December 31, 2014 there were $28,069 of unapplied forfeitures ($31,569 - 2013).

Notes Receivable from Participants - Participants may borrow from their fund accounts, starting at a minimum of $1,000 and increasing up to a maximum of $50,000 or 50% of their vested account balance, whichever is less. Loan terms range from 1-5 years and may exceed five years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the Plan administrator. Principal and interest is paid ratably through payroll deductions.

Participant Accounts - Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings or losses, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

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Withdrawals and Distributions - Unless a participant elects otherwise, distributions will be made as soon as practical after a participant's normal retirement date or actual retirement date occurs. The normal retirement date is the date upon which a participant reaches age 65.

Participants may receive their accumulated vested benefits held by the Plan's trustee upon termination of employment or elect to keep their vested balance in the Plan until the earlier of normal retirement age, death, or disability, if their account balance is in excess of $5,000. If the participant elects to keep their vested interest in the Plan, the participant's account will continue to receive its share of earnings and losses. Terminated participants with an account balance of $1,000 or more, but less than $5,000, who have not elected to receive their vested account balance will receive a distribution of their account and the funds will automatically be transferred to an IRA at Millennium Trust Company.

Participants who reach age 59-1/2, but who are not separated from service, may withdraw from the Plan up to 100% of the value of their non-forfeitable interest in the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of the Plan are maintained on an accrual basis of accounting.

Accounting Estimates - The process of preparing financial statements requires management to use estimates and assumptions that affect certain types of assets, liabilities and changes therein. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

Investment Valuation and Income Recognition - All investments are carried at fair value or an approximation of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. See Note 3 for discussion of fair value measurements.

In accordance with U.S. GAAP, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit responsive investment contracts as contract value is the amount participants would receive if they were to initiate permitted transactions under the term of the Plan. The Plan invests in investment contracts through a collective trust. As required, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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 Statement of Net Assets Available for Benefits.

Notes Receivable from Participants - Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest.

Payment of Benefits - Benefits are recorded when paid.

Expenses - Certain expenses of maintaining the Plan, such as the audit fee, are paid directly by the Company and are excluded from these financial statements. Certain expenses incurred by the plan administrator, investment manager, and trustee for their services and costs in administering the Plan are paid directly either by the Company or the Plan.

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Income Taxes - The Internal Revenue Service has determined and informed the Company by letter dated March 28, 2014, that the Plan and related trust are designed in accordance with applicable sections of the IRC. No plan amendments have been made since receiving the determination letter.

Management evaluates tax positions taken by the Plan and concluded that the Plan had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

3. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants. The Company utilizes a fair value hierarchy for its assets and liabilities, as applicable, based upon three levels of input, which are:

Level 1 - quoted prices in active markets for identical assets or liabilities (observable)

Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be supported by observable market data for essentially the full term of the asset or liability (observable)

Level 3 - unobservable inputs that are supported by little or no market activity, but are significant to determining the fair value of the asset or liability (unobservable)

The following provides a description of the types of Plan investments that fall under each category, and the valuation methodologies used to measure these investments at fair value.

Shares of Registered Investment Companies: These investments are public investment securities valued using the Net Asset Value (NAV). Information regarding the value of these investments is provided to CTG by MassMutual. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market on which the securities are traded. Shares of registered investment companies are classified as Level 1 investments.

Computer Task Group, Inc. Common Stock Fund: This fund represents employer securities valued at the closing price reported on the active market on which the individual securities are traded. A small portion of the fund is invested in short-term money market instruments. The money market portion of the fund provides liquidity, which enables the Plan participants to transfer money daily among all investment choices. This common stock fund is classified as a Level 1 investment.

Common/Collective Investment Trusts: In December 2013, the trustee of that fund authorized the termination of the Fixed Fund, which previously comprised the entirety of the Plan's common/collective investment trusts. In November and December of 2013, in preparation for the termination, securities therein were liquidated and proceeds thereof were reinvested into money market investments classified as Level 1 investments. As of December 31, 2013, all costs pertaining to the liquidation had been recognized by the fund.

On May 1, 2014 fund assets were reinvested into the Invesco Stable Value Fund, which holds public investment securities valued using the NAV provided by MassMutual and is classified as a Level 2 investment. The NAV was quoted on a private market that was not active; however the unit price was based on underlying investments which were traded on an active market or had observable inputs. The common/collective trust fund's underlying investments sought to preserve capital and provide a competitive level of income over time that was consistent with the preservation of capital. The common/collective trust fund did not have any unfunded commitments relating to its investments, nor any significant restrictions on redemptions.

Based on the change in the underlying investments of the Common/Collective Trust, these investments have been transferred from Level 1 at December 31, 2013 to Level 2 at December 31, 2014 on the fair value hierarchy.

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The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following tables set forth financial assets measured at fair value in the Statements of Net Assets Available for Benefits and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2014 and 2013:

	Assets at Fair Value as of December 31, 2014			
	Quoted prices in active markets for identical assets: (Level 1)	Significant observable inputs: (Level 2)	Significant unobservable inputs: (Level 3)	Total Fair Value
Mutual funds:				
Allocation funds	$40,389,325	$—	$—	$40,389,325
Blended funds	19,448,012	—	—	19,448,012
Value funds	19,058,635	—	—	19,058,635
Growth funds	20,038,368	—	—	20,038,368
Bond funds	7,866,170	—	—	7,866,170
Target date funds	42,045,113	—	—	42,045,113
Other funds	8,757,624	—	—	8,757,624
Total mutual funds	157,603,247	—	—	157,603,247
Computer Task Group, Inc. Employer Stock Fund	996,949	—	—	996,949
Common/Collective trust	—	9,456,416	—	9,456,416
Total assets at fair value	$158,600,196	$9,456,416	$—	$168,056,612

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	Assets at Fair Value as of December 31, 2013			
	Quoted prices in active markets for identical assets: (Level 1)	Significant observable inputs: (Level 2)	Significant unobservable inputs: (Level 3)	Total Fair Value
Mutual funds:				
Allocation funds	$44,136,109	$—	$—	$44,136,109
Blended funds	20,434,900	—	—	20,434,900
Value funds	18,852,292	—	—	18,852,292
Growth funds	19,097,553	—	—	19,097,553
Bond funds	8,067,227	—	—	8,067,227
Target date funds	37,447,888	—	—	37,447,888
Other funds	8,315,809	—	—	8,315,809
Total mutual funds	156,351,778	—	—	156,351,778
Computer Task Group, Inc. Employer Stock Fund	2,145,413	—	—	2,145,413
Common/Collective trust	10,490,518	—	—	10,490,518
Total assets at fair value	$168,987,709	$—	$—	$168,987,709

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4. INVESTMENTS

Investments representing 5% or more of the Plan's net assets available for benefits are as follows:

	December 31, 2014		2013	
MFS Growth Allocation Fund - R4	$22,422,642		$23,745,055	
MFS Value Fund - R4	$11,595,455		$11,608,298	
MFS Moderate Allocation Fund - A	$10,745,452		$12,585,660	
Invesco Stable Value Fund	$9,456,416	*	$—	
T. Rowe Price Retirement 2020	$8,801,912		$6,562,521	**
Fidelity Low-Priced Stock Fund	$8,580,072		$9,567,190	
Fixed Fund	$—		$10,490,518	

* The contract value for the Invesco Stable Value Trust is $9,290,304 for the year ended December 31, 2014.

