

Unum Group  
Form DEF 14A  
April 14, 2016  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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

**Unum Group**

(Name of Registrant as Specified In Its Charter)

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*We are furnishing proxy materials, including this proxy statement, in connection with the solicitation of proxies on behalf of the Board of Directors, to be voted at the 2016 Annual Meeting of Shareholders of Unum Group and at any adjournment or postponement thereof. Our proxy materials are first being mailed and made available electronically to shareholders on or about April 14, 2016.*

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A LETTER FROM OUR BOARD OF DIRECTORS

April 14, 2016

Dear Fellow Shareholder:

At Unum, we're proud of the tremendous societal value we create as a leading provider of employee benefits that help protect people when they need it most including during some of the most difficult times in their lives.

As members of your Board of Directors, our primary focus is to ensure this good work continues by building a sustainable organization that generates long-term value for its shareholders. We do this by setting a clear strategic course for the company, helping develop sound operating and financial plans, and assuring that these plans are executed in a timely, effective and responsible manner.

Solid execution was again a key theme in 2015 as we generated strong financial results, consistent operating performance and significant growth across our core businesses, while also returning value to shareholders through share repurchases and a dividend increase.

As a result, we continue to be well-positioned both financially and strategically to capitalize on the opportunities that lie ahead.

Our success, of course, rests on the strength of our people. One of our goals is to ensure that Unum is not only doing the right things to attract and retain high-caliber individuals, but also that it is committed to a rigorous leadership development and succession planning process at all levels of the organization. This commitment has paid dividends as we seamlessly transitioned the responsibilities of a number of executives over the last several years—including both the Chief Executive Officer and Chief Financial Officer in 2015—without impacting company performance. We'd like to thank current chairman and former CEO Tom Watjen for leading the company through this well-planned transition process.



Our focus on succession planning isn't limited to the executive ranks at the company. In fact, the Board itself has undergone significant change and will continue to do so over the next two years as several directors approach mandatory retirement age. At the Annual Meeting this year, current Lead Independent Director and former Chairman William J. Ryan will retire after 12 years on our Board. Director A.S. (Pat) MacMillan, who is our longest-serving board member, will also retire at the meeting after 21 years on our Board. Retiring at the end of 2015 was Tom Kinser, who was a director for 11 years. We wish Bill, Pat and Tom well and thank them for their many years of leadership. Kevin T. Kabat, who joined our Board in 2008, is slated to become Lead Independent Director upon his re-election at the Annual Meeting.

In closing, we are pleased with our 2015 operating and financial performance and remain confident that we are continuing to do all the things necessary to create value for our shareholders.

On behalf of our employees and the entire leadership team, thank you for your continued support of Unum.

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NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS

**NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

The 2016 Annual Meeting of Shareholders of Unum Group will be held:

**Date:** Thursday, May 26, 2016  
**Time:** 10:00 a.m. Eastern Daylight Time  
**Place:** Unum Group  
2211 Congress Street  
Portland, Maine 04122

The items of business are:

**To elect 13 directors named in the proxy statement, each for a one-year term expiring in 2017;**

**To conduct an advisory vote to approve executive compensation;**

**To ratify the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2016; and**

**To approve the Unum European Holding Company Limited Savings-Related Share Option Scheme 2016.**

Shareholders also will transact any other business that may properly come before the meeting.

Management will also review the company's 2015 performance and its outlook for the future.

Shareholders of record of the company's common stock (NYSE: UNM) at the close of business on March 28, 2016, are entitled to vote at the meeting and any adjournments or postponements of the meeting.

J. Paul Jullienne

*Vice President, Managing Counsel and Corporate Secretary*

April 14, 2016

***Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 26, 2016: The proxy statement and annual report to shareholders are available at [www.envisionreports.com/unm](http://www.envisionreports.com/unm).***

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**PROXY SUMMARY**

**PROXY SUMMARY**

This summary is intended to highlight certain key information contained in this proxy statement that we believe will assist your review of the items of business to be voted on at the 2016 Annual Meeting of Shareholders of Unum Group (the Annual Meeting ). As it is only a summary, we encourage you to review the full proxy statement and our annual report on Form 10-K for the year ended December 31, 2015 (the 2015 Form 10-K ) for more complete information about these topics.

