

LINCOLN NATIONAL CORP
Form DEF 14A
March 31, 2004
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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

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:

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(1) Amount Previously Paid:

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(3) Filing Party:

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March 31, 2004

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Lincoln National Corporation (LNC) scheduled for Thursday, May 13, 2004, at 10:00 a.m., local time, at Delaware Investments, Inc., Second Floor Auditorium, Two Commerce Square, 2001 Market Street, Philadelphia, Pennsylvania. LNC 's Board of Directors and Management look forward to greeting you.

The enclosed Notice of Meeting and Proxy Statement describe the matters to be acted upon at the Annual Meeting. Please review these documents carefully.

It is important that you vote your shares of LNC stock, either in person or by proxy. To assist you in voting your shares, LNC now offers, in addition to voting through the use of a proxy card, voting via telephone and over the Internet. If you are unable to attend, please sign, date and mail the enclosed proxy card in the postage-paid envelope provided, or vote your shares in any other manner described in the enclosed proxy statement.

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

Sincerely,

Jon A. Boscia
Chairman and Chief Executive Officer

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LINCOLN NATIONAL CORPORATION

PHILADELPHIA, PENNSYLVANIA

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

March 31, 2004

The Annual Meeting of Shareholders of LINCOLN NATIONAL CORPORATION (the Corporation) will be held on Thursday, May 13, 2004, at 10:00 a.m., local time, at Delaware Investments, Inc., Second Floor Auditorium, Two Commerce Square, 2001 Market Street, Philadelphia, Pennsylvania.

The items of business are:

1. to elect four directors for three-year terms expiring in 2007;
2. to approve or disapprove the new Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors, including the related authorization of 700,000 shares of the Corporation's common stock thereunder; and
3. to consider and act upon such other matters as may properly come before the meeting.

You have the right to receive this notice and vote at the Annual Meeting if you were a shareholder of record at the close of business on February 20, 2004. Please remember that your shares cannot be voted unless you cast your votes by one of the following methods: (1) sign and return a proxy card; (2) call the 800 toll-free number listed on the proxy card; (3) vote via the Internet as indicated on the proxy card; (4) vote in person at the Annual Meeting; or (5) make other arrangements to vote your shares.

For the Board of Directors,

C. Suzanne Womack
Secretary

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LINCOLN NATIONAL CORPORATION
1500 MARKET STREET, SUITE 3900
CENTRE SQUARE WEST
PHILADELPHIA, PENNSYLVANIA 19102

PROXY STATEMENT

Annual Meeting of Shareholders

May 13, 2004

The Board of Directors (the **Board**) of Lincoln National Corporation (**LNC** or the **Corporation**) is soliciting proxies in connection with the proposals to be voted on at the Annual Meeting of LNC shareholders scheduled for May 13, 2004 (the **Annual Meeting**). The matters to be voted upon are set forth in the enclosed Notice of Annual Meeting of Shareholders (the **Notice**). We are first mailing this Proxy Statement to our shareholders on or about March 31, 2004.

We encourage you to vote your shares, either by voting in person at the Annual Meeting or by granting a proxy (*i.e.*, authorizing someone to vote your shares). If you execute the attached proxy card, the individuals designated on that card (Jon A. Boscia, Jill S. Ruckelshaus, and C. Suzanne Womack) will vote your shares according to your instructions. If any matter other than Items 1 and 2 listed in the Notice is presented at the Annual Meeting, the designated individuals will, to the extent permissible, vote all proxies in the manner they perceive to be in the best interests of the Corporation.

To assist you in deciding how to vote, this Proxy Statement includes narrative information about the Corporation, its officers and directors, nominees for director, and related matters. In addition, a Performance Graph showing the Corporation's performance over a five-year period is included on page 37. We have supplemented the narrative disclosure in this Proxy Statement with the following tabular information, all of which is set forth in Tables A through G (beginning on page 41):

Table	Page	Name of Table or Graph
A	41	Security Ownership of Directors, Nominees and Executive Officers
B	42	Security Ownership of Certain Beneficial Owners
C	43	Summary Compensation Table
D	45	Long Term Incentive Plans Awards in Last Fiscal Year
E	46	Option/SAR Grants in Last Fiscal Year
F	47	Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values
G	48	Pension Table

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In addition, the following materials are attached as exhibits to this Proxy Statement:

<u>Exhibit</u>	<u>Page</u>	<u>Name of Exhibit</u>
1	50	Bylaw provision regarding Notice of Shareholder Business
2	51	Bylaw provision regarding Notice of Shareholder Nominees
3	52	Audit Committee Charter
4	57	Compensation Committee Charter
5	60	Nominating and Governance Committee Charter
6	63	Guidelines on Corporate Governance
7	72	The Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors
8	84	Policy Regarding Approval of Services of Independent Auditors

Whenever we refer in this Proxy Statement to the Annual Meeting, we are also referring to any meeting that results from an adjournment of the Annual Meeting.

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DIRECTOR INDEPENDENCE

The Corporation's common stock (Common Stock) is traded on the New York Stock Exchange (NYSE). NYSE listing standards and LNC's Guidelines on Corporate Governance require that a majority of LNC's directors meet the criteria for independence set forth in the NYSE listing standards. The NYSE listing standards provide that in order to be considered independent, the Board must determine that a director has no material relationship with LNC other than as a director. As permitted by the NYSE listing standards, the Board has adopted categorical standards to assist it in determining whether its members have such a material relationship with LNC. These standards are set forth in Article V of the Corporation's Guidelines on Corporate Governance (see Exhibit 6, page 63).

The Nominating and Governance Committee and the Board have reviewed the independence of each Board member considering the standards set forth in LNC's Guidelines on Corporate Governance (which include the NYSE standards for independence). The Board considered, among other things, transactions and relationships between each director or any member of his or her immediate family and LNC and its subsidiaries and affiliates.

As a result of this review, the Board affirmatively determined that all of the directors except Mr. Boscia, the CEO, are independent and have no material relationship with LNC (either directly or as a partner, shareholder or officer of an organization that has a relationship with LNC.) In addition, the Board determined that those directors who are members of the Audit, Nominating and Governance, and Compensation committees are likewise independent of LNC and its management.

SOLICITATION OF PROXIES

INTRODUCTION

The attached proxy card allows you to instruct the designated individuals how to vote your shares. You may vote in favor of, against, or abstain from voting on any proposal. In addition, with respect to Item 1 (the election of directors), you may, if you desire, indicate on the proxy card that you are not authorizing the designated individuals to vote your shares for one or more particular nominees.

If you sign a proxy card and deliver it to us, but then want to change your vote, you may revoke your proxy at any time prior to the Annual Meeting by sending us a written revocation or a new proxy, or by attending the Annual Meeting and voting your shares in person.

WHO MAY SOLICIT PROXIES

Directors, officers and employees of the Corporation may solicit proxies on behalf of the Board via mail, telephone, fax, and personal contact. Although the Corporation currently has no intention of retaining a proxy solicitation firm to assist in the proxy solicitation process, it may do so in the future if the circumstances warrant.

COSTS OF SOLICITING PROXIES

The Corporation will pay the cost of soliciting proxies. Directors, officers and employees of the Corporation will receive no additional compensation for soliciting proxies. The Corporation will reimburse certain brokerage firms, banks, custodians and other fiduciaries for the reasonable mailing and other expenses they incur in forwarding proxy materials to the beneficial owners of stock that those brokerage firms, banks, custodians and fiduciaries hold of record. As noted above, although the Corporation has no current intention of retaining a proxy solicitation firm, it may do so in the future if the circumstances warrant. The fees of a proxy solicitation firm, if any, would be determined on an arms-length basis.

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VOTING

SHAREHOLDERS ENTITLED TO VOTE AND SHARES OUTSTANDING

You may vote your shares at the Annual Meeting only if you were a shareholder of record at the close of business on February 20, 2004 (the Record Date). As of the Record Date, 178,853,680 shares of capital stock of the Corporation were issued, outstanding, and entitled to vote as follows: 178,835,934 shares of Common Stock and 17,746 shares of \$3.00 Cumulative Convertible Preferred Stock, Series A (the Preferred Stock). You are entitled to one vote for each share of Common Stock and each share of Preferred Stock you own. The number of shares you own (and may vote) is listed on the proxy card.

