

COMPUTER TASK GROUP INC
Form 11-K
June 21, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the year ended: December 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission file number: 1-9410

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

COMPUTER TASK GROUP, INC.
(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)

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

DECEMBER 31, 2010
with
AUDITOR'S REPORT

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 statements of net assets available for benefits of Computer Task Group, Inc. 401(k) Retirement Plan as of December 31, 2010 and 2009, and the related statements of changes in net assets available for benefits for the years 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 audits.

We conducted our audits in accordance with the auditing 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 Computer Task Group, Inc. 401(k) Retirement Plan as of December 31, 2010 and 2009, 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of Schedule of Assets Held as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary 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 schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement for the year ended December 31, 2010 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Freed Maxick & Battaglia, CPAs, PC

Buffalo, New York
June 20, 2011

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

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,

	2010	2009
ASSETS		
Investments at fair market value:		
Shares of registered investment companies	\$ 119,107,483	\$ 100,650,850
Common collective trust	12,051,863	12,404,581
Employer stock fund	1,228,439	832,069
	132,387,785	113,887,500
Receivables:		
Notes receivable from participants	1,620,061	1,291,401
Net assets available for benefits at fair value	134,007,846	115,178,901
Adjustment from fair value to contract value for interest in common collective trust relating to fully benefit responsive investment contracts	291,502	658,209
Net assets available for benefits	\$ 134,299,348	\$ 115,837,110

See accompanying notes.

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

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

	2010	2009
Sources of net assets:		
Employee contributions	\$11,586,505	\$9,167,029
Employer contributions	2,194,686	1,440,239
Interest and dividend income	2,297,055	2,446,170
Realized gains from investment transactions, net	6,922	162,862
Unrealized gains on investments, net	13,385,781	21,581,291
Total sources of net assets	29,470,949	34,797,591
Applications of net assets:		
Termination benefits and withdrawal payments	10,870,215	12,632,152
Administrative expenses	138,496	116,064
Total applications of net assets	11,008,711	12,748,216
Increase in net assets	18,462,238	22,049,375
Net assets available for benefits:		
Beginning of year	115,837,110	93,787,735
End of the year	\$134,299,348	\$115,837,110

See accompanying notes.

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

NOTES TO THE 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 agreement 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 employees of Computer Task Group, Inc. (CTG) who complete one hour of service. Broker commissions associated with investment transactions are paid by the Plan. The assets of the Plan are maintained in mutual funds, a common collective trust fund and employer stock held by Hartford Retirement Services, LLC (HRS). Reliance Trust Company is the trustee of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

Contributions - The Plan provides for employee pre-tax contributions of 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. Participants may change their investment allocation on a daily basis.

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 2009 or 2010.

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, 2010 totaled \$398,887 (\$410,396 - 2009). At December 31, 2010 there were \$15,910 of unapplied forfeitures (\$12,511 - 2009).

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.

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

NOTES TO THE FINANCIAL STATEMENTS

Participant Accounts - Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and, (b) 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.

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 \$1,000. 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.

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 by request.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accounts of the Plan are maintained on an accrual basis of accounting. Certain expenses incurred by the plan administrator, investment manager, and trustee for their services and costs in administering the Plan are paid directly by the Company or by the Plan forfeiture account.

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.

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.

Reclassification - Participant loans previously reported as a component of investments have been reclassified to a component of receivables in order to conform to the current year's presentation.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Purchases and sales of securities are recorded on a trade-date basis. Interest 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 plan 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.

Income Taxes - The Internal Revenue Service has determined and informed the Company by letter dated July 6, 2009, that the plan and related trust are designed in accordance with applicable sections of the IRC. Although the plan has been amended since receiving the determination letter, the plan administrator and the plan's tax counsel believe that the plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. The plan adopted this new guidance for the year ended December 31, 2009. Management evaluated the Plan's tax positions 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 administrator believes it is no longer subject to income tax examinations for years prior to 2007.