**Management and Board Transitions**

Upon the conclusion of the 2015 Annual Meeting, Thomas R. Watjen retired as the Chief Executive Officer of Unum Group ( Unum or the company ) after more than 20 years with the company, including the last 12 as CEO. Richard P. McKenney, who had served as Executive Vice President and Chief Financial Officer since August 2009, succeeded Mr. Watjen as President and was elected as a director of the company in April 2015. Mr. McKenney then succeeded Mr. Watjen as CEO upon his retirement the following month. John F. McGarry, formerly President and Chief Executive Officer of Closed Block Operations, succeeded Mr. McKenney as Chief Financial Officer in April 2015.

Mr. Watjen assumed the role of non-executive Chairman of the Board of Directors in May 2015, with plans to serve for two years to ensure continuity at both the Board and management levels. In this role, he has guided the Board through recent changes and has positioned us well for a smooth transition when he leaves.

When Mr. Watjen made the transition to Chairman last year, William J. Ryan, our previous non-executive Chairman, became Lead Independent Director. After 12 years of service, Mr. Ryan will retire from the Board at the 2016 Annual Meeting. The independent directors have named Kevin T. Kabat to assume the role of Lead Independent Director if re-elected at the Annual Meeting. The Board views this as an important step toward naming a successor Chairman as Mr. Watjen nears the end of his two-year commitment.

Succession planning for the Chairman and Lead Independent Director roles has been led by the Governance Committee using a transparent process developed with director input on appropriate selection criteria to ensure broad support. The process was initiated soon after Mr. Watjen became the Chairman and is reflective of a desire that succession for both roles be considered together. The Lead Independent Director role is naturally aligned with the Chairman role, and although Mr. Kabat is not assured of being named Chairman in the future, his Lead Independent Director service will provide a basis for assessing his performance for the Chairman s role in 2017 when Mr. Watjen s Board service is expected to end. The Board is confident with the succession plan for the Lead Independent Director and Chairman roles and expects the upcoming transition for each to be as successful as the recent series of management changes.

**Performance Highlights**

Unum had another successful year in 2015 as we built on the sales and premium growth begun the prior year and continued our track record of consistent financial and operating performance. The persistently low interest rate environment continues to pressure our results, but price increases and management of discount rates have allowed us to maintain our profitability.

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PROXY SUMMARY

Financial highlights<sup>1</sup> from 2015 include:

Pre-tax operating income of \$1.29 billion and after-tax operating income of \$901.0 million, based on revenues of \$10.7 billion;

Record operating earnings per share (EPS) of \$3.64, a 3.7% increase from the prior year and the tenth consecutive year of operating EPS growth;

Consolidated operating return on equity (ROE) of 11.3% (14.5% in our core operating segments);

Book value per share growth of 8.4% from 2014 (excluding accumulated other comprehensive income, or AOCI), the seventh consecutive year of growth; and

Solid investment results in a difficult interest rate environment while emphasizing sound risk management and credit quality.

Operating highlights from 2015 include:

Approximately \$6.8 billion in benefits paid to people facing illness, injury, or loss of life;

Healthy growth in sales of 4.6% and premium of 5.1% throughout our core businesses;

Acquisition of a leading dental carrier to complement the offerings of our U.K. business;

High client satisfaction metrics that generally exceeded our plan benchmarks;

A strong company brand, image, and reputation; and

Recognition of our corporate citizenship efforts by several independent organizations, including: being recognized as one of the best places to work in America by *Forbes* magazine and in the insurance industry by *Business Insurance* magazine; and being included in the Dow Jones Sustainability North American Index.

**Capital Generation for Shareholders**

Our capital generation remained strong and allowed us to deploy that capital in a number of ways.

Shareholders received \$174.2 million in Unum dividends, representing an increase in the dividend rate of 12.1% over the prior year, bringing our cumulative dividend rate increase since 2008 to 146.6%;

We also repurchased approximately 12.3 million shares at a cost of nearly \$427 million, bringing our total share repurchases since 2007 to \$3.2 billion; and

Our credit ratings remain high as a result of the strength of our strong brand in the employee benefits market, our favorable operating results and our strong balance sheet.

