TEGNA INC
Form 10-Q
November 06, 2015
Draft: Audit Committee version

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 27, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-6961

TEGNA INC.
(Exact name of registrant as specified in its charter)

Delaware	16-0442930
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7950 Jones Branch Drive, McLean, Virginia	22107-0150
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 854-7000.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	ý	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller Reporting Company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ¨ No ý

The total number of shares of the registrant's Common Stock, $1 par value outstanding as of September 27, 2015 was 221,692,610.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS
TEGNA Inc. and Subsidiaries
In thousands, except share data

	Sept. 27, 2015 (Unaudited)	Dec. 28, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$117,799	$110,460
Trade receivables, less allowance for doubtful accounts (2015 - $12,273; 2014 - $10,710)	557,338	554,481
Other receivables	59,566	56,341
Deferred income taxes	41,592	156,851
Assets held for sale	187,913	51,564
Prepaid expenses and other current assets	101,711	83,621
Current discontinued operation assets	—	467,147
Total current assets	1,065,919	1,480,465
Property, plant and equipment		
Cost	999,987	1,311,710
Less accumulated depreciation	(549,745)	(636,978)
Net property, plant and equipment	450,242	674,732
Intangible and other assets		
Goodwill	3,966,517	3,955,582
Indefinite-lived and amortizable intangible assets, less accumulated amortization	3,107,582	3,189,478
Investments and other assets	284,483	249,483
Noncurrent discontinued operation assets	—	1,655,715
Total intangible and other assets	7,358,582	9,050,258
Total assets [(a)]	$8,874,743	$11,205,455

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

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CONDENSED CONSOLIDATED BALANCE SHEETS
TEGNA Inc. and Subsidiaries
In thousands, except share data

	Sept. 27, 2015 (Unaudited)	Dec. 28, 2014
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and current portion of film contracts payable	$157,950	$155,896
Accrued expenses	316,593	371,731
Dividends payable	31,845	45,309
Income taxes	29,382	11,267
Deferred income	178,973	139,971
Current portion of long-term debt	7,854	7,854
Current discontinued operation liabilities	—	395,908
Total current liabilities	722,597	1,127,936
Noncurrent liabilities		
Income taxes	37,266	56,578
Deferred income taxes	898,588	848,047
Long-term debt	4,471,119	4,488,028
Pension liabilities	157,281	171,674
Other noncurrent liabilities	178,871	175,710
Noncurrent discontinued operation liabilities	—	827,739
Total noncurrent liabilities	5,743,125	6,567,776
Total liabilities [(a)]	6,465,722	7,695,712
Redeemable noncontrolling interests	25,002	20,470
Commitments and contingent liabilities (See Note 13)		
Equity		
TEGNA Inc. shareholders' equity		
Preferred stock of $1 par value per share, 2,000,000 shares authorized, none issued	—	—
Common stock of $1 par value per share, 800,000,000 shares authorized, 324,418,632 shares issued	324,419	324,419
Additional paid-in capital	528,111	546,406
Retained earnings	6,983,654	8,602,369
Accumulated other comprehensive loss	(118,800)	(778,769)
	7,717,384	8,694,425
Less treasury stock, at cost (2015 - 102,726,022 shares; 2014 - 97,679,541 shares)	(5,584,482)	(5,439,511)
Total TEGNA Inc. shareholders' equity	2,132,902	3,254,914
Noncontrolling interests	251,117	234,359
Total equity	2,384,019	3,489,273
Total liabilities, redeemable noncontrolling interests and equity	$8,874,743	$11,205,455

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

[(a)] Our consolidated assets as of Sept. 27, 2015 include total assets of $59.2 million related to variable interest entities (VIEs) and our consolidated assets as of Dec. 28, 2014, include $60.0 million of such assets. These assets can only be used to settle the obligations of the VIEs. Consolidated liabilities as of Sept. 27, 2015 include total liabilities of $4.3 million related to VIEs and our consolidated liabilities as of Dec. 28, 2014 include $4.3 million of such liabilities. The

VIEs' creditors have no recourse to TEGNA regarding these liabilities. See further description in Note 1 - Basis of presentation and summary of significant accounting policies.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
TEGNA Inc. and Subsidiaries
Unaudited, in thousands, except share data

