LINCOLN NATIONAL CORP
Form DEF 14A
April 14, 2017

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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)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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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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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

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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

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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/lnc.

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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

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BOARD OF DIRECTOR NOMINEES

NAME OCCUPATION	AGE	DIRECTOR SINCE	SKILLS/QUALIFICATIONS	INDEPENDENT	COMMITTEE MEMBERSHIPS
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

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

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BOARD OF DIRECTOR NOMINEES (CONT D.)

NAME OCCUPATION	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.

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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.

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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.

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BOARD AND COMMITTEES: AREAS OF RISK OVERSIGHT

FULL BOARD	AUDIT	COMPENSATION	FINANCE
Strategy	Company s enterprise risk management efforts	Compensation policies and practices	Investment policies, strategies and guidelines
Operations	Financial statements	Executive incentive compensation and stock ownership	Capital management and structure
Competition	Financial reporting process	Executive retention and succession planning	Financial plan
Financial strategies and transactions	Accounting and audit matters		
	Legal, compliance and regulatory matters		

OUR CORPORATE GOVERNANCE GUIDELINES

The Board s Corporate Governance Guidelines provide a framework for effective corporate governance and set expectations for how the Board should perform its functions. The Guidelines include the following key principles:

- A majority of our Board must at all times be independent as defined by Securities and Exchange Commission (SEC) rules and New York Stock Exchange (NYSE) listing standards.
- Our independent directors must meet in executive session at least once a year, with no members of management present. Our outside directors, all of whom are independent, meet in connection with each regularly scheduled Board meeting and at any other times they may choose.

Only independent directors may serve on the Audit, Compensation and Corporate Governance committees.
Our Board conducts an annual review of the performance of the Board and the Audit, Compensation, Corporate Governance and Finance Committees each year.
The written charters of the Audit, Compensation, and Corporate Governance committees comply with the NYSE s listing standards and are reviewed at least once each year.
We have a Code of Conduct, available on our website at www.lfg.com, which includes our code of ethics for purposes of SEC rules and our code of business conduct and ethics for purposes of the NYSE listing standards. We will disclose amendments to or waivers from a required provision of the code by including such information on our website.

The full texts of our Corporate Governance Guidelines and committee charters are available on our website at www.lfg.com.

DIRECTOR INDEPENDENCE

Under the Corporate Governance Guidelines, a majority of our directors must at all times be independent and meet the NYSE listing standards regarding independence as incorporated in our Corporate Governance Guidelines. Among other things, these standards require the Board to determine that our independent directors have no material relationship with Lincoln other than as directors.

Applying these standards, the Corporate Governance Committee and the Board have reviewed the independence of each director and director nominee, and the Board has determined that:

All of our Directors, except Mr. Glass are independent.

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All members of the Audit, Compensation, Corporate Governance and Finance committees are independent of our management and of the Company.

In conducting its independence review, the Board will consider, among other things, transactions and relationships between each outside director (or any member of his or her immediate family) and us or our subsidiaries and affiliates. The Board takes into account that in the ordinary course of business, we conduct transactions with companies at which some of our directors are or have been directors, employees or officers. Transactions that are in the ordinary course of business on terms substantially equivalent to those prevailing at the time for comparable transactions and that fall below the threshold levels set forth in our independence standards do not impact a director s independence under our standards.

DIRECTOR NOMINATION PROCESS

Under our Corporate Governance Guidelines, the Board is responsible for selecting its own members. The Corporate Governance Committee is charged with:

- Identifying the competencies appropriate for the Board.
- Identifying which, if any, of those competencies may be missing or under-represented on the current Board.
- Identifying individuals with appropriate qualifications and attributes.
- Recommending to the Board the director nominees for the next annual meeting of shareholders.

Although there are no specific minimum qualifications for director nominees, the Corporate Governance Committee s charter allows the Committee to consider any factors it deems appropriate. The Committee reviews with the Board the appropriate skills and characteristics required of directors in the context of the Board s current make-up. In addition to considering a candidate s background, experience and professional accomplishments, the Board looks for individuals with, among other attributes, integrity, business acumen, specific skills (such as an understanding of marketing, finance, accounting, regulation and public policy) and a commitment to our shared values.

Our Board reflects a diverse, highly engaged group of directors with appropriate skills and varying backgrounds. We have a rigorous board evaluation process that includes an annual self-assessment and peer review to foster the right mix of subject matter expertise, capabilities and perspectives. Our Board also takes a thoughtful approach to board refreshment with the intent to align directors skills with our company strategy. The Board regularly reviews the composition and qualifications of our directors. After a deliberate and inclusive process, Deirdre Connelly was elected as a new director during 2016, to fill the vacancy left by a retiring director. Ms. Connelly s experience and expertise is well-suited to our board and complements that of our other directors. The Board will continue to review its composition and structure balancing the need for continuity and experience with fresh ideas and perspectives.

Although the Board does not have a formal diversity policy, our Corporate Governance Guidelines specify that the Corporate Governance Committee should consider diversity in the director identification and nomination process. As a result, the Committee seeks nominees with a broad diversity of backgrounds, experiences, professions, education and differences in viewpoints and skills.

The Corporate Governance Committee begins the nomination process each year by deciding whether to renominate current directors. This includes an individual assessment of each director who will be up for reelection the following year. The Committee then reviews the results of the individual director assessments. It considers for renomination those Board members whose skills and experience continue to be relevant to our business and whose performance for the most recent term has also been favorably assessed.

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When identifying potential director candidates whether to replace a director who has retired or resigned or to expand the Board to gain additional capabilities the Committee determines the skills, experience and other characteristics that a potential nominee should possess (in light of the composition and needs of the Board and its committees, and including whether or not the nominee would be considered independent under the NYSE listing standards) and seeks candidates with those qualifications.

Although not required to do so, the Committee may consider candidates proposed by our directors or our management and may also retain an outside firm to help identify and evaluate potential nominees. The Committee will also consider nominations from shareholders. Such nominations must be submitted in writing to our Corporation Secretary at our principal executive office, and must include the same information that would be required for a candidate to be nominated by a shareholder at a meeting of shareholders as described under General Information Shareholder Proposals for the 2018 Annual Meeting on page 86. Any such recommendation must be received by the Corporate Secretary no earlier than January 26, 2018, and not later than February 25, 2018.

If the Corporate Governance Committee determines that it should conduct a full evaluation of a prospective candidate, including an interview, one or more members of the Committee will do so, and other directors may be asked to interview the candidate as well. Upon completing the evaluation and the interview, the Committee recommends to the Board whether to nominate the individual.

The nominee evaluation process is the same whether the nomination comes from a Board member, management or a shareholder. If the Corporate Governance Committee recommends a shareholder nominee to the Board, the Board may as with any nominee either accept or reject the recommendation.

ANNUAL BOARD EVALUATION

Annually, the Board conducts a self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance Committee oversees the Board evaluation process, which is designed to elicit feedback and recommendations from the directors that will improve the effectiveness of the Board. Each year the Committee reviews the overall process for the assessment as well as the substantive matters to be addressed during the evaluation. In general, the evaluation covers a variety of topics including the Company s strategy, financial performance, risk management and succession planning. The results of the assessment are discussed with each Committee and the full Board following the compilation of the results.

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COMMUNICATIONS WITH DIRECTORS

Shareholders and others who wish to communicate with the full Board or its outside (non-executive) directors may do so by sending a letter to either The Board of Directors or The Outside Directors, as appropriate, at our principal executive offices:

Lincoln National Corporation

150 N. Radnor Chester Road

Radnor, PA 19087

Attention: Office of the Corporate Secretary

Our Corporate Secretary receives and processes all communications and will refer relevant and appropriate communications to the Chairman. If a communication relates to possible violations of our Code of Conduct or contains concerns or complaints regarding our accounting, internal auditing controls, or auditing matters or other related concerns, it will be referred to the Audit Committee, which has a policy for reporting such information. The policy can be found on our website at www.lfg.com.

You may communicate with the Board anonymously and/or confidentially. However, if you submit your communication anonymously, we will not be able to contact you in the event we require further information. Also, while we will attempt to preserve your confidentiality whenever possible, we cannot guarantee absolute confidentiality.

BOARD AND COMMITTEE MEETINGS

The Board met four times during 2016, and each director attended 75% or more of the aggregate of: (1) the total number of Board meetings; and (2) the total number of meetings held by committees on which he or she served. Although the Board does not have a formal policy that requires directors to attend our Annual Meeting of Shareholders, directors are encouraged to attend. All of the Company s directors attended the 2016 Annual Meeting.

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BOARD COMMITTEES

The Board has six standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance Committee, the Executive Committee, the Finance Committee and the Committee on Corporate Action. The table below lists the directors who currently serve on these committees and the number of meetings each committee held during 2016. The Audit, Compensation, Corporate Governance and Finance committees conduct self-evaluations of their committee s performance each year.

