

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)**

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Unum: A Review of Performance,  
Compensation and Governance

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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

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#### 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



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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

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Performance Highlights

A TRACK RECORD OF CONSISTENT AND PREDICTABLE CAPITAL DEPLOYMENT

\*December 31, 2007 common shares outstanding.

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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

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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)

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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



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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

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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

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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



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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)

-

-

-

-

-  
-  
-  
-  
-

Long-term Care Reserve Increase, Net of Tax  
(1.77)

-  
-  
-  
-  
-  
-  
-  
-  
-

Unclaimed Death Benefits Reserve Increase, Net of Tax  
(0.24)

-  
-  
-  
-  
-  
-  
-

Group Life Waiver of Premium Benefit Reserve Reduction, Net of Tax  
0.21

-  
-  
-  
-  
-  
-  
-

Deferred Acquisition Costs Impairment and Reserve Charges for  
Long-term Care Closed Block, Net of Tax

-  
-  
-  
-  
-  
-  
-

(1.65)

-  
-  
-  
(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