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
Net operating revenues:				
Media	$406,445	$416,509	$1,219,911	$1,197,035
Digital	351,072	204,560	1,025,770	587,060
Other	49,569	59,916	155,556	185,332
Total	807,086	680,985	2,401,237	1,969,427
Operating expenses:				
Cost of sales and operating expenses, exclusive of depreciation	256,941	276,833	792,950	816,436
Selling, general and administrative expenses, exclusive of depreciation	283,564	186,191	852,853	559,642
Depreciation	21,723	21,294	71,360	61,141
Amortization of intangible assets	28,501	11,433	86,155	36,659
Facility consolidation and asset impairment charges	—	1,230	23,190	25,802
Total	590,729	496,981	1,826,508	1,499,680
Operating income	216,357	184,004	574,729	469,747
Non-operating (expense) income:				
Equity income (loss) in unconsolidated investees, net	(1,013)	(981)	(4,123)	156,792
Interest expense	(66,949)	(65,791)	(206,871)	(199,284)
Other non-operating items	(3,116)	(15,326)	(5,346)	(39,762)
Total	(71,078)	(82,098)	(216,340)	(82,254)
Income before income taxes	145,279	101,906	358,389	387,493
Provision for income taxes	37,178	29,782	119,157	145,731
Income from continuing operations	108,101	72,124	239,232	241,762
Income (loss) from discontinued operations, net of tax	(2,359)	67,868	125,485	193,731
Net income	105,742	139,992	364,717	435,493
Net income attributable to noncontrolling interests	(17,487)	(21,476)	(47,700)	(49,351)
Net income attributable to TEGNA Inc.	$88,255	$118,516	$317,017	$386,142
Earnings from continuing operations per share - basic	$0.40	$0.22	$0.85	$0.85
Earnings (loss) from discontinued operations per share - basic	$(0.01)	$0.30	$0.55	$0.86
Net income per share – basic	$0.39	$0.52	$1.40	$1.71
Earnings from continuing operations per share - diluted	$0.39	$0.22	$0.83	$0.83
Earnings (loss) from discontinued operations per share - diluted	$(0.01)	$0.29	$0.54	$0.83
Net income per share – diluted	$0.38	$0.51	$1.37	$1.66
Weighted average number of common shares outstanding:				

Basic shares	224,530	225,761	226,053	226,374
Diluted shares	230,078	232,097	231,310	232,157
Dividends declared per share	$0.14	$0.20	$0.54	$0.60

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
TEGNA Inc. and Subsidiaries
Unaudited, in thousands

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
Net income	$105,742	$139,992	$364,717	$435,493
Redeemable noncontrolling interests (income not available to shareholders)	(310)	(359)	(1,595)	(2,209)
Other comprehensive income (loss), before tax:				
Foreign currency translation adjustments	(5,033)	(28,412)	(4,639)	(10,951)
Pension and other post-retirement benefit items:				
Amortization of prior service credit, net	76	(1,191)	(1,160)	(2,891)
Amortization of actuarial loss	3,742	11,668	35,150	34,901
Actuarial loss arising during period	(14,631)	—	(14,631)	—
Remeasurement of pension and other post-retirement benefits liabilities	79,184	—	79,184	33,907
Other	—	18,068	(4,397)	2,656
Pension and other post-retirement benefit items	68,371	28,545	94,146	68,573
Other	(518)	(4,912)	(518)	(3,851)
Other comprehensive income (loss), before tax	62,820	(4,779)	88,989	53,771
Income tax effect related to components of other comprehensive income	(27,079)	(4,945)	(37,067)	(26,921)
Other comprehensive income (loss), net of tax	35,741	(9,724)	51,922	26,850
Comprehensive income	141,173	129,909	415,044	460,134
Comprehensive income attributable to noncontrolling interests, net of tax	(14,806)	(16,205)	(41,529)	(43,291)
Comprehensive income attributable to TEGNA Inc.	$126,367	$113,704	$373,515	$416,843

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
TEGNA Inc. and Subsidiaries
Unaudited, in thousands