CURRENT COMMITTEE MEMBERSHIP AND MEETINGS HELD DURING 2016 (C=CHAIR M=MEMBER)

	AUDIT	COMPENSATION	CORPORATE GOVERNANCE	EXECUTIVE	FINANCE	CORPORATE ACTION[1]
Deirdre P. Connelly	**M**		**M**			
William H. Cunningham		**M**	**M**	**C**	**M**	
Dennis R. Glass				**M**		**C**
George W. Henderson, III	**M**				**M**	
Eric G. Johnson		**M**		**M**	**C**	
Gary C. Kelly	**M**				**M**	
M. Leanne Lachman	**C**					
Michael F. Mee		**M**		**M**	**M**	
William P. Payne			**M**	**M**		
Patrick S. Pittard		**C**				
Isaiah Tidwell	**M**		**C**			
Number of Meetings in 2016	**8**	**4**	**4**	**0**	**4**	**--**

Shaded cells denote committee chair.

1. The Committee on Corporate Action takes all action by the unanimous written consent of the sole member of that Committee, and there were twelve (12) such consents in 2016.

The functions and responsibilities of our Board s standing committees are described below. Charters for the Audit, Compensation, Corporate Governance, Executive and Finance committees are available on the Governance section of our website at www.lfg.com.

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AUDIT COMMITTEE

The primary function of the Audit Committee is oversight, including risk oversight. This includes:

- assisting the Board in oversight of: (1) the integrity of our financial statements; (2) our compliance with legal and regulatory requirements; (3) the independent auditor s qualifications and independence; (4) the performance of our general auditor and independent auditor; and (5) our risk assessment and risk management policies and processes

- reviewing and discussing the risk policies and procedures adopted by management and the implementation of these policies

- reviewing the qualifications and backgrounds of senior risk officers

- preparing the report required for inclusion in our annual proxy statement

- hiring, firing, and evaluating the performance of the independent auditors and approving their compensation and all of their engagements

- establishing procedures for handling complaints regarding accounting, internal auditing controls or auditing matters and for the confidential, anonymous submission of employee concerns regarding questionable accounting or auditing matters

- discussing the timing and process for implementing the rotation of the lead audit partner

- consulting with management before the appointment or replacement of the internal auditor

- discussing our annual and quarterly consolidated financial statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our SEC filings and annual report to shareholders

- reporting the Committee s activities to the Board on a regular basis and making any recommendations to the Board that the Committee deems appropriate.

inquiring about significant risks and exposures, if any, and reviewing and assessing the steps taken to monitor and manage them.

The Board has determined that two of its members meet the definition of audit committee financial expert under SEC rules. The Board has named Gary C. Kelly as our audit committee financial expert for this proxy statement. The Audit Committee may obtain advice and assistance from internal or external legal, accounting or other advisers.

More information regarding the Audit Committee, including the Audit Committee Report, can be found under Ratification of Appointment of Independent Registered Public Accounting Firm beginning on page 25.

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COMPENSATION COMMITTEE

The principal functions of the Compensation Committee include:

- establishing our general compensation philosophy in consultation with the compensation consultant and senior management
- ensuring that succession plans are in place for the CEO and other executive officers
- reviewing and approving corporate goals and objectives for the CEO and executive officers compensation
- evaluating the CEO s performance and setting the CEO s compensation level based on this evaluation
- evaluating annually whether the Company s compensation programs create unnecessary risks that could harm the Company
- reviewing with management the Compensation Discussion & Analysis to be included in the proxy statement
- reviewing and approving the strategies, policies and programs related to the compensation of our executive officers and other key personnel
- making recommendations to the Board regarding incentive compensation and equity-based plans, and approving all grants and awards to executive officers under such plans
- approving employment and severance agreements for executive officers
- approving certain employee benefit and executive compensation plans and programs, and changes to such plans and programs
- reporting the Committee s activities to the Board on a regular basis and making any recommendations the Committee deems appropriate.

The Compensation Committee may retain or obtain advice on executive compensation-related matters from a compensation consultant, outside legal counsel or other adviser. The Committee is directly responsible for appointing, compensating and overseeing the work of any such advisers and must consider certain independence factors before hiring them. More information concerning the Compensation Committee, including the role of its compensation consultant and our executive officers in determining or recommending the amount or form of executive compensation, can be found in the Compensation Discussion & Analysis section beginning on page 31.

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CORPORATE GOVERNANCE COMMITTEE

The principal functions of the Corporate Governance Committee include:

- identifying individuals qualified to become Board members
- recommending to the Board nominees for director (including those recommended by shareholders in accordance with our Bylaws)
- taking a leadership role in shaping our corporate governance and recommending to the Board the corporate governance principles applicable to us
- developing and recommending to the Board standards for determining the independence of directors
- making recommendations to the Board regarding the compensation program for directors
- making recommendations to the Board regarding the size of the Board and the membership, size, structure and function of its committees
- helping evaluate the Board and individual directors
- reporting the Committee s activities to the Board on a regular basis and making any recommendations the Committee deems appropriate.

The Corporate Governance Committee may hire and terminate search firms; approve any search firm s fees and terms of retention; and seek advice and assistance from internal or external legal, accounting or other advisers.

EXECUTIVE COMMITTEE

The principal function of the Executive Committee is to act for the Board, when necessary, between Board meetings. In such instances, the Executive Committee may act for the Board in managing and directing the Company s business and affairs, except for matters expressly delegated to another committee or the full Board. The Executive Committee reports any actions it takes to the Board as soon as practicable.

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FINANCE COMMITTEE

The principal functions of the Finance Committee include:

- reviewing and providing guidance to senior management with respect to:
  - our annual three-year financial plan;
  - our capital structure, including issuance of securities by us or any of our affiliates, significant off balance sheet transactions, and our dividend and share repurchase strategies;
  - our reinsurance strategies; and
  - proposed mergers, acquisitions, divestitures, joint ventures and other strategic investments.
- reviewing our overall credit quality and credit ratings strategy
- reviewing the general account and our investment policies, strategies and guidelines
- reviewing our hedging program and the policies and procedures governing the use of financial instruments, including derivatives
- reviewing the funding adequacy of our qualified pension plans, including significant actuarial assumptions, investment policies and performance
- reporting the Committee s activities to the Board on a regular basis and making any recommendations the Committee deems appropriate.

The Finance Committee may seek advice and assistance from internal or external legal, accounting or other advisers.

COMMITTEE ON CORPORATE ACTION

The Committee on Corporate Action was formed to delegate to the sole member, the CEO, the authority to take certain actions on behalf of the Board in accordance with limits set by the Board. The principal functions that have been delegated to the Committee on Corporate Action include:

determining the pricing of the securities offered from our shelf registration statement, including all rates, payments, ratios, discounts and other financial measures related to the pricing of such securities

approving, as necessary, the underwriting agreement, form of security and other transaction documents relating to the offering and sale of securities under our shelf registration statement

appointing and removing certain classes of our officers as the Board may determine by resolution.

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ITEM 1 | ELECTION OF DIRECTORS

NOMINEES FOR DIRECTOR

Ten directors will be up for election at the 2017 Annual Meeting to hold office until the next annual meeting and until their respective successors are elected and qualified. Mr. Payne is not standing for reelection. Of the directors standing for election, Mr. Glass is an officer of the Company. In addition to annual elections, our bylaws require our directors to be elected by a majority of votes cast in an uncontested election.

Each director brings a strong background and set of skills to the Board, giving the Board as a whole expertise, diversity and experience in a wide variety of areas. The Board believes that all of our directors have integrity and honesty and adhere to high ethical standards. They have also demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment to serve the Company.

Unless you direct otherwise or specifically indicate that you wish to abstain from voting for one or more of the nominees on the proxy, your proxy will be voted for each of the nominees below. Each nominee is a current director of the Company and has agreed to continue serving on the Board if elected. If any nominee is unable to serve as a director, proxies may be voted for another person designated by the Board.

The Board of Directors recommends a vote FOR each of the nominees.

DEIRDRE P. CONNELLY **AGE:** 55 **DIRECTOR SINCE:** 2016

RETIRED PRESIDENT NORTH

AMERICAN PHARMACUETICALS

OF GLAXOSMITHKLINE

Member, Audit and Corporate Governance Committees

CAREER

Ms. Connelly was the President, North American Pharmaceuticals of GlaxoSmithKline, a global pharmaceutical company from 2009 until her retirement in 2015. Before that she served as President, U.S. Operations for Eli Lily and Company from 2005-2009.

QUALIFICATIONS

Substantial leadership experience and expertise as a senior executive of large publicly-traded companies with global operations. She has extensive knowledge and expertise in strategy, operations, finance and capital management, brand marketing and product development.

OTHER PUBLIC COMPANY BOARDS	Macy s, Inc. 2008 present. Genmab A/S 2017 present.