3. FAIR VALUE MEASUREMENTS

Under US GAAP, 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)

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

NOTES TO THE FINANCIAL STATEMENTS

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) provided by Hartford. 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 is classified as a Level 1 investment.

Common/Collective Investment Trusts: These investments are public investment securities valued using the NAV provided by Hartford. The NAV is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market or have observable inputs. Common/Collective investment trusts are classified as Level 2 investments. The common collective trust fund's underlying investments seek to preserve capital and provide a competitive level of income over time that is consistent with the preservation of capital. The common collective trust fund does not have any unfunded commitments relating to its investments, nor any significant restrictions on redemptions. Participant-directed redemptions can be made on any business day and do not have a redemption notice period. Certain events, such as a change in law, regulation, administrative ruling or employer-initiated termination of the Plan, may limit the ability of the Plan to transact the common collective trust fund at contract value with the issuer. The Plan's management does not believe that the occurrence of any such events is probable.

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.

In 2010, the Company adopted FASB Update 2010-25, "Reporting Loans to Participants by Defined Contribution Pension Plans." This Update requires participant loans to be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. The Plan adopted this guidance as of December 31, 2010, and reclassified participant loans from plan investments to a component of receivables for both periods presented in the Statements of Net Assets Available for Benefits.

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

NOTES TO THE FINANCIAL STATEMENTS

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (Update) 2010-06, "Improving Disclosures About Fair Value Measurements." This update requires new disclosures about transfers into and out of Levels 1 and 2 of the fair value hierarchy and separate disclosures about purchases, sales, issuances and settlements relating to Level 3 measurements. The update also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for periods beginning after December 15, 2010. Disclosures required under Updated 2010-06 are included in the notes to the Plan's financial statements for the years ended December 31, 2010 and 2009, except for the disclosures related to Level 3 fair value measurements, which will be included, as applicable, in the notes to the Plan's financial statements effective January 1, 2011.

The following tables set forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2010 and 2009:

	Assets at Fair Value as of December 31, 2010			Total Fair Value
	Quoted prices in active markets for identical assets: (Level 1)	Significant observable inputs: (Level 2)	Significant unobservable inputs: (Level 3)	
Mutual funds:				
Allocation funds	\$45,607,177	\$-	\$ -	\$ 45,607,177
Blend funds	21,056,196	-	-	21,056,196
Value funds	16,631,251	-	-	16,631,251
Growth funds	12,055,558	-	-	12,055,558
Bond funds	7,146,863	-	-	7,146,863
Target date funds	11,086,986	-	-	11,086,986
Other funds	5,523,452	-	-	5,523,452
Total mutual funds	119,107,483	-	-	119,107,483
Computer Task Group, Inc.				
Employer Stock Fund	1,228,439	-	-	1,228,439
Common/Collective trust	-	12,051,863	-	12,051,863
Total assets at fair value	\$120,335,922	\$12,051,863	\$ -	\$ 132,387,785

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

NOTES TO THE FINANCIAL STATEMENTS

Assets at Fair Value as of December 31, 2009

	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	\$40,978,901	\$-	\$ -	\$ 40,978,901
Blend funds	17,894,443	-	-	17,894,443
Value funds	15,456,579	-	-	15,456,579
Growth funds	10,422,839	-	-	10,422,839
Bond funds	6,597,846	-	-	6,597,846
Target date funds	6,125,310	-	-	6,125,310
Other funds	3,174,932	-	-	3,174,932
Total mutual funds	100,650,850	-	-	100,650,850
Computer Task Group, Inc.				
Employer Stock Fund	832,069	-	-	832,069
Common/Collective trust	-	12,404,581	-	12,404,581
Total assets at fair value	\$ 101,482,919	\$ 12,404,581	\$ -	\$ 113,887,500

4. INVESTMENTS

The following investments represent 5% or more of the Plan's net assets:

	December 31,	
	2010	2009
MFS Growth Allocation A	\$ 25,059,452	\$ 22,349,453
MFS Moderate Allocation A	\$ 12,449,256	\$ 11,540,140
Fixed Fund	\$ 12,051,863	\$ 12,404,581
MFS Value A	\$ 10,453,708	\$ 9,856,165
Fidelity Low-Priced Stock	\$ 7,384,235	\$ 6,665,208
MFS Research Bond A	\$ 7,146,863	\$ 6,597,846
American Funds Growth Fund of America	\$ 7,060,205	\$ 6,382,907

The contract value for the Fixed Fund is \$12,343,365 for the year ended December 31, 2010 (\$13,062,790 - 2009).

