

CANADIAN NATIONAL RAILWAY CO

Form 11-K

June 25, 2015

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Securities and Exchange Commission  
Washington, D.C. 20549

Form 11-K

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

For the fiscal year ended: December 31, 2014

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Commission file number: 333-163862 and 333-53420

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CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
(Full title of the plan)

CANADIAN NATIONAL RAILWAY COMPANY  
(Name of issuer of securities)

935 de La Gauchetiere St. West, Montreal, Quebec, Canada H3B 2M9  
(Address of issuer's principal executive offices)

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CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS

Financial Statements and Supplemental Schedule  
As of December 31, 2014 and 2013  
(With Report of Independent Registered Public Accounting Firm Thereon)

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CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS

INDEX

Report of Independent Registered Public Accounting Firm	1
Statements of Net Assets Available for Benefits as of December 31, 2014 and 2013	2
Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2014	3
Notes to Financial Statements	4
Schedule H, Line 4i – Schedule of Assets (Held at End of Year) – December 31, 2014	15

All other schedules required by 29 CFR 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 have been omitted because they are not applicable or required.

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Report of Independent Registered Public Accounting Firm

The Plan Administrator  
Canadian National Railway Company  
Union Savings Plan for U.S. Operations:

We have audited the accompanying statements of net assets available for benefits of the Canadian National Railway Company Union Savings Plan for U.S. Operations (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 U.S. generally accepted accounting principles.

The supplemental information in the accompanying 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 2014 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, 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 of assets (held at end of year) as of December 31, 2014 is fairly stated in all material respects in relation to the 2014 financial statements as a whole.

(signed)

KPMG LLP

Chicago, Illinois  
June 23, 2015



CANADIAN NATIONAL RAILWAY COMPANY  
 UNION SAVINGS PLAN FOR U.S. OPERATIONS  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	2014	2013
Plan interest in Canadian National Railway Master Trust, at fair value (note 6)	\$ 283,047,409	\$ 259,646,708
Receivables:		
Participants' loan reimbursement	201,160	187,892
Participants' contributions	989,906	807,658
Employer's contribution	139,752	112,313
Notes receivable from participants	11,264,130	10,555,132
Total receivables	12,594,948	11,662,995
Net assets available for benefits at fair value	295,642,357	271,309,703
Adjustment from fair value to contract value for interest in Canadian National Railway Master Trust relating to fully benefit-responsive investment contracts	(221,862)	(237,159)
Net assets available for benefits	\$ 295,420,495	\$ 271,072,544

See accompanying Notes to Financial Statements.

CANADIAN NATIONAL RAILWAY COMPANY  
 UNION SAVINGS PLAN FOR U.S. OPERATIONS  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	2014
Plan interest in investment income of the Canadian National Railway Master Trust (note 6)	\$ 24,792,795
Interest income on notes receivable from participants	511,427
Contributions:	
Participants'	19,688,229
Employer's	2,669,355
Rollovers	588,778
Total contributions	22,946,362
Transfer in of plan assets (note 4)	2,897,901
Deductions from net assets:	
Participants' distributions	26,228,724
Transfer out of plan assets (note 4)	489,823
Administrative expenses	81,987
Total deductions	26,800,534
Net increase	24,347,951
Net assets available for benefits, beginning of year	271,072,544
Net assets available for benefits, end of year	\$ 295,420,495

See accompanying Notes to Financial Statements.



CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

1. DESCRIPTION OF PLAN

Canadian National Railway Company (CN or the Company), directly and through its subsidiaries, is engaged in the rail and related transportation business.

The following description of the Canadian National Railway Company Union Savings Plan for U.S. Operations (the Plan or the Union 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 covers eligible union employees of Illinois Central Railroad Company, Grand Trunk Western Railroad Incorporated, Chicago, Central and Pacific Railroad Company, Wisconsin Central Limited (WC), Sault Ste. Marie Bridge Company, Bessemer and Lake Erie Railroad Company and the Pittsburgh and Conneaut Dock Company. Grand Trunk Corporation, which owns directly or indirectly all of the above U.S. affiliates of CN, is the Plan's sponsor. Grand Trunk Corporation is a holding company owned by CN. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

The Plan is a defined contribution plan, offering all eligible employees an opportunity to defer annually from 1% to 100% of their eligible earnings, subject to the legal limits allowed by the Internal Revenue Service (IRS), for contribution to various investment funds. Eligible employees may participate in the Plan any time on or after their date of hire.