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WILLIAM H. CUNNINGHAM	**AGE:** 73 **DIRECTOR SINCE:** 2006
PROFESSOR AT THE UNIVERSITY OF TEXAS AT AUSTIN AND JAMES J. BAYLESS CHAIR FOR FREE ENTERPRISE AT THE UNIVERSITY S McCOMBS SCHOOL OF BUSINESS	Non-Executive Chairman of the Board since: 2009 *Member,* Compensation, Corporate Governance, Executive and Finance Committees

CAREER	Mr. Cunningham has been a professor with The University of Texas since 2000. Before that he served as Chancellor and CEO of The University of Texas System, as President of The University of Texas at Austin and as Dean of the McCombs School of Business.
QUALIFICATIONS	Substantial experience in accounting, marketing, finance and corporate governance, as well as experience leading a large public institution. Mr. Cunningham also has significant experience serving on public company boards, including over 20 years in our industry as a Director of Jefferson-Pilot Corporation, a public insurance company with whom we merged in 2006.
OTHER PUBLIC COMPANY BOARDS	John Hancock Mutual Funds, 1986 present. Southwest Airlines Co., 2000 present.
PRIOR PUBLIC COMPANY BOARD SERVICE IN PAST 5 YEARS	LIN Media LLC, (formerly LIN Television Corporation) 2002 2007 and 2009 2014. Resolute Energy Corporation, 2009 2015.

DENNIS R. GLASS	**AGE:** 67 **DIRECTOR SINCE:** 2006
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF LINCOLN NATIONAL CORPORATION	*Member,* Executive Committees

CAREER	Mr. Glass has served as our President since 2006 and our CEO since 2007. He is also President of, and serves on the boards of, our principal insurance subsidiaries. Before our merger with Jefferson-Pilot Corporation, Mr. Glass was President, CEO and a Director of that company.
QUALIFICATIONS	A seasoned executive who has served in executive-level positions in the insurance industry for over 30 years, Mr. Glass brings to his role as a Director a deep knowledge of our industry, our competitors and our products.
OTHER PUBLIC COMPANY BOARDS	None in past 5 years.

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GEORGE W. HENDERSON, III	**AGE:** 68 **DIRECTOR SINCE:** 2006
RETIRED CHAIRMAN	*Member,* Audit and Finance Committees
AND CHIEF EXECUTIVE	
OFFICER OF BURLINGTON INDUSTRIES, INC.	Mr. Henderson also serves as a Director of Lincoln Life & Annuity Company of New York, one of our insurance subsidiaries.

CAREER	Mr. Henderson was Chairman and CEO of Burlington Industries, a global manufacturer of textile products, from 1998 to his retirement in 2003. Before that he served as that company s President and its COO. He was also a member of Burlington s Board of Directors for 13 years.
QUALIFICATIONS	Executive leadership and management experience at the highest levels of a global public company; significant experience with international operations and accounting and financial reporting.
OTHER PUBLIC COMPANY BOARDS	Bassett Furniture Industries, Inc., 2004 present.

ERIC G. JOHNSON	**AGE:** 66 **DIRECTOR SINCE:** 1998
PRESIDENT AND CEO OF	*Chair,* Finance Committee
BALDWIN RICHARDSON	
FOODS COMPANY	*Member,* Compensation and Executive Committees

CAREER	Since 1997, Mr. Johnson has served as President and CEO of Baldwin Richardson Foods Company, a privately held manufacturer of products for the food service industry.

QUALIFICATIONS	Extensive executive management skills; expertise in marketing, finance and the development and execution of corporate strategy; experience in mergers and acquisitions. Through his years of service on our Board, Mr. Johnson has also developed a deep base of knowledge regarding our business and our industry.
OTHER PUBLIC COMPANY BOARDS	SUPERVALU, INC., 2013 present.

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GARY C. KELLY	**AGE:** 62 **DIRECTOR SINCE:** 2009
CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF SOUTHWEST AIRLINES CO.	*Member*, Audit and Finance Committees

CAREER	Mr. Kelly has been CEO of Southwest Airlines since 2004, and President and Chairman since 2008. Previously Mr. Kelly held a number of senior-level positions within the Southwest organization, including CFO. Before joining Southwest, Mr. Kelly served as a CPA for a public auditing firm.
QUALIFICATIONS	Executive leadership and management experience at the highest levels of a public company; ability to provide insights into operational, regulatory and governance matters; substantial expertise in finance, accounting and financial reporting.
OTHER PUBLIC COMPANY BOARDS	Southwest Airlines Co., 2004 present.

M. LEANNE LACHMAN	**AGE:** 74 **DIRECTOR SINCE:** 1985
PRESIDENT OF LACHMAN ASSOCIATES LLC AND *EXECUTIVE -IN-RESIDENCE, COLUMBIA GRADUATE SCHOOL OF BUSINESS*	*Chair,* Audit Committee Ms. Lachman also serves as a Director of Lincoln Life & Annuity Company of New York, one of our insurance subsidiaries.

CAREER	Ms. Lachman has served since 2003 as President of Lachman Associates LLC, an independent real estate consultancy, and since 2000 as an Executive-in-Residence at Columbia Business School. Before that she was Managing Director of Lend Lease

Real Estate Investments, a global institutional investment manager.

QUALIFICATIONS

Extensive background in real estate analysis, investment, management, and development, and international operations. Through her years of service on our Board, she has acquired a deep understanding of our business, our organization and our industry.

OTHER PUBLIC COMPANY BOARDS

Liberty Property Trust, 1994 present.

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MICHAEL F. MEE	**AGE:** 74 **DIRECTOR SINCE:** 2001
RETIRED EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF BRISTOL-MYERS SQUIBB COMPANY	*Member*, Compensation and Finance Committees

CAREER	From 1994 to 2001, Mr. Mee was the Executive Vice President and CFO of Bristol-Myers Squibb Co., a pharmaceutical and health care products company, where he was also a member of the Office of the Chairman. Before joining Bristol-Myers Squibb, Mr. Mee served in senior financial executive positions with several Fortune 500 companies.
QUALIFICATIONS	Significant public accounting and financial reporting skills; extensive management experience and leadership skills; expertise in corporate strategy, development and investments, international operations and risk assessment.
OTHER PUBLIC COMPANY BOARDS	None in the past 5 years.

PATRICK S. PITTARD	**AGE:** 71 **DIRECTOR SINCE:** 2006
CHAIRMAN OF PATRICKPITTARD ADVISORS LLC	*Chair,* Compensation Committee
	Mr. Pittard also serves as a Director of Lincoln Life & Annuity Company of New York, one of our insurance subsidiaries.

CAREER	Mr. Pittard is Chairman of Patrick Pittard Advisors LLC, a human capital firm providing C-level services such as executive search and talent assessment. He also serves as a leadership instructor at the Terry School of Business at the University of Georgia and was the Chairman and CEO of ACT Bridge from 2011 to 2013. Before that Mr. Pittard was Chairman, President and CEO of Heidrick & Struggles International, Inc., a worldwide provider of executive-level search and leadership services and one of the largest publicly traded global recruiting firms, from which he retired in 2002.
QUALIFICATIONS	Executive leadership and management experience at the highest levels of a global public company; experience driving strategic organizational growth; expertise in executive compensation, insurance and investments.
OTHER PUBLIC COMPANY BOARDS	Artisan Funds, 2001 present.

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ISAIAH TIDWELL	**AGE:** 72	**DIRECTOR SINCE:** 2006
RETIRED EXECUTIVE VICE PRESIDENT AND GEORGIA WEALTH MANAGEMENT DIRECTOR OF WACHOVIA BANK, N.A	*Chair,* Governance Committee *Member,* Audit Committee	

CAREER	Before retiring in 2005, Mr. Tidwell was an Executive Vice President and Director of Wealth Management operations for Wachovia Bank in Georgia. During his career at Wachovia, he took on various roles with increasing responsibility, eventually becoming Southern Regional Executive before being promoted to Executive Vice President. Earlier in his career, Tidwell was employed in various accounting and financial positions with Celanese Corporation.
QUALIFICATIONS	Extensive experience in banking, financial services and wealth management. Through his years of service on the boards of other public companies, Mr. Tidwell has also developed knowledge of risk assessment practices and a significant understanding of finance and accounting principles.
OTHER PUBLIC COMPANY BOARDS	Synder s Lance, Inc. (formerly Lance, Inc.), 1995 present.
PRIOR PUBLIC COMPANY BOARD SERVICE IN PAST 5 YEARS	Harris Teeter Supermarkets, Inc. (formerly Ruddick Corporation), 1999 2014.

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COMPENSATION OF OUTSIDE DIRECTORS

The Board adheres to the following guidelines in establishing outside director compensation:

- We provide competitive compensation to attract and retain high-quality outside directors; and
- A significant portion of each outside director s compensation is paid in equity to help align our directors interests with those of our shareholders.

In accordance with our Corporate Governance Guidelines, the Board s compensation program is reviewed and assessed annually by the Corporate Governance Committee. As part of this review, the Committee may solicit the input of outside compensation consultants. During 2016, the Committee asked Pay Governance LLC, an independent compensation consultant, to provide a competitive analysis of the compensation we provide to our outside directors. As a result of that review and the Committee s discussion, the Committee recommended to the Board an increase of $15,000 in the Deferred LNC Stock Units retainer for the non-executive Chairman of the Board. The Committee also recommended an increase in the cash portion of the Annual Retainer to $120,000 for the non-executive Chairman of the Board and an increase to $100,000 for the other directors.

