

UNION PACIFIC CORP
Form 11-K
June 27, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

(Mark One)

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

For the fiscal year ended December 31, 2017

- OR -

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

For the transition period from _____ to _____

Commission file number 1-6075

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

UNION PACIFIC AGREEMENT EMPLOYEE 401(k)

RETIREMENT THRIFT PLAN

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

UNION PACIFIC CORPORATION

1400 DOUGLAS STREET

OMAHA, NEBRASKA 68179

Union Pacific Agreement

Employee 401(k) Retirement

Thrift Plan

Employer ID No: 94-6001323

Plan Number: 015

Financial Statements as of and for the

Years Ended December 31, 2017 and 2016,

Supplemental Schedule as of

December 31, 2017, and Report of

Independent Registered Public Accounting Firm

UNION PACIFIC AGREEMENT

EMPLOYEE 401(k) RETIREMENT THRIFT PLAN

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NOTE: Additional supplemental schedules required by the Employee Retirement Income Security Act of 1974, as amended, are disclosed separately in Master Trust reports filed with the Department of Labor or are omitted because of the absence of the conditions under which they are required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Participants and Plan Administrator of

Union Pacific Agreement Employee 401(k) Retirement Thrift Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of Union Pacific Agreement Employee 401(k) Retirement Thrift Plan (the "Plan") as of December 31, 2017 and 2016, and the related statements of changes in net assets available for benefits for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Report on Supplemental Schedule

The supplemental schedule listed in the table of contents, has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule 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 schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in compliance 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, such schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Deloitte & Touche LLP

Omaha, Nebraska

June 27, 2018

We have served as the auditor of the Plan since 1990.

UNION PACIFIC AGREEMENT

EMPLOYEE 401(k) RETIREMENT THRIFT PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS:		
Plan interest in Master Trust		
Investments at fair value (Note 3)	\$ 1,712,836,183	\$ 1,464,923,217
Investments at contract value (Note 4)	135,906,529	147,842,129
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,848,742,712	\$ 1,612,765,346

See notes to the financial statements.

UNION PACIFIC AGREEMENT

EMPLOYEE 401(k) RETIREMENT THRIFT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Investment income:		
Plan interest in Master Trust investment income (Note 4):		
Net appreciation in fair value of investments	\$ 270,531,974	\$ 138,676,017
Interest and dividends	38,162,317	36,079,931
Net investment income	308,694,291	174,755,948
Contributions:		
Participant contributions	87,588,550	87,246,917
Employer contributions	2,798,029	2,926,541
Total contributions	90,386,579	90,173,458
Other	37,666	28,230
Total additions	399,118,536	264,957,636
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Distributions to participants	161,974,015	132,535,801
Other	1,167,155	1,039,121
Total deductions	163,141,170	133,574,922
NET INCREASE IN NET ASSETS	235,977,366	131,382,714
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	1,612,765,346	1,481,382,632
End of year	\$ 1,848,742,712	\$ 1,612,765,346

See notes to the financial statements.

UNION PACIFIC AGREEMENT
EMPLOYEE 401(k) Retirement THRIFT PLAN

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

1. DESCRIPTION OF PLAN

The following description of the Union Pacific Agreement Employee 401(k) Retirement Thrift Plan (the “Plan”) is provided for general information only. Participants should refer to the Plan document for more complete information.

General — The Plan is a defined contribution plan covering employees of the Union Pacific Railroad Company and its railroad affiliates (the “Company”) who are represented for the purposes of collective bargaining by a rail union to which eligibility to participate in the Plan has been extended. The Plan covers employees who have completed one year of service or were employees as of the effective date of the Plan, July 1, 1990. Vanguard Fiduciary Trust Company (“VFTC”) serves as the trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Contributions — Each year, participants may contribute 2% to 75% of their eligible compensation on a salary deferral basis subject to limitations specified in the Internal Revenue Code (the “Code”). A participant may designate all or a portion of his/her pre-tax contribution as a Roth contribution. Participants may also contribute 1% to 75% of their eligible compensation on an after-tax basis. Combined after-tax, Roth and pre-tax contributions may not exceed 75% of eligible compensation. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. The Company contributes to the Plan on behalf of each participant who contributes to the Plan and is represented by a rail union that has negotiated a matching contribution with the Company. The Company’s matching contribution is an amount equal to 50% of the participant’s pre-tax, Roth and after-tax contributions that are not in excess of 6% of the participant’s eligible compensation for the payroll period. Participants may direct the investment of contributions made to their account into various investment options offered by the Plan or may elect to participate in the Vanguard Advisers Managed Account Program (“Managed Account Program”). The Managed Account Program is a program in which certain participants may delegate ongoing, discretionary investment management decisions with respect to their account to Vanguard Advisers, Inc. If a participant does not provide investment direction with respect to contributions made to their account, such contributions are invested in a default investment option designated under the Plan.

Participant Loans – The Plan does not offer a participant loan feature.

Participant Accounts — Individual accounts are maintained for each Plan participant. Each participant’s account is credited with the participant’s contributions, employer-matching contributions (if applicable) and an allocation of the Plan’s earnings (or losses) based upon the type of investments selected and their performance. The allocations are based on each participant’s account balance by investment type. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting — Participants at all times have a 100% vested interest in their accounts.

Distributions to Participants — Following a participant’s termination of employment, a distribution of benefits will be made upon request in a single sum payment. Distributions of the portion of a participant’s account invested in the Union Pacific Common Stock Fund are distributed in cash unless shares of stock

are elected at the time of distribution. In-kind distributions are lump sum and any fractional shares are distributed in cash. A terminated participant may defer distribution until the earlier of the participant's required beginning date, as defined in the Plan, or the participant's death. If distribution is deferred until the participant's required beginning date, the participant may elect distribution either in a single sum or in the form of monthly, quarterly, semi-annual or annual installments. Such single sum distribution must be made (or installments begin) no later than the participant's required beginning date. If the participant remains employed with the Company after attaining age 70 1/2, the participant must either take a single sum distribution or begin installment payments no later than the April 1 of the year following the year in which the participant terminates employment.

In-service withdrawals, including withdrawals of rollover contributions, hardship withdrawals, and withdrawals on and after age 59 1/2 may be made by a participant from his or her account in accordance with the Plan's provisions.

Plan Administration — From November 1, 2014, through March 31, 2016, the Plan was administered by the Assistant Vice President, Compensation & Benefits, Union Pacific Railroad Company. Effective April 1, 2016, the Plan is administered by the Senior Vice President and Chief Human Resource Officer of Union Pacific Railroad Company. Investment management fees for the Plan's investment options are netted against investment earnings. Except to the extent the Company is obligated, pursuant to the terms of a collective bargaining agreement, to pay expenses incurred for Plan administration, such expenses, including participant recordkeeping expenses, are payable from Plan assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties — The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk as