

LINCOLN NATIONAL CORP
Form DEF 14A
April 14, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A

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 Pursuant to §240.14a-12

Lincoln National Corporation

(Name of Registrant as Specified in Its Charter)

Table of Contents

Radnor, Pennsylvania / April 14, 2017

DEAR FELLOW SHAREHOLDER:

You are invited to attend our 2017 Annual Meeting of Shareholders, to be held Friday, May 26 at The Ritz-Carlton Hotel in Philadelphia, Pennsylvania. Our Board of Directors and management team look forward to greeting you.

This document describes the matters to be voted on at the Annual Meeting, so please review it carefully.

Many shareholders received a notice of internet availability instead of paper copies of our proxy statement and our 2016 Annual Report to Shareholders. The notice of internet availability provides instructions on how to access these documents over the internet and how to receive a paper or email copy of our proxy materials, including our proxy statement, our 2016 Annual Report to Shareholders and a proxy card. Electronic delivery enables us to more cost-effectively provide you with the information you need while reducing the environmental impact of printing and mailing paper copies.

Please vote your shares of our stock as promptly as possible. You may vote by mailing in a proxy card, by telephone or internet, or by attending the Annual Meeting and voting in person.

On behalf of the entire Board of Directors, thank you for your continued support.

Sincerely,

William H. Cunningham

Chairman of the Board

Table of Contents

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 26, 2017

9:00 a.m.
local time

The Ritz-Carlton Hotel
10 Avenue of the Arts
Philadelphia, Pennsylvania 19102

Mailing date: April 14, 2017

The purpose of the meeting is to:

1. elect ten Directors for a one-year term expiring at the 2018 Annual Meeting of Shareholders;
2. ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2017;
3. approve an advisory resolution on the compensation of our named executive officers;
4. respond to an advisory proposal regarding the frequency (every one, two or three years) of future advisory resolutions on the compensation of our named executive officers;
5. approve amendments to our restated articles of incorporation to remove supermajority voting standards applicable to the following provisions:
 - Item 5(a) voting rights of preferred stock, prohibitions regarding shares of stock in our subsidiary and future amendments to the bylaws
 - Item 5(b) removal of directors;
 - Item 5(c) certain business combinations; and
6. consider and vote upon such other business as may properly come before the meeting or any adjournment thereof.

You may vote at the Annual Meeting if you were a shareholder of record at the close of business on March 20, 2017. Please cast your votes by one of the following methods:

SIGNING AND RETURNING
A PROXY CARD

TOLL-FREE
TELEPHONE

THE INTERNET

IN PERSON AT THE
ANNUAL MEETING

If, going forward, you would like to receive electronic delivery of future proxy materials, please see page 82 for more information.

For the Board of Directors,

Andrea D. Goodrich

Senior Vice President & Secretary

Lincoln National Corporation

Radnor, Pennsylvania

Table of Contents**TABLE OF CONTENTS**

<u>PROXY SUMMARY</u>	1
<u>GOVERNANCE OF THE COMPANY</u>	5
<u>AGENDA ITEM 1 - ELECTION OF DIRECTORS</u>	15
<u>Nominees for Director</u>	15
<u>COMPENSATION OF OUTSIDE DIRECTORS</u>	21
<u>AGENDA ITEM 2 - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	25
<u>Independent Registered Public Accounting Firm Fees and Services</u>	25
<u>Audit Committee Pre-Approval Policy</u>	26
<u>Other Information</u>	26
<u>Audit Committee Report</u>	27
<u>AGENDA ITEM 3 - ADVISORY PROPOSAL ON EXECUTIVE COMPENSATION</u>	28
<u>AGENDA ITEM 4 - ADVISORY PROPOSAL ON THE FREQUENCY OF FUTURE ADVISORY PROPOSALS ON EXECUTIVE COMPENSATION</u>	30
<u>COMPENSATION DISCUSSION & ANALYSIS</u>	31
<u>Executive Summary</u>	32
<u>Compensation Committee Report</u>	57
<u>EXECUTIVE COMPENSATION TABLES</u>	58
<u>Summary Compensation Table</u>	58
<u>Grants of Plan-Based Awards</u>	61
<u>Outstanding Equity Awards at Fiscal Year-End</u>	63
<u>Option Exercises and Stock Vested</u>	65
<u>Pension Benefits</u>	66
<u>Nonqualified Deferred Compensation</u>	67
<u>Potential Payments Upon Termination or Change of Control</u>	69
<u>AGENDA ITEM 5 - APPROVE AMENDMENTS TO OUR ARTICLES TO REMOVE SUPERMAJORITY VOTE PROVISIONS</u>	76
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	79
<u>RELATED-PARTY TRANSACTIONS</u>	79
<u>SECURITY OWNERSHIP</u>	80
<u>ANNUAL MEETING INFORMATION</u>	82
<u>GENERAL INFORMATION</u>	86
<u>Shareholder Proposals</u>	86
<u>Incorporation by Reference</u>	86
<u>Compliance with Beneficial Ownership Reporting</u>	87
<u>Annual Report</u>	87
<u>Additional Voting Matters</u>	87
<u>EXHIBIT 1 - RECONCILIATION OF NON-GAAP MEASURES</u>	E-1
<u>EXHIBIT 2 - DEFINITIONS FOR INCENTIVE COMPENSATION PROGRAMS</u>	E-5
<u>EXHIBIT 3 - PROPOSED AMENDMENTS TO OUR ARTICLES OF INCORPORATION</u>	E-7
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 26, 2017: This proxy statement and the accompanying annual report are available at: www.proxydocs.com/Inc .	

Table of Contents**PROXY SUMMARY**

This summary highlights certain information for your convenience. Since it does not contain all of the information you should consider, we encourage you to read the entire proxy statement carefully before voting.

ANNUAL MEETING OF SHAREHOLDERS

DATE / TIME	PLACE	VOTING
Friday, May 26, 2017 9:00 a.m. local time	The Ritz-Carlton Hotel 10 Avenue of the Arts Philadelphia, PA 19102	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals.
	RECORD DATE March 20, 2017	

VOTING MATTERS

AGENDA ITEM	OUR BOARD'S VOTING RECOMMENDATION	WHERE TO FIND MORE INFORMATION
1. Election of ten directors for a one-year term expiring at the 2018 Annual Meeting of Shareholders.	FOR each director nominee	Page 15
2. Ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for 2017.	FOR the ratification	Page 25

3. Approval of an advisory resolution on the compensation of our named executive officers.	FOR the resolution	Page 28
4. Respond to an advisory proposal regarding the frequency (every one, two or three years) of future advisory resolutions on the compensation of our named executive officers.	for a ONE-YEAR frequency	Page 30
5. Approval of Amendments to our Restated Articles of Incorporation to remove the supermajority voting standards applicable to certain provisions.	FOR all three proposed amendments	Page 76

Table of Contents**BOARD OF DIRECTOR NOMINEES**

NAME OCCUPATION	DIRECTOR		SKILLS/QUALIFICATIONS	INDEPENDENT	COMMITTEE MEMBERSHIPS
	AGE	SINCE			
Deirdre P. Connelly Retired President, North American Pharmaceuticals of GlaxoSmithKline	55	2016	business operations and strategic planning finance and capital management corporate governance	Yes	Audit Corporate Governance
William H. Cunningham Professor, University of Texas at Austin and James J. Bayless Chair for Free Enterprise at the University's McCombs School of Business	73	2006	finance and capital management marketing/public relations corporate governance	Yes	Compensation Corporate Governance Executive (Chair) Finance
Dennis R. Glass President and Chief Executive Officer, Lincoln National Corporation	67	2006	business operations and strategic planning finance and capital management	No	Executive
George W. Henderson, III Retired Chairman and Chief Executive Officer, Burlington Industries, Inc.	68	2006	accounting finance and capital management	Yes	Audit Finance

<p>Eric G. Johnson President and Chief Executive Officer, Baldwin Richardson Foods Company</p>	<p>66 1998</p>	<p>business operations and strategic planning finance and capital management marketing/public relations</p>	<p>Yes</p>	<p>Compensation Executive Finance (Chair)</p>
<p>Gary C. Kelly Chairman of the Board, President and Chief Executive Officer, Southwest Airlines Co.</p>	<p>62 2009</p>	<p>business operations and strategic planning finance and capital management public accounting</p>	<p>Yes</p>	<p>Audit Finance</p>
<p>M. Leanne Lachman President, Lachman Associates LLC and Executive in Residence, Columbia Graduate School of Business</p>	<p>74 1985</p>	<p>business operations and strategic planning finance and capital management marketing/public relations corporate governance</p>	<p>Yes</p>	<p>Audit (Chair)</p>
<p>Michael F. Mee Retired Executive Vice President and Chief Financial Officer, Bristol-Myers Squibb Company</p>	<p>74 2001</p>	<p>finance and capital management public accounting business operations and strategic planning</p>	<p>Yes</p>	<p>Compensation Finance</p>

Table of Contents**BOARD OF DIRECTOR NOMINEES (CONT D.)**

NAME	AGE	DIRECTOR SINCE	SKILLS/QUALIFICATIONS	INDEPENDENT	COMMITTEE MEMBERSHIPS
Patrick S. Pittard Chairman, Patrick Pittard Advisors, LLC	71	2006	public accounting finance and capital management talent management corporate governance	Yes	Compensation (Chair)
Isaiah Tidwell Retired Executive Vice President and Georgia Wealth Management Director, Wachovia Bank, N.A.	72	2006	accounting risk management corporate governance	Yes	Audit Corporate Governance (Chair)

GOVERNANCE HIGHLIGHTS

Sound governance is important to our Board, which regularly evaluates and implements policies that reflect corporate governance best practices. Some of these practices are:

Our Chairman of the Board is an independent director;

All of our directors, except for the chief executive officer, are independent and each of the Audit, Compensation, Corporate Governance and Finance Committees are entirely composed of independent directors;

All of our directors stand for election annually;

We require majority voting and maintain a director resignation policy for directors in uncontested elections;

We provide for proxy access in our bylaws;

We have established robust stock ownership guidelines for directors and executive officers;

We maintain a policy prohibiting pledging and hedging ownership of our stock;

Independent directors meet regularly in executive session; and

Our Board and committees conduct annual self-evaluations.

EXECUTIVE COMPENSATION HIGHLIGHTS

The key objectives of our executive compensation program are to:

**MOTIVATE OUR EXECUTIVES
TO INCREASE PROFITABILITY
AND SHAREHOLDER RETURN**

**PAY COMPENSATION
THAT VARIES BASED ON
PERFORMANCE**

**RETAIN KEY EXECUTIVE
TALENT, AS THIS IS CRITICAL
TO OUR SUCCESS**

We are asking you to cast an advisory, nonbinding vote to approve compensation awarded to our named executive officers (NEOs) our chief executive officer (CEO), chief financial officer (CFO) and three additional most highly paid executive officers, as listed on page 31. At our last Annual Meeting, shareholders expressed strong support for our executive compensation programs, with 93% of votes cast in favor of the advisory resolution on executive compensation.

Table of Contents

PAY FOR PERFORMANCE

We seek to align pay and performance by making a significant portion of our NEOs' compensation dependent on:

achieving specific annual and long-term strategic and financial goals; and

increasing shareholder value.

2016 Pay Mix. NEO compensation is weighted toward variable compensation (annual and long-term incentives), which is at risk because the actual amounts earned could differ from targeted amounts based on corporate and individual performance. As the following charts show, the vast majority of our CEO's and other NEOs' target direct compensation for 2016 could vary significantly based on company performance, including stock-price performance.

TARGET PAY MIX FOR CEO

TARGET PAY MIX FOR NEOs (EXCLUDING CEO)

Note, the amounts in these graphs are shown at target and therefore will not match the values reflected in the Summary Compensation Table on page 58. For additional details about our executive compensation programs and our NEOs' fiscal year 2016 compensation, please see Compensation Discussion & Analysis beginning on page 31 and Executive Compensation Tables beginning on page 58.

Proxy Statement

ANNUAL MEETING OF SHAREHOLDERS | MAY 26, 2017

The Board of Directors of Lincoln National Corporation (the Company, we, us or Lincoln) is soliciting proxies in connection with the proposals to be voted on at the 2017 Annual Meeting of Shareholders, which will be held beginning at 9:00 a.m. local time on Friday, May 26 at The Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102. This proxy statement and a proxy card or a notice of internet availability were sent to our shareholders on or about April 14. When we refer to the Meeting or the Annual Meeting, we are also referring to any meeting that results from an adjournment of the Annual Meeting.

Table of Contents

GOVERNANCE OF THE COMPANY

Integrity, respect and responsibility are not just guiding principles for us. They unify and inspire us to help people to take charge of their lives. Our Board of Directors is responsible for directing and overseeing the management of the Company's business in the best interests of the shareholders and consistent with good corporate citizenship. In carrying out its responsibilities, the Board provides oversight for the process of selecting and monitoring the performance of senior management, provides oversight for financial reporting and legal and regulatory compliance, determines the Company's governance guidelines and implements its governance policies. The Board, together with management, is responsible for establishing our values and code of conduct and for setting strategic direction and priorities.

BOARD STRUCTURE AND LEADERSHIP

As of the Annual Meeting our Board of Directors will have ten members, nine of whom are non-employees, or outside directors. The Board has determined that all nine outside directors are independent, as discussed below. The Board may fill a director vacancy or reduce the size of the Board without shareholder approval.

The Board has no set policy requiring separation of the offices of CEO and Chairman of the Board (Chairman). It believes that the decision on whether or not to separate these roles should be part of the regular succession planning process and made based on the best interests of the Company.

Currently, we separate the roles of CEO and Chairman in recognition of the differences between these roles. The CEO is responsible for setting the Company's performance and strategic direction and for day-to-day leadership, while the Chairman provides guidance to the CEO and management, consults on the agenda for Board meetings, acts as the key liaison between the Board and management, and presides over meetings of the full Board and of the independent directors. He also has the authority to call special meetings of the Board.

The Board elects the Chairman annually. William H. Cunningham, an independent director, has served as our Chairman since 2009.

BOARD'S ROLE IN RISK OVERSIGHT

Enterprise risk management is an integral part of our business processes. Senior management is primarily responsible for establishing policies and procedures designed to assess and manage the Company's significant risks. We also have a Corporate Enterprise Risk and Capital Committee, made up of members of senior management and the Chief Risk Officer, which provides oversight of our enterprise-wide risk structure and of our processes to identify, measure, monitor and manage significant risks, including credit, market and operating risk. The Board's role is regular oversight of the overall risk management process, including reviews of operational, financial, legal/regulatory, compensation, strategic and competitive risks. The Board reviews the most significant risks the Company faces and the manner in which our executives manage these risks. The Board has also delegated certain of its risk oversight efforts to its Committees, as shown below. This structure enables the Board and its Committees to coordinate the risk oversight

role, particularly with respect to risk interrelationships. We believe that the separation of the Chairman and CEO roles supports the Board's oversight role.

Table of Contents

BOARD AND COMMITTEES: AREAS OF RISK OVERSIGHT

FULL BOARD

AUDIT

COMPENSATION

FINANCE