<sup>1</sup> Operating results referenced in this document are non-GAAP financial measures that exclude certain specified items. For 2015, these excluded items were net realized investment gains and losses and non-operating retirement-related gains or losses. For reconciliations of the non-GAAP financial measures, including operating income, operating revenue, operating earnings per share, operating return on equity and book value per share (excluding accumulated other comprehensive income, or AOCI), to the most directly comparable GAAP measures, refer to Appendix B. Effective January 1, 2015, we adopted an accounting standards update for tax credit partnership investments in qualified affordable housing projects and applied the amendments retrospectively, adjusting all comparative prior periods. See Note 1 of the Consolidated Financial Statements in Part II, Item 8 of our 2015 Form 10-K for further discussion.

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PROXY SUMMARY

**Total Shareholder Return**

Unum has been a steady performer and a solid long-term investment during one of the most challenging economic periods in memory, with a 5.7% compound annual growth rate over the last 10 years. In fact, our total shareholder return has outperformed the S&P Life and Health Index during the same time period, and matched or exceeded our Proxy Peer Group in all but the five-year comparison.

Due to the long-term nature of some of our businesses, our performance is pressured by the historically low interest rate environment. As a result, our stock price, as well as the stock price of many of our peers in the financial services sector, has underperformed the broader stock market indices over the past 10 years. However, by leveraging our market leading positions, strong underwriting and risk management discipline and effective capital management, we have been able to outperform our Proxy Peer Group and the S&P Life and Health Index as a whole.



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**PROXY SUMMARY**

**2015 Say-on-Pay Vote**

Although our 2015 shareholder advisory vote on executive compensation passed, the Board and the Human Capital committee were disappointed that it received only approximately 69% support. To better understand these results, we engaged in an extensive shareholder outreach effort, contacting each of our top 40 investors, representing the holders of over 69% of our outstanding shares. Eleven of these investors, representing holders of more than 45% of our outstanding shares, accepted our invitation for engagement. We met with each of them.

During the meetings, shareholders provided feedback on a variety of topics. Multiple shareholders commented that they were pleased to see a robust process for Board succession along with a focus on diversity and skills needed to support our business strategy. We did not receive many comments or suggestions for changes to our compensation programs. In fact, the shareholders we spoke with generally had favorable comments about the design of our executive compensation programs and policies.

While shareholders had a range of perspectives, the one consistent theme was to include disclosure on our reasons for using return on equity as a performance metric in our annual and long-term incentive plans (see discussion beginning on page 51). Beyond that, there were a few suggestions with respect to enhancements we could make to our proxy statement, including disclosure of:

The goal-setting process to provide additional insight into the rigor of our performance goals (discussed beginning on page 51);

The change to 2015 pay as a result of recent leadership changes (discussed beginning on page 40);

Incentive plan adjustments that would be made during the current calendar year, if applicable (in addition to those actually made the prior year) (discussed beginning on page 56); and

Addressing what we have heard from our shareholders and how we are responding.

Overall, shareholders told us they appreciated the opportunity to engage in these discussions and the company's willingness to consider their input with respect to both executive compensation and governance practices.

In addition to our meetings with shareholders, we also met with two large proxy advisory firms to provide an update on our shareholder engagement efforts and gain further insight into their views regarding our programs and disclosure. We believe that the changes to our disclosure referenced above are also responsive to comments that we received from these firms. Specifically, our disclosures with respect to the leadership transition and related compensation, rigor of the goal setting process, and use of return on equity as a performance goal are responsive to comments from their reports and/or the meetings we held with them.



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PROXY SUMMARY

**Key Corporate Governance and Executive Compensation Practices**

We are committed to good corporate governance and executive compensation practices, as evidenced by the following:

Pay for performance linking a majority of our compensation to individual, financial and stock price performance measures;

Annual say-on-pay votes;

Robust stock ownership and retention requirements for senior officers and directors;

Anti-pledging and anti-hedging policies applicable to executives and directors;

No poison pill;

Majority voting for directors (in uncontested elections);

Board declassification (effective as of our 2016 Annual Meeting);

Proxy access (for discussion, see Shareholder proposals and nominations for our 2017 Annual Meeting on page 106);

Annual Board, committee, and individual director evaluations;

Substantially independent Board (13 of 15 directors are independent);

Restriction on other board and audit committee service;

Frequent executive sessions of independent directors at scheduled Board meetings;

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High meeting attendance by directors (average attendance of 97% in 2015);

Double-trigger (change in control and termination) required for accelerated vesting of equity;

Independent compensation consultant to the Human Capital Committee;

Minimal perquisites; and

Elimination of golden parachute excise tax gross-ups.