Administration of the Plan

The Grand Trunk Corporation Board of Directors has delegated responsibility for the general operation and administration of the Plan and for carrying out and interpreting the Plan's provisions to the Investment Committee of Savings Plans of U.S. Operations (Investment Committee).

Trustee and Record Keeper

The Investment Committee has appointed Fidelity Management Trust Company (FMTC) as trustee and Fidelity Investments Institutional Operations Company, Inc. as transfer agent and record keeper of the Plan. Other affiliated Fidelity companies provide certain ministerial recordkeeping and administrative services to the Plan pursuant to an agreement entered into with the Plan Sponsor.

Contributions

Eligible participants may elect to make contributions to the Plan in amounts ranging from 1% to 100% of their annual eligible earnings on a before-tax basis subject to certain limitations. Such contributions are withheld from each participant's compensation and deposited in the appropriate fund in accordance with the participant's directives. Consistent with provisions established by the IRS, the Plan's limit on pre-tax contributions by a participant was \$17,500 for 2014. Participants who are at least age 50 by the end of a particular plan year and have contributed the maximum 401(k) deferral amount allowed under the Plan for that year are eligible to contribute an additional portion of their annual eligible earnings on a before-tax basis as "catch-up" contributions, up to the annual IRS limit of \$5,500 for 2014.

For employees who are members of participating unions, the Company generally contributes to the account balance of the Plan participants a “matching contribution” equal to 25% of the first 4% of annual eligible earnings the participant defers (a maximum Company match of 1% of eligible earnings) in accordance with such unions’ respective collective bargaining agreements. The Company does not match the participants’ “catch-up” contributions.

CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

Participants may elect to rollover amounts from other qualified plans or individual retirement account into the Plan provided that certain conditions are met.

#### Participant Accounts

Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan. The Plan record keeper maintains an account balance in the name of each participant to which each participant's pre-tax contributions, the Company's contributions, and share of net earnings, losses and expenses, if any, of the various investment funds, are recorded. Interest, dividends, and realized and unrealized gains and losses on investment of the funds are allocated directly to each participant's account. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

#### Vesting

Participants are fully vested in their account balance at the time of contribution, including the Company's matching contribution and related earnings from such contributions.

#### Distributions

Participants are eligible for a distribution of the Plan benefits upon termination of service, whether by disability, retirement, death, or termination of employment from the Company. In the event of financial hardship, as defined in the Plan, participants may withdraw amounts from their Plan accounts while they are still employed. Participants who have attained age 59½ may request a distribution of all or a portion of the value in the account. Withdrawals by the participant before attaining age 59½ generally are subject to a penalty of 10%.

#### Notes Receivable from Participants

Participants may borrow from their accounts by taking one loan with a minimum amount of \$1,000, and a maximum amount of \$50,000, reduced by the participant's highest outstanding loan balance in the prior one-year period (if any) or 50% of their vested account balance. General purpose loans must be repaid within 5 years; if the funds are used to construct or purchase a primary residence, funds must be repaid within 10 years. The interest rate on the loans is equal to the prevailing prime rate as of the beginning of the calendar quarter in which the participant applies for the loan plus 1%, which ranged from 4.0% to 10.5% for loans outstanding at December 31, 2014. Principal and interest are paid in equal installments through employee payroll deductions. Participants may prepay the entire outstanding loan balance at any time without penalty. Loans deemed to be in default are recorded as distributions.

At December 31, 2014 and 2013, loans outstanding were \$11,264,130 and \$10,555,132, respectively, net of deemed defaulted loans of \$876,886 and \$792,116, respectively, with maturity dates through December 2024.

#### Termination of Service

Upon termination of service, a participant may leave their account in the Plan, or may elect to receive the value of their account in a lump-sum payment or as a direct transfer to another qualified retirement plan subject to certain conditions. However, a participant with an account balance of \$5,000 or less may select from the latter two options only.

#### Expenses

All administrative expenses are paid from Plan assets. The Investment Committee, appointed by the Board of Directors, employs an independent investment consultant to evaluate investment options, conduct fund searches, and

monitor fund manager activity, of which the fees incurred are paid from Plan assets. In addition, certain investment related expenses reduced investment income presented in the accompanying statement of changes in net assets available for benefits.

CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

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 because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statement of net assets available for benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

### Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Investment Valuation

The Plan's investments are stated at fair value. The fair value of the Plan's interest in the Canadian National Railway Master Trust (Master Trust) is based on the specific interest that each plan has in the underlying participant directed investment options. Investments in mutual funds and money market funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. Common stocks are valued at the last reported sales price or closing price by the national securities exchange on which it trades. The CN Stock Fund is tracked on a unitized basis, whereby the value of a unit reflects the combined market value of CN common stock and the cash investments held by the fund. The Master Trust's interest in the Fidelity Managed Income Portfolio II (FMIP II), which is fully benefit-responsive, is presented at fair value, which represents NAV, of units held by the Master Trust, with separate disclosure of the adjustment from fair value to contract value, which is equal to principal balance plus accrued interest. The NAV, as reported by the Trustee, is used as a practical expedient to estimate fair value. The fair value of the FMIP II is calculated by the issuer utilizing quoted market prices, most recent bid prices in the principal market in which securities are normally traded, pricing services and dealer quotes. The fair value of underlying wrapper contracts is calculated by the issuer using a discounted cash flow model which considers (i) recent fee bids as determined by recognized dealers, (ii) discount rate and (iii) the duration of the underlying portfolio securities.

The statements of net assets available for benefits includes the fair value of the underlying assets and wrap contracts of the FMIP II based on the proportionate ownership of the Plan.

As of December 31, 2014, there were no reserves against the wrap contracts' carrying values due to credit risks of the issuers. Interest rates are reviewed on a monthly basis for resetting. Certain events could limit the ability of the Plan to transact at contract value with the issuers of the contracts held by the FMIP II. Such events could include, but are not

limited to, the following: the establishment of a defined contribution plan that competes with the Plan for contributions, substantive modification to the FMIP II or the administration of the FMIP II, change in law, regulation or administrative ruling applicable to the Plan that could have a material adverse effect on cash flow, transfer to a competing investment option, and failure of the Plan to qualify under the applicable sections of the Internal Revenue Code of 1986, as amended (the Code). Withdrawals initiated by the Plan Sponsor will normally be provided at contract value as soon as practicable following the required twelve months written notice. Withdrawals initiated by Plan participants may be made on any business day and are processed on the same business day. Transfers made by

CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

Plan participants from the FMIP II cannot be reinvested into competing investments, for ninety days from the date of the transfer. Competing investments are investment options offered by the Plan which may be deemed by the Contract issuer to “compete” with the FMIP II fund. Transfers from FMIP II must first be exchanged to a non-competing fund, for ninety days. The Plan does not believe that the occurrence of any of these events, which could limit the Plan’s ability to transact at contract value with participants, is probable.

The average yields earned by the FMIP II were approximately 1.70% and 1.59% at December 31, 2014 and 2013, respectively. The average yields earned by the FMIP II based on the actual interest rates credited to participants were approximately 1.38% and 1.14% at December 31, 2014 and 2013, respectively.

The methods described above may produce a fair value calculation that may not be indicative of net asset value or reflective of future fair values. Furthermore, while the Plan’s 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 estimate of fair value at the reporting date.

#### Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus accrued but unpaid interest. Delinquent participant loans are reclassified as a distribution based upon the terms of the Plan document.

#### Security Transactions and Related Investment Income

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

Net appreciation (depreciation) of investments includes the realized gains and losses on the sale of securities and the unrealized appreciation and depreciation in the fair value of investments.

#### Distributions

Distributions to participants or beneficiaries are recorded upon payment.

#### Contributions Receivable

Contributions receivable are the amounts due, as of the date of the financial statements, to the Plan from the Company and participants. Participant contributions from employee payroll deductions made subsequent to the Plan’s year-end attributable to the preceding Plan year are accrued, as are Company contributions coinciding with these salary deferrals, if any.

### 3. DESCRIPTION OF INVESTMENT FUNDS

Participants direct the investment of their account balance into a broad range of investment funds offered by the Plan, within the Master Trust. The Investment Committee may add, remove or replace any investment funds as appropriate and as allowed by the Plan document and the Statement of Investment Policy.

### 4. TRANSFER OF PLAN ASSETS

In 2014, transfers of plan assets to/from a CN-related employee plan, the Canadian National Railway Company Management Savings Plan for U.S. Operations, relate to employees who changed participation between plans.

7

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CANADIAN NATIONAL RAILWAY COMPANY  
UNION SAVINGS PLAN FOR U.S. OPERATIONS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013