

Unum Group
Form DEFA14A
May 08, 2015

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)

(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 the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the 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):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

- .. Fee paid previously with preliminary materials.

- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Unum: A Review of Performance,
Compensation and Governance

2	
Executive Summary	
Performance Highlights	
Compensation	
Governance	
Voting Recommendations	
Appendix: Non-GAAP Reconciliation	
Contents	

3

Executive Summary

Unum has a track record of consistently strong performance during a challenging business and economic cycle. Key 2014 financial highlights include:

Record operating earnings per share (EPS) of \$3.55, our ninth consecutive year of operating EPS growth; Compound Annual Growth Rate (CAGR) of 6.7% over the seven year period ending December 31, 2014

Book Value Per Share increased 2.8% for 2014, our sixth consecutive year of growth; CAGR of 6.8% for the seven year period ending December 31, 2014

Consolidated operating ROE of 11.4% including 14.7% in our three primary operating businesses

Pre-tax operating income of \$1.29 billion

Strengthened our LTC reserves for future benefits by \$453.8 million on an after-tax basis

- o A decision that was almost universally well received by the marketplace
- Maintained a high credit quality portfolio with a default rate that is among the best in the industry

4

Executive Summary

The quality and strength of our balance sheet allows us to remain committed to deploying the excess capital generated through our business.

In 2014 we increased the dividend rate by 13.8%. Since 2007 we have paid dividends of \$884 million

We repurchased \$301 million of our outstanding stock, bringing our total repurchases to \$2.8 billion since 2007 or 32% of our outstanding shares

Unum's Board and senior management team have been committed to a rigorous leadership development and succession planning process for many years.

In early 2015, we executed on a carefully planned, seamless leadership succession plan

This followed a series of executive-level appointments over the past three years, during which the Company has continued to generate consistently strong operating results and financial returns

Edgar Filing: Unum Group - Form DEFA14A

In addition to the strong 2014 results noted above and those further illustrated on slides 6-8, we believe that our disciplined approach in this sustained low interest rate environment has allowed us to outperform our peers over the long-term, as demonstrated on slides 9-10.

Unum has a record of being responsive to a wide array of constituents including shareholders, customers, claimants, regulators, our employees and our communities. Accordingly, we regularly solicit feedback from shareholders and are responsive to their concerns.

We believe that these consistent results and our long-standing commitment to each of our constituents

has

led

to

a

Wall

Street

consensus

of

buy/hold

ratings

across

the

board.

Performance Highlights

6

(ex AOCI)

Operating EPS

1

Book Value Per Share

1

Performance Highlights

CONSISTENT GROWTH IN EPS AND BVPS

6.7%

CAGR

*Does not reflect impact of ASU 2010-26 and special items

Does not reflect the impact of ASU 2014-01

1

See Non-GAAP Reconciliation in the Appendix

6.8%

CAGR

7

Performance Highlights

STRONG RETURN ON EQUITY

2014 Operating Return on Equity

Average

equity

excludes

negative

allocation

of

corporate

deficit

and
will
therefore
not
add
to
100%
1
Does
not
reflect
the
impact
of
ASU
2014-01;
See
Non-GAAP
Reconciliation
in
the
Appendix
% AVERAGE CONSOLIDATED GAAP EQUITY
52%
8%
15%
35%
AVERAGE CONSOLIDATED GAAP EQUITY*
Total
11.4%
13.5%
18.3%
16.8%
2.9%
Unum US
Unum UK
Colonial Life
Closed Block
1

8

Performance Highlights

A TRACK RECORD OF CONSISTENT AND PREDICTABLE CAPITAL DEPLOYMENT

*December 31, 2007 common shares outstanding.

9

Ending December 31, 2014

Cumulative Total Shareholder Return

Performance Highlights

EXCEPTIONAL LONG TERM SHAREHOLDER RETURNS

10
10-Year Period Ending December 31, 2014
Indexed Cumulative Total Shareholder Return
Performance Highlights
EXCEPTIONAL LONG TERM SHAREHOLDER RETURNS
2004
2005
2006 2007 2008
2009
2010
2011 2012
2013

2014
130.5%
127.9%
109.4%
79.4%

Compensation

12

Compensation

REASONABLE CEO COMPENSATION

CEO compensation is both reasonable and appropriate in view of our performance when compared against the prior year and when compared to applicable peer groups

Adjusting for the impact of the actuarial Change in Pension Value (\$3.2 million) and Company retirement contributions available to all eligible employees (not a CEO-specific benefit; \$496,000),

CEO 2014 compensation (\$9.619 million) increased 5.7% year over year

The Change in Pension Value is subject to actuarial assumptions that are beyond our Human Capital Committee's control and discretion

A significant portion (\$496,000) of our CEO's All Other Compensation relates to Company contributions that are available to all eligible employees

Eliminating
the
impact
of
these
two
compensation
elements,
which
are
not
tied
to
2014
performance,
our
CEO s
pay
in
2014
(\$9.619
million)
was
well
below
the
median
CEO
pay
of
the
our proxy peer group (\$12.242 million, excluding the change in pension value)

13

Compensation

2014 AND 2015 DECISIONS

The May 2014 say-on-pay vote passed with 97% approval and we have not changed our pay practices since that time

We have continued to implement the changes that

we
began
in
2013
which
were
based
on
shareholder feedback

Beginning with the 2015 grant, we expanded the mix of performance share units (PSUs) from 25% to 50% of long-term incentive for all NEOs other than the CEO (who already had a 50% PSU mix)

The PSUs have a pre-established 3-year average EPS and ROE goals, modified by up to +/-20% based upon relative TSR against a group of peers

As disclosed in our 2014 proxy, the Human Capital Committee in February 2014 removed relative TSR hurdles from our CEO's annual and long-term incentive targets based on:

The competitiveness of his compensation;

The Company's performance during 2013 (71.8% TSR) and over the past several years; and

His strategic leadership of the Company, especially during a difficult financial environment

Governance

15

Governance

OUR GOVERNANCE COMMITMENT

Unum is responsive to shareholders and committed to good corporate governance

Separate chairman and CEO roles, including a lead independent director for 2015

Pay for performance

Frozen defined benefit plans, including CEO's SERP

Annual say-on-pay votes

Robust stock ownership and retention requirements for senior officers and directors

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

No poison pill

Majority voting for directors

Board declassification

in

progress

(all

directors

will

stand

for

election

annually

in

2016)

Annual Board, committee and individual director evaluations

Substantially independent Board (13 of 15 directors are independent)

Restriction on other board and audit committee service

Executive sessions of independent directors at each regularly scheduled board meeting

High attendance by directors (average attendance of 97% in 2014)

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

Independent compensation consultant to the Human Capital Committee

Minimal prerequisites

No new excise tax gross-ups since 2010 (new CEO and CFO relinquished their gross-ups upon recent promotions as of April 1, 2015)

Voting Recommendations

17

The Unum Board of Directors strongly believes that Unum's compensation programs have been designed and implemented in the best interests of shareholders and aligns pay to Company performance.

The Board is committed to good corporate governance and continues to be responsive to shareholders.

Therefore, the Board urges shareholders to vote **FOR** all the voting items

including Say-on-Pay, election of the proposed slate of directors, and ratification of Ernst & Young as the company's audit firm.

Voting Recommendations

Even if you have already voted, you can change your vote at any time before the

Edgar Filing: Unum Group - Form DEFA14A

2015 Annual meeting as described in more detail in the 2015 Proxy Statement.
For assistance in changing your vote, contact Innisfree M&A Incorporated toll-free
at 1-888-750-5834.

Appendix

19

Appendix

RECONCILIATION OF NON-GAAP MEASURES

2014

2013

Before-tax Operating Income (Loss)

Unum US

856.3

\$

859.0

\$

Unum UK

147.8

132.0

Colonial Life

300.2

284.9

Closed Block

122.6

109.4

Corporate

(134.4)

(143.5)

Total

1,292.5

1,241.8

Net Realized Investment Gain

16.1

6.8

Non-operating Retirement-related Loss

(70.0)

(32.9)

Costs Related to Early Retirement of Debt

(13.2)

-

Long-term Care Reserve Increase

(698.2)

-

Unclaimed Death Benefits Reserve Increase

-

(95.5)

Group Life Waiver of Premium Benefit Reserve Reduction

-

85.0

Income Tax

(113.8)

(347.1)

Net Income

413.4

\$

858.1

\$

(in millions)

Year Ended December 31

2014

2013

2012

2011

2010

2009
2008
Total Stockholders' Equity (Book Value)
33.90
\$
33.30
\$
31.87
\$
27.91
\$
26.80
\$
24.25
\$
17.94
\$
Net Unrealized Gain on Securities
1.15
0.52
3.23
2.11
1.31
1.16
(2.53)
Net Gain on Cash Flow Hedges
1.55
1.52
1.48
1.39
1.14
1.12
1.38
Subtotal
31.20
31.26
27.16
24.41
24.35
21.97
19.09
Foreign Currency Translation Adjustment
(0.45)
(0.18)
(0.26)
(0.41)
(0.34)
(0.23)
(0.52)
Subtotal

31.65
31.44
27.42
24.82
24.69
22.20
19.61
Unrecognized Pension and Postretirement Benefit Costs
(1.59)
(0.88)
(2.13)
(1.51)
(1.00)
(1.00)
(1.23)
Total Stockholders' Equity, Excluding Accumulated
Other Comprehensive Income
33.24
\$
32.32
\$
29.55
\$
26.33
\$
25.69
\$
23.20
\$
20.84
\$
December 31
(per share)

20

Appendix

RECONCILIATION OF NON-GAAP MEASURES

2014

2013

2012

2011

2010

2009

2008

2007*

2006*

2005*

After-tax Operating Income

3.55

\$

3.32

\$

3.15

\$

2.98

\$

2.73

\$

2.64

\$

2.54

\$

2.25

\$

1.85

\$

1.69

\$

Net Realized Investment Gain (Loss), Net of Tax

0.05

0.02

0.13

(0.01)

0.05

-

(0.89)

(0.12)

0.01

(0.02)

Non-operating Retirement-related Loss, Net of Tax

(0.18)

(0.08)

(0.11)

(0.07)

(0.06)

(0.09)

(0.03)

(0.04)

(0.05)

(0.05)

Costs Related to Early Retirement of Debt, Net of Tax

(0.04)

-

-

-

-

-
-
-
(0.39)
-
-
-
-
-
-
Regulatory Reassessment Charges, Net of Tax
-
-
-
-
-
-
(0.10)
(0.79)
(0.16)
Special Tax Items and Debt Extinguishment Costs
-
-
0.08
(0.03)
-
-
(0.10)
0.23
0.14
Other, Net of Tax
-
-
-
-
-
-
-
(0.04)
0.01
Income from Continuing Operations
1.61
3.23
3.17
0.94
2.69
2.55

1.62

1.89

1.21

1.61

Income from Discontinued Operations

-

-

-

-

-

-

0.02

0.02

0.03

Net Income

1.61

\$

3.23

\$

3.17

\$

0.94

\$

2.69

\$

2.55

\$

1.62

\$

1.91

\$

1.23

\$

1.64

\$

* Does not reflect the impact of ASU 2010-26.

Reserve Charge for Individual Disability Closed Block, Net of Tax
(per diluted common share)

Year Ended December 31