	Thirty-nine Weeks Ended Sept. 27, 2015	Sept. 28, 2014
Cash flows from operating activities:		
Net income	$364,717	$435,493
Adjustments to reconcile net income to net cash flow from operating activities:		
Depreciation and amortization	214,066	183,403
Facility consolidation and asset impairment charges	33,179	51,210
Pension contributions, net of pension expense	(121,732)	(100,983)
Equity income in unconsolidated investees, net	(6,683)	(166,787)
Stock-based compensation – equity awards	17,112	25,133
Change in other assets and liabilities, net	(21,426)	145,132
Net cash flow from operating activities	479,233	572,601
Cash flows from investing activities:		
Purchase of property, plant and equipment	(74,897)	(91,559)
Payments for acquisitions, net of cash acquired	(53,654)	(202,724)
Payments for investments	(30,293)	(5,318)
Proceeds from investments	12,402	166,251
Proceeds from sale of certain assets	110,524	303,539
Net cash flow from (used for) investing activities	(35,918)	170,189
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit agreements	120,000	—
Proceeds from unsecured fixed rate notes	—	666,732
Proceeds from unsecured floating rate term loans	200,000	—
Payments of unsecured floating rate term loans	(29,590)	(27,627)
Payments of unsecured fixed rate notes	(316,568)	(250,000)
Payments of debt issuance and financing costs	(6,980)	(10,005)
Dividends paid	(136,163)	(136,059)
Cost of common shares repurchased	(200,569)	(75,815)
Proceeds from issuance of common stock upon settlement of stock awards	23,154	11,915
Distribution to noncontrolling interests	(24,783)	(877)
Deferred payments for acquisitions	(9,136)	(15,687)
Cash transferred to the Gannett Co., Inc. business	(63,365)	—
Net cash flow from (used for) financing activities	(444,000)	162,577
Effect of currency exchange rate change on cash	—	(55)
Increase (decrease) in cash and cash equivalents	(685)	905,312
Balance of cash and cash equivalents at beginning of period	118,484	469,203
Balance of cash and cash equivalents at end of period	$117,799	$1,374,515
Supplemental cash flow information:		
Cash paid for taxes, net of refunds	$59,394	$112,802
Cash paid for interest	$183,239	$167,513
Non-cash investing and financing activities:		
Payment for acquisition (non-monetary exchange of investment)	$(34,403)	$—
Assets held for sale proceeds	$—	$146,428
	$—	$(134,908)

Escrow deposit disbursement related to London Broadcasting Company television stations acquisition		
Capital expenditures	$—	$(11,520)

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

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 27, 2015
NOTE 1 – Basis of presentation and summary of significant accounting policies
Basis of presentation: Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in the Form 10-K and annual report to shareholders. In our opinion, the financial statements reflect all adjustments of a normal recurring nature necessary for a fair presentation of results for the interim periods presented.
On the first day of our fiscal third quarter, June 29, 2015, we completed the spin-off of our publishing businesses. The publishing businesses retained the name Gannett Co., Inc. and now trades on the New York Stock Exchange (NYSE) under the symbol GCI. TEGNA Inc. trades on the NYSE under the symbol TGNA. The financial position and results of operations of the publishing businesses are reflected as discontinued operations for all periods presented through the date of the spin-off. The financial statements and footnotes have been revised accordingly. See Note 14, "Discontinued Operations", for further details regarding the spin-off.
Variable Interest Entities (VIE): A variable interest entity is an entity that lacks equity investors or whose equity investors lack a controlling interest in the entity through their equity investments. We consolidate VIEs when we are the primary beneficiary. In determining whether we are the primary beneficiary of a VIE for financial reporting purposes, we consider whether we have the power to direct the activities of the VIE that most significantly impact the economic performance of the VIE and whether we are obligated to absorb losses or the right to receive returns of the VIE.
We have determined that the entities holding four of our television stations constitute VIEs. Accordingly, we evaluated the arrangements to determine whether we are considered the primary beneficiary, and, as a result of this evaluation, consolidated four stations in the Louisville, KY, Portland, OR, and Tucson, AZ, television markets since December 23, 2013.
The carrying amounts and classification of the assets and liabilities of the consolidated VIEs mentioned above and included in our consolidated balance sheets were as follows:

In thousands	Sept. 27, 2015	Dec. 28, 2014
Current assets	$20,653	$20,541
Plant, property and equipment, net	9,743	10,084
Intangible and other assets	28,848	29,412
Total assets	$59,244	$60,037
Current liabilities	$11,745	$11,635
Noncurrent liabilities	20,091	26,028
Total liabilities	$31,836	$37,663

Recent accounting standards: In September 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-16, Business combinations (Topic 805) Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts recognized in a business combination in the reporting period in which the adjustment amounts are determined. Recognizing the entire impact of a measurement period adjustment in a single reporting period may introduce earnings volatility and reduces comparability between periods when the adjustments are material. Past measurement period adjustments for us have not been material.