The following table compares our director fees for 2016 to the revised fees that took effect on January 1, 2017:

FEES	2016	2017
BOARD		
Annual Retainer (Cash)	$ 86,000	$ 100,000
Deferred LNC Stock Units	$ 161,000	$ 161,000
Total Board Fees	$ 247,000	$ 261,000
NON-EXECUTIVE CHAIRMAN OF THE BOARD		
Annual Retainer (Cash)	$ 86,000	$ 120,000
Deferred LNC Stock Units	$ 361,000	$ 376,000
Total Non-Executive Chairman of the Board Fees	$ 447,000	$ 496,000
COMMITTEES (CASH)		
Audit Committee Chair	$ 30,000	$ 30,000
Audit Committee Member	$ 10,000	$ 10,000
Other Committee Chair	$ 20,000	$ 20,000

SHARE OWNERSHIP REQUIREMENTS

Lincoln s share ownership guidelines require outside directors to hold, within five years of joining the Board, interests in the Company s common stock equal to five (5) times the annual Board cash retainer. Interests in our stock that count toward the share ownership guidelines include Deferred LNC Stock Units, LNC stock owned outright, and 33% of vested stock options. As of December 31, 2016, all of our directors are in compliance with this requirement.
Ms. Connelly, who joined the Board in May of 2016, has until May 2021 to meet the full share ownership requirement.

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OPTIONAL DEFERRAL OF ANNUAL RETAINER

In addition to receiving Board fees in the form of Deferred LNC Stock Units, directors may defer the cash component of their annual and committee retainers into various investment options under the Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors (the Directors DCP).

The investment options track those offered to employees under the LNC Employees 401(k) Savings Plan (the Employees 401(k) Plan) and include a Lincoln National Corporation Stock Fund investment option (the LNC Stock Fund). However, the Directors DCP uses phantom versions of the Employees 401(k) Plan investment options, meaning that accounts are credited with earnings or losses as if the amounts had been invested in the chosen investment options.

All deferred amounts, including the annual retainer paid in Deferred LNC Stock Units, are payable only when the director retires or resigns from the Board. In addition, amounts invested in the LNC Stock Fund upon cessation of a director s service on the Board are only payable in shares of Lincoln common stock.

MEETING FEES

No additional fees are paid for attending regularly scheduled Board or committee meetings, although the Corporate Governance Committee has discretion to recommend additional compensation ($1,100 per meeting) for additional meetings. Outside directors who are also directors of Lincoln Life & Annuity Company of New York (LNY), our indirect, wholly owned subsidiary, receive an annual cash retainer of $15,000 and a fee of $1,100 for each LNY Board and committee meeting they attend. During 2016, three outside directors Mr. Henderson, Ms. Lachman and Mr. Pittard also served as directors of LNY.

OTHER BENEFITS

We offer outside directors several benefits in addition to the compensation listed above. These include:

- Financial planning services up to $20,000 for an initial financial plan and $10,000 for annual updates. The services must be provided by a Lincoln Financial Network financial planner for the director to be reimbursed.

- Participation at their own expense in certain health and welfare benefits, including our self-insured medical and dental plans as well as life insurance and accidental death and dismemberment coverages.

Participation in a matching charitable gift program through which the Lincoln Financial Foundation, Inc. matches donations from a director to one or more eligible organizations, up to an annual total of $15,000 for all gifts.

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COMPENSATION OF NON-EMPLOYEE DIRECTORS* DURING 2016

NAME	FEES EARNED OR PAID IN CASH[1] ($)	STOCK AWARDS[2] ($)	ALL OTHER COMPENSATION ($)	TOTAL ($)
Deirdre P. Connelly[3]	55,419	96,423	-	151,842
William H. Cunningham	86,000	361,000	15,000[6]	462,000
George W. Henderson, III	115,400	161,000	10,000[6]	286,400
Eric G. Johnson	106,000	161,000	-	267,000
Gary C. Kelly	96,000	161,000	-	257,000
M. Leanne Lachman	135,400	161,000	25,000[5,6]	321,400
Michael F. Mee	86,000	161,000	10,000[6]	257,000
William Porter Payne[4]	86,000	161,000	15,000[6]	262,000
Patrick S. Pittard	125,400	161,000	10,000[5]	296,400
Isaiah Tidwell	116,000	161,000	8,000[6]	285,000

* As an employee of the Company, Mr. Glass receives no director compensation.

1. As described above, $86,000 of the annual retainer was paid in cash. The fees shown in this column also include any fees that an outside director was paid as the chair of a committee, as a member of the Audit Committee or for service on the Board of LNY.

2. The fair value of the stock awards was determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation. The assumptions made in calculating the grant date fair value of stock and option awards are set forth in Note 18 of the Notes to the Consolidated Financial Statements, included in Item 8 of our Form 10-K for fiscal year ended December 31, 2016. Mr. Cunningham received an additional $200,000 in Deferred LNC Stock Units for serving as non-executive Chairman during 2016.

3. Ms. Connelly was elected to our Board of Directors on May 26, 2016.

4. Mr. Payne has notified the Board that he will not stand for election as a director at the Annual Meeting.

5. Includes the provision of financial planning services with an aggregate incremental cost to us of $10,000 for each of Ms. Lachman and Mr. Pittard.

6. Reflects contributions made on the director s behalf under the matching charitable gift program.

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The following table shows the number of deferred stock units and vested unexercised stock options held by each director as of December 31, 2016:

NAME	DEFERRED LNC STOCK UNITS	STOCK OPTIONS
Deirdre P. Connelly	1,884	
William H. Cunningham	93,476	19,906
George W. Henderson, III	58,725	3,007
Eric G. Johnson	51,302	33,180
Gary C. Kelly	21,669	17,040
M. Leanne Lachman	61,746	3,007
Michael F. Mee	65,064	33,180
William Porter Payne	39,066	14,119
Patrick S. Pittard	18,483	3,007
Isaiah Tidwell	33,453	22,452

Deferred LNC Stock Units include amounts reported in the Stock Awards column above and phantom units awarded under the LNC Outside Directors Value Sharing Plan, which was terminated on July 1, 2004, plus any accrued dividend equivalents, which are automatically reinvested in additional phantom units of our common stock.

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ITEM 2 | RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee evaluates the performance of the Company s independent auditors each year and determines whether to reengage them or consider other firms. In doing so, the Committee considers the auditor s service quality and efficiency, capability, technical expertise, and knowledge of our operations and industry. On February 22, 2017, the Committee appointed Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for fiscal year 2017. We have engaged this firm and its predecessors in this capacity continuously since 1968. In addition, the Committee is involved in the selection of Ernst & Young s lead engagement partner and ensures that the mandated rotation of the lead partner occurs routinely.

As a matter of good corporate governance, we request that our shareholders ratify (approve) this appointment, even though this is not required. If shareholders do not ratify this appointment, the Audit Committee will take note of that and may reconsider its decision. If shareholders do ratify this appointment, the Committee will still have discretion to terminate Ernst & Young and retain another accounting firm at any time during the year.

Representatives of Ernst & Young will be present at the Annual Meeting, where they will be given the opportunity to make a statement, if they wish to. They will also be available to respond to questions about their audit of our consolidated financial statements and internal controls over financial reporting for fiscal year 2016.

The Board of Directors recommends a vote FOR the ratification of Ernst & Young as our independent registered public accounting firm for 2017.

IDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

The table below shows the total fees that Ernst & Young received for professional services rendered for fiscal years 2016 and 2015, with a breakdown of fees paid for different categories of work.

	FISCAL YEAR ENDED - DECEMBER 31, 2016	% OF TOTAL FEES	FISCAL YEAR ENDED - DECEMBER 31, 2015	% OF TOTAL FEES
Audit Fees[1]	$ 10,556,687	91.3	$ 10,015,790	90.9
Audit-Related Fees[2]	1,010,749	8.7	937,100	8.5
Tax Fees[3]			63,842	0.6
All Other Fees				
TOTAL FEES	$ 11,567,436	100	$ 11,016,732	100

1. **Audit Fees.** Fees for audit services include fees and expenses associated with the annual audit, the reviews of our interim financial statements included in quarterly reports on Form 10-Q, accounting consultations directly associated with the audit, and services normally provided in connection with statutory and regulatory filings.

2. **Audit-Related Fees.** Audit-related services principally include employee benefit plan audits, service auditor reports on internal controls, due diligence procedures in connection with acquisitions and dispositions, reviews of registration statements and prospectuses, and accounting consultations not directly associated with the audit or quarterly reviews.

3. **Tax Fees.** Fees for tax services include tax-filing and advisory services.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The Audit Committee has policies and procedures to pre-approve all audit and permissible non-audit services that our accounting firm provides. Management submits to the Committee for approval a schedule of all audit, tax and other related services it expects the firm to provide during the year. The schedule includes examples of typical or known services expected to be performed, listed by category, to illustrate the types of services to be provided under each category. The Committee pre-approves the services by category, with specific dollar limits for each category. If management wants to engage the accounting firm for additional services, management must receive approval from the Committee for those services. The Committee chair also has the authority to pre-approve services between meetings, subject to certain dollar limitations, and must notify the full Committee of any such pre-approvals at its next scheduled meeting.

OTHER INFORMATION

Ernst & Young has advised us that neither it nor any member of the firm has any financial interest, direct or indirect, in any capacity in us or our subsidiaries. The Company has made similar inquiries of our directors and executive officers, and we have identified no such direct or indirect financial interest in Ernst & Young.

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AUDIT COMMITTEE REPORT

Management has primary responsibility for:

- preparing our financial statements;
- establishing financial reporting systems and internal controls; and
- reporting on the effectiveness of our internal control over financial reporting.

The Company s independent registered public accounting firm is responsible for:

- performing an independent audit of our consolidated financial statements;
- issuing a report on those financial statements; and
- issuing an attestation report on our internal control over financial reporting.

In this context, the Audit Committee has:

- reviewed and discussed with management the audited financial statements for fiscal year 2016;
- discussed with our accounting firm the matters that the Public Company Accounting Oversight Board (PCAOB) requires them to discuss as per Auditing Standard No. 1301, *Communications with Audit Committee;*
- received the written disclosures and letter from our accounting firm that the PCAOB requires regarding the firm s communications with the Audit Committee concerning independence; and
- discussed with our accounting firm that firm s independence.

Based upon the review and discussions referred to in this report, the Audit Committee recommended to the Board that the audited consolidated financial statements for fiscal year 2016 be included in the Company s Annual Report on Form 10-K for fiscal year ending December 31, 2016, for filing with the SEC.

The Audit Committee

Deidre P. Connelly

George W. Henderson, III

Gary C. Kelly

M. Leanne Lachman, Chair

Isaiah Tidwell

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ITEM 3 | ADVISORY PROPOSAL ON EXECUTIVE COMPENSATION

The Board recognizes that providing shareholders with an advisory vote on executive compensation can produce useful information on investor sentiment with regard to the Company s executive compensation programs. As a result, this proposal provides shareholders with the opportunity to cast an advisory vote on the compensation of our executive management team, as described in the section of this proxy statement entitled Compensation Discussion & Analysis, (CD&A) and endorse or not endorse our fiscal 2016 executive compensation philosophy, programs and policies and the compensation paid to the Named Executive Officers. As discussed in detail in the CD&A that begins on page 31, our executive compensation principles and underlying programs are designed to:

- align the interests of our executive officers with those of our shareholders
- link executive pay directly to the attainment of short- and long-term financial/business goals, which we refer to as pay for performance
- attract, motivate and retain key executives who are crucial to our long-term success.

Key features of our compensation programs include:

Pay for Performance. We link our executives targeted direct compensation to the performance of the Company as a whole, with the largest portion delivered as variable pay in the form of long-term equity awards and an annual incentive award. For instance in 2016, 90% of our CEO s compensation was at risk and variable.

Compensation Tied to Enterprise Performance and Shareholder Return. Our annual and long-term incentive compensation programs have multiple balanced performance measures and goals that tie executive compensation to key enterprise performance metrics and shareholder return.

Governance/Compensation Best Practices. Among the best practices we follow: we have an independent Compensation Committee and compensation consultant; we do not provide tax gross-up benefits upon our change of control; and we have a double-trigger equity vesting requirement upon a change of control of the Company.

Share Ownership Requirements. Our executives are subject to rigorous stock ownership guidelines to further align their interests with the long-term interests of our shareholders. For instance, our CEO is required to hold an amount of our shares equal to seven times his base salary, and our other executive officers must hold shares equal to four times their base salary.

In addition, we recognize that strong governance/compensation principles are essential to an effective executive compensation program. These governance/compensation principles and our executive compensation philosophy are established by the Compensation Committee, which is independent of management and advised by an independent consultant. The Committee regularly reviews the compensation programs applicable to our executive officers to ensure that the programs support our objectives of aligning our executive compensation structure with our shareholders interests and current market practices.

Our compensation policies and procedures are described in detail on pages 31 to 57.

Although the advisory vote on this proposal is non-binding meaning that our Board is not required to adjust our executives compensation or our compensation programs or policies as a result of the vote the Board and the Compensation Committee will consider the voting results when determining compensation policies and decisions, including future executive compensation decisions. Notwithstanding the advisory nature of the vote, the resolution will be approved if more votes are cast for the proposal than against it. Abstentions and broker non-votes will not count as votes

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cast either for or against the proposal. We intend to hold a non-binding advisory vote on executive compensation each year, with the next such vote at our 2018 Annual Meeting.

We urge you to read the CD&A and other information in the Executive Compensation Tables , beginning on page 58, which we believe demonstrates that our executive compensation programs align our executives compensation with our short- and long-term performance; provide the incentives needed to attract, motivate and retain key executives crucial to our long-term success; and align the interests of our executive officers with those of our shareholders.

The Board of Directors unanimously recommends a vote FOR this proposal and FOR the following resolution:

Resolved, that the shareholders approve, on an advisory basis, the compensation of the named executive officers of the Company, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion & Analysis, the 2016 compensation tables regarding named executive officer compensation, and the accompanying narrative disclosure in this proxy statement.

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ITEM 4 | ADVISORY PROPOSAL ON THE FREQUENCY OF FUTURE ADVISORY PROPOSALS ON EXECUTIVE COMPENSATION

Section 14A of the Securities Exchange Act provides for our shareholders to indicate how frequently we should seek an advisory vote on the compensation of our named executive officers. You may vote on whether you prefer an advisory vote every one, two or three years. You may also choose to abstain from voting on the matter.

The Board believes that an advisory vote on executive compensation that occurs every year is the most appropriate alternative for our shareholders, and therefore the Board recommends that you vote for a one-year interval for the advisory vote on executive compensation.

Note that you are not voting to approve or disapprove the recommendation of the Board with respect to this proposal. Instead, each proxy card provides four choices with respect to this proposal: a one, two or three year frequency or shareholders may abstain from voting on the proposal. Because this vote is advisory and not binding, the Board may decide that it is in the best interests of the shareholders and the Company to hold an advisory vote on executive compensation at a frequency other than the option selected by the shareholders.

The Board of Directors recommends a vote for a ONE-YEAR frequency for the future advisory votes on executive compensation.

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COMPENSATION DISCUSSION & ANALYSIS

This Compensation Discussion & Analysis (CD&A) contains information about:

- our fundamental pay-for-performance compensation philosophy
- the structure of our compensation programs and the reasoning behind this structure
- how compensation decisions are made and how our compensation programs are administered
- the compensation we paid under our performance-based incentive programs for performance periods ending in 2016, and how it related to our short and long-term performance results

The CD&A also details the compensation of our NEOs (also referred to as executives or executive officers) included in the compensation tables beginning on page 58. These NEOs are:

DENNIS R. GLASS President and CEO

RANDAL J. FREITAG Executive Vice President and CFO

WILFORD H. FULLER President, Annuity Solutions, LFD and LFN

KIRKLAND L. HICKS Executive Vice President and General Counsel

MARK E. KONEN President, Insurance and Retirement Solutions (retired in 2017)

We encourage you to read the CD&A in conjunction with the compensation tables on pages 58 to 75.

To ensure the continued effectiveness of our pay-for-performance culture, the Compensation Committee each year reviews and approves the elements, measures, targets and payouts of our executive compensation programs. In setting the programs performance measures and goals, the Committee chooses metrics that focus on our overall corporate strategy and are linked to our long-term financial plan. Our executives compensation is tied closely to the achievement of short- and long-term goals that (a) support our long-term business strategy and (b) measure the creation of sustainable long-term shareholder value.

At our 2016 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.

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EXECUTIVE SUMMARY

OUR PAY FOR PERFORMANCE PHILOSOPHY

We believe that those executives with significant responsibility and a greater ability to influence the Company s results should have more of their total compensation tied directly to business results. Therefore, the vast majority of our NEO compensation is tied to Company or individual performance (and, for business-unit executives, to the performance of individual business units). This also means that the vast majority of our NEO compensation is at risk executives will not reach their targeted pay amounts if the Company s performance does not meet expectations.

In keeping with this philosophy, annual and long-term incentive awards are the largest components of total NEO compensation, and the fixed pay element base salary is the smallest. The variable components are:

The Annual Incentive Program (AIP), which ties compensation to key Company performance metrics that, while measured annually, also support our long-term strategic goals

The Long-Term Incentive Program (LTI), which consists of a mix of long-term equity grants including performance shares tied to metrics that reward increased shareholder value over a three-year period

As the following charts show, the vast majority of our CEO s and NEOs target direct compensation is variable (i.e., based on performance, including that of our stock price.)

