

HUNTINGTON INGALLS INDUSTRIES, INC.

Form PRE 14A

March 02, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

HUNTINGTON INGALLS INDUSTRIES, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 19, 2015

Dear Fellow Stockholders:

On behalf of the Board of Directors and management team of Huntington Ingalls Industries, I would like to invite you to attend the 2015 Annual Meeting of Stockholders. We will meet on Thursday, April 30, 2015, at 11:00 a.m. Eastern Daylight Time, at our corporate headquarters located at the Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center, 2401 West Avenue, Newport News, Virginia 23607. We are looking forward to your responses on the proposals included in the accompanying proxy statement.

The accompanying Notice of 2015 Annual Meeting and Proxy Statement describe the matters on which you, as a stockholder, may vote at the annual meeting, and include details of the business to be conducted at the meeting.

As a way to conserve natural resources and reduce annual meeting costs, we are electronically distributing proxy materials as permitted under rules of the Securities and Exchange Commission. Many of you will receive a Notice of Internet Availability of Proxy Materials containing instructions on how to access the proxy materials via the Internet. Stockholders can also request mailed paper copies if preferred. You can expedite delivery and reduce our mailing expenses by confirming in advance your preference for electronic delivery of future proxy materials. For further information on how to take advantage of this cost-saving service, please see page 10 of the proxy statement.

Your vote is very important to us. Whether or not you plan to attend the annual meeting, I encourage you to vote your shares in advance. Stockholders can submit their votes over the Internet at the web address included in the Notice of Internet Availability of Proxy Materials or the proxy card (if you received a proxy card), by telephone through the number included in the proxy card (if you received a proxy card), or by signing and dating your proxy card (if you received a proxy card) and mailing it in the prepaid and addressed envelope.

Thank you for your support of Huntington Ingalls Industries. I look forward to seeing you at the annual meeting.

Sincerely,

Thomas B. Fargo

Chairman of the Board

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Notice of 2015 Annual Meeting of Stockholders

Huntington Ingalls Industries, Inc.

4101 Washington Avenue

Newport News, Virginia 23607

DATE AND TIME	Thursday, April 30, 2015, at 11:00 a.m. Eastern Daylight Time
PLACE	Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center, 2401 West Avenue, Newport News, Virginia 23607
ITEMS OF BUSINESS	Elect three directors

Ratify the appointment of Deloitte & Touche LLP as our independent auditors for 2015

Approve executive compensation on an advisory basis

Approve an amendment to our certificate of incorporation to declassify our Board of Directors

Transact any other business that properly comes before the annual meeting

RECORD DATE Stockholders of record at the close of business on March 6, 2015, are entitled to vote at the annual meeting.

PROXY VOTING It is important that you vote your shares so that they are counted at the annual meeting. You can vote your shares over the Internet at the web address included in the Notice of Internet Availability of Proxy Materials or the proxy card (if you received a proxy card), by telephone through the number included in the proxy card (if you received a proxy card), or by signing and dating your proxy card (if you received a proxy card) and mailing it in the prepaid and addressed envelope.

Charles R. Monroe, Jr.

Corporate Vice President,

Associate General Counsel and Secretary

March 19, 2015

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on April 30, 2015: The Notice of 2015 Annual Meeting and Proxy Statement and 2014 Annual Report are available at www.envisionreports.com/HII.

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This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting Information

Date and Time: April 30, 2015, at 11:00 a.m. Eastern Daylight Time

Place: Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center, 2401 West Avenue, Newport News, Virginia 23607

Record Date: March 6, 2015

Voting: Holders of our common stock are entitled to one vote per share

Admission: To attend the meeting in person, you will need to follow the instructions included on page 83

Items to be Voted at the Annual Meeting

	Board Vote	Page Reference
	Recommendation	(for more information)
1. Elect three directors	FOR	78
2. Ratify the appointment of our independent auditors	FOR	79
3. Approve executive compensation on an advisory basis	FOR	80
4. Approve an amendment to our certificate of incorporation to declassify our Board of Directors	FOR	81

Director Nominees

The Board is asking you to elect, for terms ending in 2018, the three nominees for director named below, each of whom is currently serving as a director of the company. The following table provides summary information about the nominees for director, including their names, ages and occupations, whether they are independent directors under the corporate governance listing standards of the New York Stock Exchange (NYSE), and the Board committees on which they currently serve. The directors will be elected by a plurality vote.

Name	Age	Occupation	Independent	Board
			Director	Committees
Paul D. Miller	73		Yes	

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		Retired Chairman of Alliant Techsystems, Inc.		Compensation Committee (Chair) and Finance Committee
C. Michael Petters	55	President and Chief Executive Officer of Huntington Ingalls Industries, Inc.		
Karl M. von der Heyden	78	Retired Vice Chairman of PepsiCo, Inc.	Yes	Audit Committee (Chair)

Table of Contents**2015 Proxy Statement Summary** *(Continued)***Continuing Directors**

The following table provides summary information about the six directors of the company whose terms will continue after the annual meeting, including their names, ages and occupations, whether they are independent directors under the corporate governance listing standards of the NYSE, the Board committees on which they currently serve and the ends of their current terms.

Name	Age	Occupation	Independent Director	Board Committees	End of Term
Robert F. Bruner	65	Dean of the Darden Graduate School of Business Administration at the University of Virginia	Yes	Audit Committee	2016
Thomas B. Fargo	66	Chairman of the Board of Directors of Huntington Ingalls Industries, Inc.	Yes	Compensation Committee and Governance and Policy Committee	2016
John K. Welch	65	Retired President and Chief Executive Officer of Centrus Energy Corp.	Yes	Audit Committee and Governance and Policy Committee	2016
Victoria D. Harker	50	Chief Financial Officer of Gannett Co., Inc.	Yes	Compensation Committee and Finance Committee	2017
Anastasia D. Kelly	65	Co-Managing Partner of DLA Piper Americas	Yes	Governance and Policy Committee (Chair)	2017
Thomas C. Schievelbein	61	Chairman and President and Chief Executive Officer of The Brink's Company	Yes	Audit Committee and Finance Committee (Chair)	2017

Ratify the Appointment of our Independent Auditors

The Board is asking you to ratify the selection of Deloitte & Touche LLP as our independent auditors for 2015. Set forth below is summary information with respect to Deloitte & Touche's fees for services provided to us in 2014.

	2014
(\$ in thousands)	
Fees Billed:	
Audit Fees	\$ 5,841,775
Audit-Related Fees	930,000
Tax Fees	
All Other Fees	21,600

Total

\$ 6,793,375

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2015 Proxy Statement Summary *(Continued)*

Approve Executive Compensation on an Advisory Basis

The Board is asking you to approve, on an advisory basis, the compensation of our named executive officers for 2014. This vote is often referred to as a say-on-pay. Last year, our stockholders approved our 2013 executive compensation with 99% of the votes cast.

Executive Compensation Elements for 2014

This proxy statement includes disclosure regarding the 2014 compensation of our Chief Executive Officer, our Chief Financial Officer, three other executive officers who were employed by us as of December 31, 2014, and one other executive officer who retired during 2014 (our Named Executive Officers). The primary compensation elements for 2014 for our Named Executive Officers consisted of base salaries, annual incentive awards and long-term incentive awards.

Base salary provides a fixed level of compensation that is competitive within the relevant market and helps us attract and retain highly qualified executives.

Annual incentive awards are generally paid in cash and intended to provide motivation to our executives to achieve pre-determined financial and operational targets that are aligned with our strategic goals. Awards under our Annual Incentive Plan were approved by the Compensation Committee for our Named Executive Officers ranging from 149% to 167% of target, based on achievement of the performance goals under the plan.

Long-term incentive awards are equity-based and intended to promote achievement of pre-determined performance goals aligned with long-term stockholder interests. The Compensation Committee approved the grant of restricted performance stock rights to our Named Executive Officers under our 2012 Long-Term Incentive Stock Plan that vest at the end of a three-year performance period, only upon the achievement of the performance criteria approved by the Compensation Committee.

Compensation Best Practices

We have adopted the following compensation practices, which are designed to reinforce our culture and pay-for-performance principles.

Our Compensation Committee considers the results of the annual stockholder say-on-pay advisory vote on executive compensation.

Under our 2014 compensation program, 96% of our CEO's total direct compensation was linked directly to the achievement of performance goals in the form of annual and long-term incentive awards, and performance-based compensation comprised approximately 89% of the total direct compensation of our other Named Executive Officers.

We assess on an annual basis, both internally and with the engagement of the Compensation Committee's independent compensation consultant, the potential risk posed by our compensation programs. We concluded there was no undue risk associated with the design

or delivery of our 2014 compensation programs.

Our Compensation Committee has adopted an executive compensation recoupment, or clawback, policy, which allows us to seek reimbursement of all or a portion of any

Table of Contents**2015 Proxy Statement Summary** *(Continued)*

performance-based short- or long-term cash or equity incentive compensation paid or awarded to Named Executive Officers in certain circumstances.

Our Compensation Committee has established stock ownership guidelines, which provide that each Named Executive Officer must own a multiple of his or her annual base salary in our common stock.

Our Compensation Committee has approved stock holding requirements, which prohibit our Named Executive Officers from selling their HII common stock until their stock ownership requirements have been met and which require our Named Executive Officers to continue to hold a portion of their long-term incentive awards for an additional three years after they vest.

Our insider trading policy prohibits officers, directors and certain employees from engaging in any of the following transactions for their own account: speculative transactions in company securities, pledges of company securities as collateral for a loan or other transaction or hedging transactions involving company securities.

2014 Compensation Summary

The following table summarizes the 2014 compensation of our Named Executive Officers.

Name & Title	Salary (\$)	Stock Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value (\$)	All Other Compensation (\$)	Total (\$)
C. Michael Petters, President and Chief Executive Officer	950,000	3,799,909	1,844,306	6,853,403	50,580	13,498,198
Barbara A. Niland, Corporate Vice President, Business Management and Chief Financial Officer	563,327	1,209,940	662,239	4,398,420	64,472	6,898,398
Matthew J. Mulherin, Corporate Vice President and President, Newport News Shipbuilding	512,115	1,049,955	538,948	2,023,150	59,923	4,184,091
Bruce N. Hawthorne, Corporate Vice President and Chief Legal Officer*	512,115	874,963	602,035		170,898	2,160,011
Brian J. Cuccias, Corporate Vice President and President, Ingalls Shipbuilding	376,677	839,945	468,832	589,442	25,541	2,300,436
Irwin F. Edenzon, Retired**	531,924	1,049,955	602,035	1,499,066	71,998	3,754,978

* Mr. Hawthorne served as Corporate Vice President, General Counsel and Secretary until January 12, 2015.

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** Mr. Edenzon served as Corporate Vice President and President, Ingalls Shipbuilding, until April 1, 2014, and then as Corporate Vice President, Strategic Projects, until his retirement on December 1, 2014.

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2015 Proxy Statement Summary *(Continued)*

Corporate Governance Developments

Since our 2014 annual meeting, the Board of Directors has continued to implement or initiate changes in our corporate governance structure that are consistent with trends among leading companies. These changes include:

Amendment of Our Certificate of Incorporation to Eliminate Most Supermajority Voting Provisions

From the time of our spin-off, our certificate of incorporation required approval of 66-2/3% of the voting power of our outstanding stock to remove a director from the Board or to amend, repeal, or adopt any provision inconsistent with the provisions of our certificate of incorporation and bylaws regarding advance notice requirements for stockholder proposals and director nominations, the number of directors on the Board and the fixing of that number, plurality voting for directors, resignation of directors, removal of directors, vacancies on the board and amendment of the certificate of incorporation and bylaws, among other matters. At our 2014 annual meeting of stockholders, our stockholders approved an amendment of our certificate of incorporation to eliminate these supermajority voting requirements and thereby require approval by a majority of the voting power of our outstanding stock. In May 2014, we amended our certificate of incorporation to reflect these changes.

Amendment of Our Bylaws to Provide Stockholders the Right to Require the Calling of Special Meetings

In early 2015, the Board amended our bylaws to give stockholders owning shares representing at least 20% of the voting power of our outstanding capital stock the right to require that a special meeting of stockholders be called, provided that certain conditions are satisfied. Prior to this amendment, our bylaws did not permit stockholders to hold a special meeting or require that a special meeting be called. The amendment to our bylaws was the result of the Board's continuing review of our corporate governance structure, with input from some of our stockholders. We have provided more information about this amendment under the heading "Governance of the Company" Stockholders Right to Require the Calling of Special Meetings.