In July 2015, the FASB delayed the effective date for ASU 2014-09 Revenue from Contracts with Customers (Topic 606). The core principle contemplated by ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. We are required to adopt the standard in the first quarter of 2018 and retroactively apply it to our 2016 and 2017 financial results at the time of adoption. Under the new rules, we are permitted to adopt the new standard in 2017. We can also choose to apply the standard using either the full retrospective approach or a modified retrospective approach, which recognizes a cumulative catch up adjustment to the opening balance of retained earnings. We are currently assessing the impact and timing of adopting this pronouncement, and the transition method we will use.

In April 2015, the FASB issued ASU 2015-03 Interest - Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. Under the ASU, an entity presents their debt issuance cost on the balance sheet as a direct deduction from the carrying amount of their debt liability, similar to their debt discounts, rather than as an asset as has been done previously. Amortization of the cost is reported as interest expense. We are required to adopt ASU 2015-03 in the first quarter of 2016, with early adoption also being permitted. We are required to apply the new guidance on a retrospective basis, wherein the balance sheet of each period presented is adjusted to reflect the effects of applying the new guidance. At the end of the third quarter, we had $53.0 million of debt issuance costs recorded as assets, including $7 million related to our revolving credit agreement. The debt issuance costs amount to less than 1% of our total assets.

NOTE 2 – Acquisitions and dispositions

Early in fiscal year 2015, we sold Gannett Healthcare Group (GHG) to OnCourse Learning, an online education and training provider. GHG is a leading provider of continuing education, certification test preparation, online recruitment, digital media, publications and related services for nurses and other healthcare professionals in the United States.

In March 2015, CareerBuilder increased its controlling interest in Economic Modeling Specialists Intl. (EMSI) by 11% from 74% to 85%. EMSI is an economic software firm that specializes in employment data and labor market analysis. EMSI collects and interprets large amounts of labor data, which is used in work force development and talent strategy.

In May 2015, Newsquest Media Group, a subsidiary of our former publishing businesses that operates in the U.K, acquired Romanes Media Group, a local news publishing business operating in Scotland, Berkshire and Northern Ireland.

In June 2015, our former publishing businesses completed the acquisition of the remaining 59.36% interest in the Texas-New Mexico Newspapers Partnership that it did not previously own from Digital First Media. The transaction was completed through the assignment of our 19.49% interest in the California Newspapers Partnership and additional cash consideration. As a result, our former publishing business now owns 100% of the Texas-New Mexico Newspapers Partnership and no longer has any ownership interest in California Newspapers Partnership.

In June 2015, we completed the spinoff of our publishing businesses and began trading as TEGNA on the New York Stock Exchange under the symbol TGNA. See Note 14 for further details regarding the spin-off.

In July 2015, CareerBuilder acquired a majority stake in Textkernel, a leading-edge software company providing semantic recruitment technology to the global market. Textkernel is based in Amsterdam.

NOTE 3 – Facility consolidation and asset impairment charges

We evaluated the carrying values of property, plant and equipment at certain Media and Digital businesses as a result of our plans to implement technology changes and consolidate facilities which shortened the useful life of these assets. As a result, we revised the useful lives of certain assets to reflect the use of those assets over a shortened period. In the second quarter of 2015, we recognized related non-cash charges, the largest of which, $6.8 million, related to a Digital business. In 2015, we also recorded non-cash impairment charges to reduce the book value of goodwill and other intangible assets. The goodwill impairment and other intangible non-cash charges resulted from our application of the interim impairment testing provisions included within the goodwill subtopic ASC Topic 350. We are required to test goodwill and other indefinite lived assets for impairment annually. Our annual measurement date for testing is the first day of the fourth quarter. However, because of softening business conditions at one of our smaller "Other" Segment reporting units in 2015 and two similar units in 2014, we accelerated our testing of those reporting units. Our testing showed that the implied fair value of the goodwill was less than the recorded value. Therefore, we recognized a non-cash charge of $5.9 million in the first quarter of 2015 and $15.3 million in the second quarter of 2014 to reduce the carrying value of goodwill to the implied fair value.