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## PROXY SUMMARY

**Voting Items**

The following items will be voted on at the Annual Meeting:

<b>Description</b>	<b>Pages</b>	<b>Board Recommends</b>
<b>Item 1. Election of directors</b>	<b>97</b>	<b>FOR each nominee</b>
<p>Thirteen director nominees are standing for election this year, each for a one-year term expiring in 2017 and until his or her successor is duly elected and qualified or until his or her earlier death, resignation, disqualification, or removal from office. The Board and the Governance Committee believe that each director nominee possesses the necessary skills and qualifications to provide effective oversight of the business. The director nominees are:</p> <p>Theodore H. Bunting, Jr.</p>		
E. Michael Caulfield	Pamela H. Godwin	Gloria C. Larson
Joseph J. Echevarria	Kevin T. Kabat	Richard P. McKenney
Cynthia L. Egan	Timothy F. Keaney	Edward J. Muhl
		Ronald P. O Hanley
		Francis J. Shammo
		Thomas R. Watjen
<b>Item 2. Advisory vote to approve executive compensation</b>	<b>97-98</b>	<b>FOR</b>
<p>We are seeking a non-binding advisory vote to approve the compensation of our named executive officers. We describe our compensation programs in the Compensation Discussion and Analysis section of this proxy statement. The Human Capital Committee believes these programs reward performance and align the long-term interests of management and shareholders. Although non-binding, the Human Capital Committee will take into account the outcome of the advisory vote and shareholder feedback when considering future executive compensation decisions.</p>		
<b>Item 3. Ratification of appointment of independent registered public accounting firm</b>	<b>98</b>	<b>FOR</b>
<p>The Audit Committee has appointed Ernst &amp; Young LLP as our independent registered public accounting firm for 2016, and the shareholders are being asked to ratify the appointment.</p>		
<b>Item 4. Approval of the Unum European Holding Company Limited Savings-Related Share Option Scheme 2016</b>	<b>99-101</b>	<b>FOR</b>
<p>The Human Capital Committee has adopted the Unum European Holding Company Limited Savings-Related Share Option Scheme 2016, and the shareholders are being asked to approve the plan. The plan would enable our eligible employees in the U.K. to purchase shares of our common stock at a 10% discounted price, similar to an employee stock purchase plan for U.S. employees.</p>		

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**INFORMATION ABOUT THE BOARD OF DIRECTORS**

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Below are brief biographies for each of our directors and descriptions of the directors' key qualifications, skills, and experiences that contribute to the Board's effectiveness as a whole.

**Director Nominees**

**Theodore H. Bunting, Jr.**

Director  since 2013	Independent Director	Member of the Audit Committee  Member of the Human Capital Committee
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Age 57

Mr. Bunting is the Group President, Utility Operations of Entergy Corporation, an integrated energy company engaged primarily in electric power production and retail distribution operations in Arkansas, Louisiana, Mississippi, and Texas, a position he has held since June 2012. From August 2007 to May 2012, he served as Senior Vice President and Chief Accounting Officer for Entergy and its subsidiaries. Prior to that, he held numerous executive positions within the Entergy organization, which he joined in 1983. He began his professional career in public accounting with Arthur Andersen & Co. in 1981 and is a certified public accountant. Mr. Bunting was a director of Imation Corp., a global data storage and information security company, from November 2012 until August 2014.

Mr. Bunting possesses extensive financial, accounting, and operational experience as a senior executive with a public company in a regulated industry. His leadership responsibilities have included financial reporting oversight, strategic and financial planning, customer service, operations support, and risk management. He also has experience as a director of another publicly traded company and qualifies as an audit committee financial expert under SEC regulations.

**E. Michael Caulfield**

Director	Independent Director	Chair of the Audit Committee
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since 2007

Member of the Risk and Finance Committee

Age 69

Mr. Caulfield served as President of Mercer Human Resource Consulting from September 2005 until his retirement in September 2006, prior to which he served as Chief Operating Officer from July 2005. He retired from Prudential Insurance Company as Executive Vice President in 2000, after having held a number of executive positions, including Executive Vice President of Financial Management, Chief Executive Officer of Prudential Investments, and President of both Prudential Preferred Financial Services and Prudential Property and Casualty Company. He previously served as a director of our company from August 2004 to July 2005.

Mr. Caulfield has senior leadership experience in finan