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

NOTES TO THE FINANCIAL STATEMENTS

The Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated in value by \$13,392,703 for the year ended December 31, 2010 (appreciated \$21,744,153 - 2009) as follows:

	2010	2009
Shares of registered investment companies	\$13,092,268	\$21,237,149
Common collective trust fund	(144)	(1)
Employer stock fund	300,579	507,005
Total appreciation	\$13,392,703	\$21,744,153

5. PARTY-IN-INTEREST TRANSACTIONS

Fees paid by the participants for distributions from the Plan and loan maintenance fees amounted to \$32,966 for the year ended December 31, 2010 (\$29,011 - 2009). For the year ended December 31, 2010, fees paid primarily to UBS for investment advisory services amounted to \$105,530 (\$87,053 - 2009) 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 from investments sponsored by CTG, Inc. and interest income from participant loans amounted to \$386,434 for the year ended December 31, 2010 (\$588,839 - 2009).

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

SCHEDULE OF ASSETS HELD

December 31, 2010

Identity of issuer	Description	Fair Market Value
MFS	MFS Growth Allocation A	\$ 25,059,452
MFS	MFS Moderate Allocation A	12,449,256
MFS	Fixed Fund	12,051,863
MFS	MFS Value A	10,453,708
Fidelity Management Trust Fund	Fidelity Low-Priced Stock	7,384,235
MFS	MFS Research Bond A	7,146,863
American Funds	American Funds Growth Fund of America	7,060,205
American Funds	American Funds Europacific	4,863,476
Dreyfus	Dreyfus Basic S&P 500 Index	4,605,206
MFS	MFS Aggressive Growth Allocation A	4,247,999
Royce	Royce Low Priced Stock	4,203,279
Vanguard	Vanguard International Value	3,933,638
MFS	MFS Conservative Allocation Fund A	3,850,470
American Funds	American Funds Amcap	2,822,161
T. Rowe Price	T. Rowe Price Retirement Income	2,639,214
Lord Abbett	Columbia Mid Cap Value A	2,243,905
Franklin	Franklin Small-Mid Cap Growth A	2,173,192
T. Rowe Price	T. Rowe Price Retirement 2020 Advisor	2,128,455
American	American Century Inflation Bond A	1,872,093
T. Rowe Price	T. Rowe Price Retirement 2025 Advisor	1,725,516
T. Rowe Price	T. Rowe Price Retirement 2035 Advisor	1,473,310
T. Rowe Price	T. Rowe Price Retirement 2030 Advisor	1,328,762
T. Rowe Price	T. Rowe Price Retirement 2015 Advisor	1,250,548
T. Rowe Price	T. Rowe Price Retirement 2040 Advisor	1,124,723
T. Rowe Price	T. Rowe Price Retirement 2010 Advisor	1,097,186
Pioneer	Pioneer Treasury Reserves A	1,012,145
T. Rowe Price	T. Rowe Price Retirement 2045 Advisor	608,765
T. Rowe Price	T. Rowe Price Retirement 2050 Advisor	177,590
T. Rowe Price	T. Rowe Price Retirement 2055 Advisor	172,131
CTG*	CTG Stock Fund	1,228,439
CTG 401(k) Retirement Plan*	Participant Loan Fund (interest rates ranging from 4.25%-10%)	1,620,061
		\$ 134,007,846

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

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, INC. 401(k)
RETIREMENT PLAN

By: /s/ Peter P. Radetich

Date: June 20, 2011

Name: Peter P. Radetich

Title: Member, Retirement Plan Committee