We recorded no pre-tax charges for facility consolidations and asset impairments in the third quarter and $23.2 million for the year-to-date period in 2015. For 2014, we recorded $1.2 million pre-tax charges for the third quarter and $25.8 million for the year-to-date period.

NOTE 4 – Goodwill and other intangible assets

The following table displays goodwill, indefinite-lived intangible assets, and amortizable intangible assets at September 27, 2015 and December 28, 2014:

In thousands	Sept. 27, 2015		Dec. 28, 2014	
	Gross	Accumulated Amortization	Gross	Accumulated Amortization
Goodwill	$3,966,517	$—	$3,955,582	$—
Indefinite-lived intangibles:				
Television station FCC licenses	1,191,950	—	1,191,950	—
Mastheads and trade names	938,350	—	938,349	—
Amortizable intangible assets:				
Customer relationships	905,551	128,127	845,525	23,216
Other	269,490	69,632	253,435	16,565

Customer relationships include subscriber lists and advertiser relationships while other intangibles primarily include retransmission agreements, network affiliations, internally developed technology, patents and amortizable trade names.

The following table summarizes the changes in our net goodwill balance through September 27, 2015:

In thousands	Media	Digital	Other	Total
Balance at Dec. 28, 2014:				
Goodwill	$2,578,601	$1,503,140	$289,122	$4,370,863
Accumulated impairment losses	—	(166,971)	(248,310)	(415,281)
Net balance at Dec. 28, 2014	2,578,601	1,336,169	40,812	3,955,582
Activity during the period:				
Acquisitions and adjustments	817	25,576	—	26,393
Impairment	—	—	(5,940)	(5,940)
Foreign currency exchange rate changes	—	(9,517)	—	(9,517)
Total	817	16,059	(5,940)	10,936
Balance at Sept. 27, 2015:				
Goodwill	2,579,418	1,519,199	289,120	4,387,737
Accumulated impairment losses	—	(166,971)	(254,249)	(421,220)
Net balance at Sept. 27, 2015	$2,579,418	$1,352,228	$34,871	$3,966,517

In July 2015, CareerBuilder acquired a majority stake in Textkernel. The initial purchase price allocation is preliminary, based upon all information available to us at the present time and is subject to change.

NOTE 5 – Long-term debt

Our long-term debt is summarized below:

In thousands	Sept. 27, 2015	Dec. 28, 2014
Unsecured floating rate term loan due quarterly through August 2018	$99,500	$123,200
VIE unsecured floating rate term loans due quarterly through December 2018	27,489	33,379
Unsecured notes bearing fixed rate interest at 10% due June 2015	—	66,568
Unsecured notes bearing fixed rate interest at 6.375% due September 2015	—	250,000
Unsecured notes bearing fixed rate interest at 10% due April 2016	193,429	193,429
Borrowings under revolving credit agreement expiring June 2020	760,000	640,000
Unsecured notes bearing fixed rate interest at 7.125% due September 2018	250,000	250,000
Unsecured notes bearing fixed rate interest at 5.125% due October 2019	600,000	600,000
Unsecured floating rate term loan due quarterly through June 2020	200,000	—
Unsecured notes bearing fixed rate interest at 5.125% due July 2020	600,000	600,000
Unsecured notes bearing fixed rate interest at 4.875% due September 2021	350,000	350,000
Unsecured notes bearing fixed rate interest at 6.375% due October 2023	650,000	650,000
Unsecured notes bearing fixed rate interest at 5.50% due September 2024	325,000	325,000
Unsecured notes bearing fixed rate interest at 7.75% due June 2027	200,000	200,000
Unsecured notes bearing fixed rate interest at 7.25% due September 2027	240,000	240,000
Total principal long-term debt	4,495,418	4,521,576
Other (fair market value adjustments and discounts)	(16,445)	(25,694)
Total long-term debt	4,478,973	4,495,882
Less current portion of long-term debt maturities of VIE loans	7,854	7,854
Long-term debt, net of current portion	$4,471,119	$4,488,028

For the first nine months of 2015, our long-term debt decreased by $16.9 million, primarily reflecting debt payments of $346.2 million partially offset by additional borrowings as mentioned below, of $200.0 million and $120.0 million from a term loan and from the revolving credit facility, respectively, and debt discount amortization. On September 27, 2015, we had unused borrowing capacity of $604.3 million under our revolving credit agreement.