** Presented for comparative purposes only.

Total appreciation in the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, for 2014 and 2013 are as follows:

	2014		2013	
Shares of registered investment companies	$3,848,549		$22,527,176	
Common collective trust fund	(24	)	(12	)
Employer stock fund	(916,918	)	44,702	
Total appreciation	$2,931,607		$22,571,866	

5. PARTY-IN-INTEREST TRANSACTIONS

Fees paid by the participants for distributions from the Plan and loan maintenance fees amounted to $39,945 for the year ended December 31, 2014 ($47,959 - 2013). For the year ended December 31, 2014, fees paid primarily to UBS for investment advisory services amounted to $77,363 ($80,476 - 2013) and qualify as party-in-interest transactions. The Plan also invests in employer securities through the CTG, Inc. unitized common stock fund. CTG, Inc. is the Plan sponsor, and therefore, transactions qualify as party-in-interest. Investment income (loss) from investments sponsored by CTG, Inc. and interest income from participant loans amounted to $(816,770) for the year ended December 31, 2014 ($139,742 - 2013).

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6. 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:

	2014
Net assets available for benefits per financial statements	170,303,059
Adjustment from contract value to fair value	166,112
Net assets available for benefits per Form 5500	170,469,171

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

	2014
Net decrease in net assets per financial statements	(929,231)
Adjustment from contract value to fair value	166,112
Decrease in net assets per form 5500	(763,119)

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

SCHEDULE OF ASSETS HELD
December 31, 2014

Identity of Issuer	Description	Fair Market Value
MFS	MFS Growth Allocation Fund - R4	$ 22,422,642
MFS	MFS Value Fund - R4	11,595,455
MFS	MFS Moderate Allocation Fund - A	10,745,452
Invesco	Invesco Stable Value Fund	9,456,416
T. Rowe Price	T. Rowe Price Retirement 2020	8,801,912
Fidelity Mgmt. Trust Fund	Fidelity Low-Priced Stock Fund	8,580,072
Dreyfus	Dreyfus Basic S&P 500 Index Fund - A	7,674,491
Franklin	Franklin Growth Advantage	7,638,567
T. Rowe Price	T. Rowe Price Retirement 2025	7,182,293
MFS	MFS Research Bond Fund - R4	5,962,490
T. Rowe Price	T. Rowe Price Retirement 2030	5,873,983
T. Rowe Price	T. Rowe Price Retirement Income	5,710,086
T. Rowe Price	T. Rowe Price Retirement 2035	5,292,344
Vanguard	Vanguard Small Cap Index	4,909,417
American Funds	American Funds AMCAP - R6	4,641,443
T. Rowe Price	T. Rowe Price Retirement 2015	4,202,198
Vanguard	Vanguard International Value	3,791,574
MFS	MFS Aggressive Growth Allocation Fund - A	3,755,749
American Funds	American Century Mid Cap Value - Institutional	3,671,606
T. Rowe price	T. Rowe Price Retirement 2040	3,491,144
MFS	MFS Conservative Allocation Fund - A	3,465,482
American Funds	American Funds Europacific - R6	3,193,449
Franklin	Franklin Small - Mid Cap Growth Advantage	2,848,941
J.P. Morgan	J.P. Morgan Money Market Fund Institutional	2,690,952
T. Rowe Price	T. Rowe Price Retirement 2010	2,478,618
T. Rowe Price	T. Rowe Price Retirement 2045	2,450,209
American Funds	American Century Inflation Adjustment Bond	1,903,680
T. Rowe Price	T. Rowe Price Retirement 2055	1,138,661
T. Rowe Price	T. Rowe Price Retirement 2050	1,133,751
Franklin	Franklin Gold & Precious Metal Advantage	356,586
CTG*	CTG Stock Fund	996,949
CTG 401(k) Retirement Plan *	Participant Loan Fund (interest rate of 4.25%)	2,412,559
		$ 170,469,171

* The above named institution is a party-in-interest

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COMPUTER TASK GROUP, INC.
401(k) RETIREMENT PLAN

EXHIBITS

Exhibit	Description	Page
23.1	Consent of Bonadio & Co., LLP	#
23.2	Consent of Freed Maxick, CPAs, PC	#

Filed herewith

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SIGNATURES:

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

COMPUTER TASK GROUP, INCORPORATED 401(k) RETIREMENT PLAN

Date:	June 26, 2015	By:	/s/ Peter P. Radetich
		Name:	Peter P. Radetich
		Title:	Member – Retirement Plan Committee