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 at page 58 of this proxy statement.

EXECUTIVE COMPENSATION BEST PRACTICES

When evaluating our compensation practices and policies, the Compensation Committee takes into account competitive market trends and best practices, as well as the views of our shareholders. Examples of our governance and compensation practices include:

- Robust stock ownership guidelines and stock holding requirements;

- Moderate change-of-control benefits;

The use of an independent compensation consultant for significant compensation decisions regarding our executives;

Double trigger vesting provisions for our equity awards following our change of control;

Clawback provisions on our equity awards;

No tax-gross-up benefits upon our change of control;

No repricing or exchange of underwater stock options without shareholder approval;

Restrictions regarding pledging, hedging and speculation in our securities; and

Limited perquisites for executive officers.

For more information, see Change of Control Severance Arrangements on page 56, Alignment with Shareholders on page 37, and Role of the Compensation Consultant on page 54.

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2016 PERFORMANCE OVERVIEW

We had solid financial results in 2016 as Lincoln s franchise was resilient in what proved be a very volatile year for capital markets. We continued to focus on growth, profitability, and capital management initiatives that we believe position us well for long-term, sustainable financial results.

Our full year results included the following highlights:

Over the longer term, our performance was strong. For the three year period from December 31, 2013 to December 31, 2016:

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These charts illustrate some of the measures of our full-year results over the past three years. These are also among the key metrics used for our short- and long-term incentive compensation programs.

More information on our business performance during 2016 is available in our Form 10-K for fiscal year ended December 31, 2016 (the 2016 Form 10-K), which is included in the 2016 Annual Report to Shareholders that accompanies this proxy statement. A reconciliation of the measures not shown in accordance with U.S. generally accepted accounting principles (GAAP) used in this proxy statement to their corresponding GAAP measures can be found in Exhibit 1 on page E-1.

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ELEMENTS OF OUR COMPENSATION PROGRAM

The following table outlines the elements of targeted direct compensation and how each element aligns with our objectives and guiding principles.

COMPENSATION ELEMENT	WHAT IT REWARDS	HOW IT ALIGNS WITH OUR OBJECTIVES	PERFORMANCE MEASURED	AT RISK	CASH OR EQUITY
BASE SALARY	Sustained high level of performance Demonstrated success in meeting or exceeding key objectives Highly developed skills and abilities critical to success of the business Experience and time in position	Competitive base salaries enable us to attract and retain top talent Merit-based salary increases align with our pay-for-performance philosophy	INDIVIDUAL	FIXED	CASH
ANNUAL INCENTIVE AWARDS	Company performance during the year against key financial goals Specific business-segment performance during the year, measured against strategic business-segment goals	Competitive targets enable us to attract and retain top talent Payouts depend on the achievement of established performance measures and goals that align pay with performance	CORPORATE AND BUSINESS SEGMENT	AT RISK	CASH
LONG-TERM INCENTIVE AWARDS					
NONQUALIFIED STOCK OPTIONS	Increase in stock price Continued service	Value is dependent on our stock price; options have no value unless the stock price increases Three-year ratable vesting supports retention	CORPORATE	AT RISK	EQUITY
RESTRICTED STOCK UNITS	Increase in stock price and dividends	Value rises or falls as our stock price and dividend	CORPORATE	AT RISK	EQUITY

	Continued service	increases or decreases Three-year cliff vesting supports retention			
PERFORMANCE SHARES	Meeting or exceeding our return on equity goal Total shareholder return performance relative to that of other companies	Payout is based on metrics important to our shareholders and critical to value creation Three-year performance period supports retention and aligns pay with performance over an extended period of time Relative performance metric creates incentive to outperform peers	CORPORATE	AT RISK	EQUITY

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OUR EXECUTIVE COMPENSATION PROGRAM PHILOSOPHY

Our executive compensation program has three key objectives:

PAY FOR PERFORMANCE
To link executive pay directly to the attainment of short-term and long-term financial/business goals, using short-term metrics that correlate with our strategic goals and long-term metrics that correlate to long-term shareholder value

ALIGNMENT WITH SHAREHOLDERS
To provide compensation arrangements that link the interests of our executive officers to those of our shareholders

COMPETITIVE COMPENSATION
To attract and retain key executive talent

These objectives, discussed below, guide us in setting and paying compensation to our NEOs.

PAY FOR PERFORMANCE

Our executive compensation program is based on a pay for performance philosophy: The vast majority of our executives target compensation is made up of variable (at risk) compensation in the form of annual cash incentive awards and long-term equity awards that is linked to consolidated short- and long-term business performance and each individual s contribution to that performance. In measuring an executive s contribution, we put a strong emphasis on the individual s role in implementing strategies and driving performance specific to their function or the operating units they direct.

The key objectives of our pay for performance philosophy are to:

- reward the achievement of superior financial results in both the short-term and long-term through balanced incentive programs;
- offer the opportunity to earn above-market compensation when overall and individual performance exceed expectations; and
- emphasize compensation that is at risk based on performance rather than compensation that is fixed for instance, only 10% of our CEO s target annual pay is fixed.

Balanced Performance Measure and Goals

It is important to us and to our executives that performance be measurable and that compensation be paid based on criteria that drive shareholder value and that executives and shareholders alike can easily identify and understand.

To implement our pay for performance philosophy, the Compensation Committee chooses performance measures for our NEO incentive programs that focus on our overall corporate business strategies and that, if achieved, create sustained growth for our shareholders:

Our AIP is based on the same key financial measures indicative of Lincoln s current and future profitability; and

Our LTI uses measures that correlate directly to the creation of long-term value for Lincoln shareholders.
The goals for each performance measure are linked directly to the Company s financial plan. In setting the goals, management and the Compensation Committee intend for the maximum performance levels to present a substantial challenge for our NEOs, thereby creating a strong incentive to produce superior results. For 2016, the Compensation Committee chose the following performance measures, which it has used since 2011:

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2016 ANNUAL INCENTIVE PROGRAM

PERFORMANCE MEASURE	WHY CHOSEN
Income from Operations per Diluted Share	This is a key measure of profitability that management uses to evaluate our business and that investors commonly use to value companies in the financial services industry.
Business Unit Sales	In our business, sales create value because, over time and at a compounded growth rate, they are an indicator of future profitability. In addition, we believe that distribution strength (depth and breadth) is an important driver of our valuation and that sales are an effective way to measure the value of the distribution franchise and overall product competitiveness.
Controllable Costs	Management establishes annual budgets for the Company and for each business unit that are key to the success of our financial plan. The Compensation Committee sets a budget-related performance goal to reinforce the importance of containing costs and expenses across the entire organization.

2016 LONG-TERM INCENTIVE PROGRAM

PERFORMANCE MEASURE	WHY CHOSEN
Operating Return on Equity	This is an important measure that stock analysts use to value companies especially those in the financial services industry because it is a critical indicator of capital efficiency and is closely aligned with long-term shareholder value.
Relative Total Shareholder Return	This measure reflects the Company s delivery of shareholder value over time relative to that of our peers. Many investors look at a company s total shareholder return when making an investment decision.

ALIGNMENT WITH SHAREHOLDERS

Through our annual and long-term incentive compensation programs, our share ownership requirements and share retention policy, and the design and governance features of our long-term equity programs, we tie the financial interests of our NEOs to those of our shareholders. For both the annual and long-term programs, the Compensation Committee chooses performance goals that align with our strategies for sustained growth and profitability.

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Long-Term Incentives

The equity-based awards that are the basis of our long-term incentive compensation make up the largest part of our NEOs targeted direct compensation. To provide a balanced incentive program and to lessen the risk inherent in the greater focus on long-term incentives, executives receive a mix of equity-based compensation awards, which include:

Performance share awards (PSAs) The number of shares actually received depends on our performance over a three-year period relative to key metrics of shareholder value;

Restricted stock units (RSUs) These awards cliff-vest three years from the date of grant (cliff-vesting acts as a retention tool for our executives) and the value ultimately realized depends on how our stock performs over that three-year period; and

Nonqualified stock options to purchase our common stock (Options) These awards vest over time and only have value if the stock price rises after the option grants are made.

Share Ownership Guidelines and Holding Requirements

Our share ownership requirements formalize the Compensation Committee s belief that our officers should maintain a material personal financial stake in the Company. The requirements also promote a long-term perspective in managing our business by linking the long-term interests of our executives with those of our shareholders and reducing the incentive for short-term risk-taking.

Our share ownership requirements are based on multiples of base salary and vary by job level. Equity interests counted in determining whether share ownership guidelines have been met include:

shares owned outright;

amounts invested in shares of our common stock through our employee benefits plans;

restricted stock and RSUs subject to service-based restrictions; and

in-the-money Options.