On June 29, 2015, we entered into an agreement to amend and extend our existing revolving credit facility with one expiring on June 29, 2020 (the Amended and Restated Competitive Advance and Revolving Credit Agreement). As a result, the maximum total leverage ratio permitted by the new agreement is 5.0x through June 30, 2017, after which, as amended, it is reduced to 4.75x through June 30, 2018 and then to 4.50x thereafter. Commitment fees on the revolving credit agreement are equal to 0.25% - 0.40% of the undrawn commitments, depending upon our leverage ratio, and are computed on the average daily undrawn balance under the revolving credit agreement and paid each quarter. Under the Amended and Restated Competitive Advance and Revolving Credit Agreement, we may borrow at an applicable margin above the Eurodollar base rate (LIBOR loan) or the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50%, or the one month LIBOR rate plus 1.00% (ABR loan). The applicable margin is determined based on our leverage ratio but differs between LIBOR loans and ABR loans. For LIBOR-based borrowing, the margin varies from 1.75% to 2.50%. For ABR-based borrowing, the margin will vary from 0.75% to 1.50%. On September 23, 2015, we amended the Amended and Restated Competitive Advance and Revolving Credit Agreement to add an additional lender. Total commitments under the Amended and Restated Competitive Advance and Revolving Credit Agreement are $1.4 billion.

At the start of the third quarter, we also borrowed $200.0 million under a new five-year term loan. The interest rate on the term loan is equal to the same interest rates as borrowings under the Amended and Restated Competitive Advance and Revolving Credit Agreement. Both the revolving credit agreement and the term loan are guaranteed by a majority of our wholly-owned material domestic subsidiaries.

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NOTE 6 – Retirement plans

We, along with our subsidiaries, have various retirement plans, including plans established under collective bargaining agreements. In connection with the spin-off of our publishing businesses we entered into an employee matters agreement with Gannett which provides that employees of Gannett no longer participate in benefit plans sponsored or maintained by us as of the separation date. Upon separation, certain pension obligations were assumed by Gannett resulting in a decrease in sponsored pension plan obligations. The net pension obligation as of September 27, 2015 reflective of this change was $164.8 million.

Our retirement plan costs include costs for qualified and nonqualified plans and are presented in the following table:

In thousands	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
Service cost-benefits earned during the period	$97	$1,358	$2,771	$4,066
Interest cost on benefit obligation	5,898	42,391	82,687	127,129
Expected return on plan assets	(8,169)	(58,902)	(120,490)	(176,650)
Amortization of prior service cost	206	1,892	3,970	5,675
Amortization of actuarial loss	3,652	11,455	34,260	34,356
Expense (credit) for company-sponsored retirement plans	$1,684	$(1,806)	$3,198	$(5,424)

We have no required contributions to our funded pension plans for the remainder of 2015 due to the current funding level. In the second quarter of 2015, we made a voluntary contribution of $100.0 million to the Gannett Retirement Plan prior to the spin-off transaction.

NOTE 7 – Post-retirement benefits other than pension

We provide health care and life insurance benefits to certain retired employees who meet age and service requirements. Most of our retirees contribute to the cost of these benefits, and retiree contributions are increased as actual benefit costs increase. The cost of providing retiree health care and life insurance benefits is actuarially determined. Our policy is to fund benefits as claims and premiums are paid. In March 2014, we adopted changes to the retiree medical plan that were effective July 1, 2014. Beginning on that date, we pay a stipend to certain Medicare-eligible retirees. As a result of this change, we remeasured the related post-retirement benefit obligation during the first quarter of 2014, and recorded a reduction to the liability of $33.9 million (with a corresponding adjustment to “Accumulated other comprehensive loss”). In connection with the spin-off of our publishing businesses we entered into an employee matters agreement with Gannett. Under that agreement, Gannett assumed certain post-retirement obligations resulting in a decrease in our sponsored post-retirement plan obligations. The post-retirement benefit obligation as of September 27, 2015 reflective of this change was $8.6 million.

Post-retirement benefit costs for health care and life insurance are presented in the following table:

In thousands	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 27, 2015	Sept. 28, 2014	Sept. 27, 2015	Sept. 28, 2014
Service cost (credit)-benefits earned during the period	$(58)	$92	$154	$278
Interest cost on net benefit obligation	171	1,098	2,157	3,613
Amortization of prior service credit	(130)			