SHARE OWNERSHIP AND RETENTION REQUIREMENTS

OFFICER POSITION	VALUE OF SHARES THAT OFFICER MUST HOLD	ADDITIONAL RETENTION REQUIREMENTS
CEO	7 times base salary	25% of net profit shares* for 5 years
Executive Officers (other than our CEO)	4 times base salary	25% of net profit shares* for 5 years

* Net profit shares reflect the value of an amount of shares remaining after payment of the option exercise price and taxes owed at the time of exercise plus the after-tax value of any vested RSUs or earned performance shares.

In addition to the minimum share ownership levels, each NEO must also retain an amount equal to 25% of the net profit shares resulting from equity-based LTI grants, such as vested RSUs or earned PSAs. This additional amount of shares must be held for five years from the date of exercise for Options or the date of vesting for other awards. If at any point an NEO does not meet the share ownership requirements, the executive must hold 50% of the net profit shares resulting from equity-based LTI awards that are exercised or vest, as applicable, until the required ownership level is met.

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Prohibition on Pledging and Hedging

Our Insider Trading and Confidentiality Policy includes provisions that prohibit: (i) the pledging of our securities; and (ii) the use of derivative instruments to hedge the value of any of our securities.

Multi-Year Performance and Vesting Periods

The multi-year performance criteria and vesting elements of our long-term incentive programs promote the retention of our executives by putting their focus on our long-term performance, thereby aligning our executives interests with those of shareholders.

Prohibition on Repricing

Our equity incentive compensation plans prohibit us from reducing the exercise price of outstanding Options without shareholder approval.

Clawback Features

The equity awards for our NEOs are subject to clawback and forfeiture provisions, which allow us to rescind an executive s award(s) under certain conditions, such as if:

- the executive s employment is terminated for cause; or

- the executive violates any non-compete, non-disclosure, non-solicitation, non-disparagement or other restrictive covenants.

For example, if an executive violates any such agreement prior to or within six months after the vesting of any portion of an equity award, such as Options or a PSA, we may rescind the exercise or award and require the executive to return any gain realized or value received.

COMPETITIVE COMPENSATION

In general, we target our executives total direct compensation i.e., base salary, targeted annual incentive compensation and targeted long-term incentive compensation at the median of the compensation paid to executives in similar positions at the insurance-based financial services and investment management companies with which we compete for talent.

Because the roles and responsibilities of our executives are unlikely to be exactly the same as those of executives with similar titles/roles in our peer companies, we often consider multiple sources of market data for this purpose. However, market data is only one of many factors considered when setting executive compensation targets. For more information on how we set target compensation and our benchmarking processes, please see Setting Target Compensation on page 40.

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CONSIDERATION OF OUR 2016 SHAREHOLDER VOTE ON EXECUTIVE COMPENSATION

The Compensation Committee and the Board appreciate and value the views of our shareholders. At our 2016 Annual Meeting of Shareholders, approximately 93% of shareholder votes were cast in favor of the say on pay advisory resolution on executive compensation. While we do review the program design on an annual basis, there have not been any significant changes to our compensation program in the last several years. In light of the continued strong shareholder support for our overall pay practices and NEO compensation, the Compensation Committee decided to maintain our general principles and philosophy in structuring executive compensation for 2017.

SETTING TARGET COMPENSATION

The Compensation Committee made compensation decisions for the 2016 calendar year for the NEOs based on a detailed analysis of Company-specific and external data.

BENCHMARKING

To help the Compensation Committee set 2016 target direct compensation levels for our NEOs, Pay Governance LLC performed a comprehensive competitive compensation analysis in November of 2015. They analyzed base pay, annual incentive opportunities, long-term incentive values and total direct compensation (the sum of the elements listed here) to establish market rates for each executive officer position. They then compared our current executive compensation levels to the market median of our peers.

For each of our NEOs, Pay Governance used market data drawn from the stock companies included in the Towers Watson 2015 Diversified Insurance Study of Executive Compensation (the 2015 Towers DI Study), which are:

AFLAC	METLIFE
AIG	PHOENIX COMPANIES
ALLSTATE	PRINCIPAL FINANCIAL
AXA GROUP	PRUDENTIAL FINANCIAL
CIGNA	SUN LIFE FINANCIAL
CNO FINANCIAL	TRANSAMERICA
GENWORTH FINANCIAL	UNUM GROUP
HARTFORD FINANCIAL SERVICES	VOYA FINANCIAL INC.
JOHN HANCOCK	

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The Compensation Committee believes that these companies are appropriate for compensation benchmarking because, even though none has our exact business mix, each is a major competitor in one or more of our businesses and competes directly with us for talent. Because some of these companies have either higher or lower market capitalization, assets or revenue than we do, the data are size-adjusted, where possible, to ensure comparability with our scope. We have used the same market survey for a number of years, and if the companies included in the study change, we reflect those changes in our benchmarking peer group. Neither the Committee nor management has any input into the companies included in this general industry survey.

The survey data were used as a primary reference for most roles. The Compensation Committee seeks to target total direct compensation within a competitive range of plus or minus 15% of the 50th percentile of market data being used. In some cases, the Committee may target compensation above or below this range. Reasons for doing this include:

- organizational considerations; for example, because an executive s role is considered especially critical to our overall business strategy and to our succession planning;
- internal pay equity considerations;
- to gain the specific expertise needed to build a new business or improve an existing one; or
- to retain highly qualified executives whom we have recruited from outside the insurance industry or whom we believe has skills or experience that will further our corporate strategy.

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TALLY SHEETS

When making compensation decisions, the Compensation Committee considers:

- the recommendations of our Chief Human Resources Officer (CHRO), the recommendations of our CEO, and the opinion of the Committee s independent compensation consultant (although our CEO does not make recommendations with respect to his own compensation);
- the available market data; and
- reports called tally sheets illustrating all elements of targeted total direct compensation, including:
  - base salary;
  - annual and long-term incentive awards;
  - deferred compensation and change in pension;
  - perquisites; and
  - potential payments for various termination scenarios.

The tally sheets enable the Compensation Committee to analyze the value of total target compensation, as well as the value of compensation actually delivered compared with the value of compensation opportunities the Committee originally established.

The Compensation Committee also uses the tally sheets to assess whether our executive compensation program is consistent with our compensation philosophy and desired positioning relative to the market data. However, tally sheets are just one point of information the Committee uses to determine NEO compensation. The Committee performed a similar analysis to establish the total targeted direct compensation for our CEO.

2016 TARGET TOTAL DIRECT COMPENSATION FOR OUR NAMED EXECUTIVE OFFICERS

NAME	LONG-TERM	TOTAL

	BASE SALARY	ANNUAL INCENTIVE AWARD AT TARGET	INCENTIVE AWARD AT TARGET	TARGETED ANNUAL COMPENSATION
Dennis R. Glass	$1,200,000	$2,400,000	$8,000,000	$11,600,000
Randal J. Freitag	$669,708	$837,135	$1,893,157	$3,400,000
Wilford H. Fuller	$650,000	$1,040,000	$1,760,000	$3,450,000
Kirkland L. Hicks	$575,000	$575,000	$850,000	$2,000,000
Mark E. Konen	$683,130	$1,024,829	$1,741,951	$3,449,910

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ANNUAL COMPENSATION FOR 2016

During 2016, annual compensation was made up of base salary and a short-term incentive award under the AIP.

BASE SALARY

Base salaries are reviewed annually. In setting base salary levels for 2016, the Compensation Committee started with the 2015 base salaries and then made adjustments based on the compensation analysis discussed above and the individual performance of each NEO. In general, the increases for our NEOs were around 3%, with the exception of Mr. Fuller. The Compensation Committee made a larger adjustment to his base salary to bring it more in line with the current competitive levels within our marketplace for talent. Mr. Fuller s salary was increased 13% to $650,000.

The Committee approved the following base salaries for our NEOs effective for 2016:

NAME	2016
Dennis R. Glass	$1,200,000
Randal J. Freitag	$669,708
Wilford H. Fuller	$650,000
Kirkland L. Hicks	$575,000
Mark E. Konen	$683,130

ANNUAL INCENTIVE PROGRAM

2016 Payout Opportunities

The table below shows the dollar amount of the estimated threshold, target and maximum payout opportunities for the 2016 AIP that the Compensation Committee established on the grant date; the threshold, target and maximum opportunities are calculated as a percentage of each NEO s base salary. The threshold opportunity would be payable only in the case where the threshold goal is met for the performance measure with the lowest percentage payout amount.

ESTIMATED PAYOUT OPPORTUNITIES UNDER THE 2016 AIP

NAME	THRESHOLD	TARGET	MAXIMUM
Dennis R. Glass	$36,000	$2,400,000	$4,800,000
Randal J. Freitag	$12,557	$837,135	$1,674,270
Wilford H. Fuller	$23,400	$1,040,000	$2,080,000
Kirkland L. Hicks	$8,625	$575,000	$1,150,000
Mark E. Konen	$25,621	$1,024,829	$2,049,659

2016 Performance Measures and Goals

In February 2016, the Compensation Committee established the goals and measures for the 2016 AIP.

Performance measures. The Committee selected three performance measures for 2016, the same ones it has used since 2011.

- Income from operations per share
- Business unit sales
- Management of controllable costs

The Committee chose these measures because they focus on our overall corporate strategy of balancing top-line revenue growth with profitability and prudent cost management. To learn more about why these measures were selected, see Pay for Performance on page 36.

For purposes of the 2016 AIP, Income from Operations is defined as net income in accordance with GAAP, but excluding the after-tax effects of the items detailed in Exhibit 1 on page E-1. This is one of the financial measures that management uses to assess our results. (To calculate Income from Operations per Share, the value of Income from Operations (as defined in Exhibit 1) was divided by the average diluted shares). Management believes that excluding these items from net income better reflects the underlying trends in our businesses because the excluded items are unpredictable and not necessarily indicative of current operating fundamentals or future performance of the business segments. In addition, in most instances, decisions regarding these items do not necessarily relate to the operations of the individual segments.

For our CEO, performance is measured entirely at the corporate level, while our other NEOs are assessed on both corporate and business unit performance. To reflect the different roles and responsibilities of our NEOs, the Committee also weights the performance measures differently for each NEO, as shown in the tables on pages 58 to 75.

Performance goals. In setting the goals for each of the performance measures, management and the Compensation Committee intended the maximum levels to present a significant challenge, therefore requiring exceptionally strong performance to achieve these goals. The target goal for corporate Income from Operations per Share was set after consideration of a number of factors, including a review of our internal financial plan. The target goal for business unit sales, at both the corporate and business-unit level, was based on our internal financial plan, emphasizing our corporate strategy to grow and protect the profitability of the business. The target goal for controllable costs was based upon controllable costs as budgeted in our annual financial plan. We believe that our methodology for determining financial performance targets for the AIP supports the following key objectives:

- aligning incentives with our annual financial plan;
- establishing challenging yet achievable incentive targets for our executives; and

setting targets that are consistent with our assessment of opportunities and risks for the upcoming year.

2016 Performance Results and Actual Payouts

In February 2017, the Compensation Committee certified the performance results for the 2016 AIP. These formulaic results triggered a payout that was above target for all of our NEOs.

The following tables show the goals, weights, performance results and payout percentages for the 2016 AIP measures for each of our NEOs. Based on actual results, a payout percentage expressed as a percentage of the NEO s target payout opportunity is first determined for each goal. These payouts are then weighted to determine the weighted payout for each goal. The sum of these weighted payouts equals the NEO s payout percentage.

The tables also show the resulting performance-based payouts approved by the Compensation Committee under the 2016 AIP for each of our NEOs and how these payouts compared with each NEO s target payout opportunity under this program.

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DENNIS R. GLASS

	CORPORATE MEASURES (100%)					
		BUSINESS UNIT SALES				
	INCOME FROM OPERATIONS PER SHARE	LIFE	GROUP PROTECTION	ANNUITIES	RETIREMENT PLAN SERVICES	ENTERPRISE CONTROLLABLE COSTS
GOALS						
Threshold	$5.56	$643 M	$377 M	$9,040 M	$6,576 M	N/A
Target	$6.10	$731 M	$428 M	$11,300 M	$8,220 M	100%
Maximum	$6.84	$819 M	$479 M	$13,560 M	$9,864 M	88%
RESULTS						
Certified Performance	**$6.53**	**$737 M**	**$478 M**	**$8,214 M**	**$7,657 M**	**95.5%**
Payout as Percentage of Target	158.1%	106.8%	198.0%	0.0%	74.3%	138.6%
Weighting	50.0%	11.0%	8.0%	10.0%	6.0%	15.0%
Weighted Payout	79.1%	11.8%	15.8%	0.0%	4.5%	20.8%

	TARGET OPPORTUNITY	PAYOUT PERCENTAGE (sum of weighted payouts)	PAYOUT AMOUNT
ACTUAL PAYOUT UNDER THE 2016 AIP	**$2,400,000**	**131.9%**	**$ 3,165,600**

RANDAL J. FREITAG

	CORPORATE MEASURES (92.5%)						BUSINESS UNIT MEASURES
		BUSINESS UNIT SALES					
	INCOME FROM OPERATIONS PER SHARE	LIFE	GROUP PROTECTION	ANNUITIES	RETIREMENT PLAN SERVICES	ENTERPRISE CONTROLLABLE COSTS	CONTROLLABLE COSTS FINANCE
GOALS							
Threshold	$5.56	$643 M	$377 M	$9,040 M	$6,576 M	N/A	N/A
Target	$6.10	$731 M	$428 M	$11,300 M	$8,220 M	100%	100%

Maximum	$6.84	$819 M	$479 M	$13,560 M	$9,864 M	88%	90%
RESULTS							
Certified Performance	**$6.53**	**$737 M**	**$478 M**	**$8,214 M**	**$7,657 M**	**95.5%**	**99.6%**
Payout as Percentage of Target	158.1%	106.8%	198.0%	0.0%	74.3%	138.6%	104.1%
Weighting	50.0%	11.0%	8.0%	10.0%	6.0%	7.5%	7.5%
Weighted Payout	79.1%	11.8%	15.8%	0.0%	4.5%	10.4%	7.8%

	TARGET OPPORTUNITY	PAYOUT PERCENTAGE (sum of weighted payouts)	PAYOUT AMOUNT
ACTUAL PAYOUT UNDER THE 2016 AIP	**$837,135**	**129.3%**	**$1,082,416**

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WILFORD H. FULLER

	CORPORATE MEASURES	BUSINESS UNIT MEASURES (80%)					
				BUSINESS UNIT SALES			CONTROLLABLE COSTS
	INCOME FROM OPERATIONS PER SHARE	INCOME FROM OPERATIONS FOR ANNUITIES	NET CONTRIBUTION MARGIN FOR LFD AND LFN	LIFE	ANNUITIES	RPS SMALL MARKET	LFD & LFN
GOALS							
Threshold	$5.56	$809 M	($17.3) M	$643 M	$9,040 M	$1,887 M	N/A
Target	$6.10	$919 M	$2.7 M	$731 M	$11,300 M	$2,359 M	100%
Maximum	$6.84	$1,067 M	$22.7 M	$819 M	$13,560 M	$2,831 M	85%
RESULTS							
Certified Performance	**$6.53**	**$935 M**	**($0.3) M**	**$737 M**	**$8,214 M**	**$2,248 M**	**90.5%**
Payout as Percentage of Target	151.8%	110.8%	88.8%	106.8%	0.0%	82.4%	163.3%
Weighting	20.0%	26.0%	10.0%	12.5%	12.5%	9.0%	10.0%
Weighted Payout	31.6%	28.8%	8.9%	13.4%	0.0%	7.4%	16.3%

	TARGET OPPORTUNITY	PAYOUT PERCENTAGE (sum of weighted payouts)	AMOUNT PAYOUT
ACTUAL PAYOUT UNDER THE 2016 AIP	**$1,040,000**	**106.4%**	**$1,106,560**

KIRKLAND L. HICKS

CORPORATE MEASURES (85%)					BUSINESS UNIT MEASURES
	BUSINESS UNIT SALES				
INCOME FROM OPERATIONS PER SHARE	LIFE	GROUP PROTECTION	ANNUITIES	RETIREMENT PLAN SERVICES	CONTROLLABLE COSTS LEGAL

GOALS						
Threshold	$5.56	$643 M	$377 M	$9,040 M	$6,576 M	N/A
Target	$6.10	$731 M	$428 M	$11,300 M	$8,220 M	100%
Maximum	$6.84	$819 M	$479 M	$13,560 M	$9,864 M	80%
RESULTS						
Certified Performance	**$6.53**	**$737 M**	**$478 M**	**$8,214 M**	**$7,657 M**	**93.7%**
Payout as Percentage of Target	158.1%	106.8%	198.0%	0.0%	74.3%	131.4%
Weighting	50.0%	11.0%	8.0%	10.0%	6.0%	15.0%
Weighted Payout	79.1%	11.8%	15.8%	0.0%	4.5%	19.7%

	TARGET OPPORTUNITY	PAYOUT PERCENTAGE (sum of weighted payouts)	PAYOUT AMOUNT
ACTUAL PAYOUT UNDER THE 2016 AIP	**$575,000**	**130.8%**	**$752,100**

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MARK E. KONEN

	CORPORATE MEASURES	BUSINESS UNIT MEASURES (80%)						
		INCOME FROM OPERATIONS			BUSINESS UNIT SALES			
	INCOME FROM OPERATIONS PER SHARE	LIFE	GROUP PROTECTION	RPS	LIFE	GROUP PROTECTION	RPS	CONTROLLABLE COSTS LIFE, GP AND RPS
GOALS								
Threshold	$5.56	$443 M	$52 M	$102 M	$643 M	$377 M	$6,576 M	N/A
Target	$6.10	$504 M	$59 M	$116 M	$731 M	$428 M	$8,220 M	100%
Maximum	$6.84	$584 M	$68 M	$134 M	$819 M	$479 M	$9,864 M	