HOW TO SUBMIT YOUR PROXY BY TELEPHONE OR THROUGH THE INTERNET

As an alternative to submitting your proxy by mail, you may submit your proxy with voting instructions by telephone or through the Internet by following the instructions set forth on the enclosed proxy card and the accompanying information sheet. If you are a shareholder of record on the Record Date, you may call 1-800-435-6710 if you are calling within the United States, Canada or Puerto Rico or visit the website listed on the enclosed proxy card and accompanying information sheet. If you reside in any other geographic location you may vote by visiting the website or by direct mail. If you hold your shares through a broker, nominee, fiduciary or other custodian, you should use the different toll-free telephone number and website address provided on the accompanying information sheet for such beneficial owners. If you choose to submit your proxy with voting instructions by telephone or through the Internet, you will be required to provide your assigned control number noted on the enclosed proxy card before your proxy will be accepted. In addition to the instructions that appear on the enclosed proxy card and information sheet, step-by-step instructions will be provided by recorded telephone message or at the designated website on the Internet.

INFORMATION FOR PARTICIPANTS IN CERTAIN PLANS

If you participate in the Lincoln National Corporation Employees Savings and Profit-Sharing Plan or The Lincoln National Life Insurance Company Agents Savings and Profit-Sharing Plan, the enclosed proxy card, when executed and returned by you, will instruct the trustees of your plan how to vote the shares of LNC Common Stock allocated to your account. If the Corporation's stock books contain identical account information regarding Common Stock that you own directly and Common Stock that you own through one or more of those plans, you will receive a single proxy card representing all shares owned by you. If you participate in a LNC plan and do not return a proxy card to the Corporation, the trustees of your plan will vote the shares in your account in proportion to shares held by your plan for which voting directions have been received.

If you own shares of the Corporation through an employee benefit plan other than those plans mentioned above, you should contact the administrator of your plan if you have questions regarding how to vote your shares.

QUORUM

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A majority of all outstanding shares entitled to vote at the Annual Meeting constitutes a quorum (*i.e.*, the minimum number of shares that must be present or represented by proxy at the Annual Meeting in order to transact business). Subject to the rules regarding the votes necessary to adopt the proposals discussed below, abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present. (Broker non-votes are proxies returned by brokerage firms for which no voting instructions have been received from their principals.) Once a share is represented for any purpose at the Annual Meeting, it will be deemed present for quorum purposes for the remainder of the meeting (including any meeting resulting from an adjournment of the Annual Meeting, unless a new record date is set).

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VOTES NECESSARY TO ADOPT PROPOSALS

A plurality of the votes cast is required for the election of directors (Item 1), which means that the four open director seats will be filled by the four director nominees receiving the highest number of votes. With respect to Item 2, the proposal will be approved if more shares are voted in favor of the proposal than against it, provided that at least a majority of the shares eligible to vote are actually voted on Item 2. For these purposes, abstentions, but not broker non-votes, will be counted as votes cast on Item 2, and abstentions will have the effect of a vote against the proposal. If any other matters are properly presented at the meeting (assuming a quorum exists with respect to such matter), a particular proposal will be approved if the number of votes cast in favor of the proposal exceeds the number of votes cast against the proposal. For purposes of Item 1, abstentions, broker non-votes and instructions on a proxy card to withhold authority to vote for one or more of the director nominees will have no effect on the outcome of the relevant vote.

CERTAIN SHAREHOLDER-RELATED MATTERS

There are no shareholder proposals to be brought before the Annual Meeting. To the extent permissible, your proxy will be voted in the discretion of the proxy holders with respect to each matter properly brought before the meeting that has not been enumerated in this Proxy Statement or for which no specific direction was given on the proxy card. For information regarding inclusion of shareholder proposals in future proxy statements, see Shareholder Proposals on page 39. If shareholders at the Annual Meeting approve the minutes of the 2003 annual meeting of shareholders, that approval will not constitute approval of the matters referred to in those minutes.

Corporate Governance

This section is intended to list what we believe are some, but not all, of the more significant aspects of LNC's corporate governance:

LNC's Board is composed of 12 members.

All members of LNC's Board, other than the CEO, are independent of management.

The independent directors meet in executive session (chaired by the lead director) in connection with each regularly scheduled Board meeting and at such other times as they may desire.

LNC's Board has, among other committees, an Audit Committee, Compensation Committee and Nominating and Governance Committee.

The LNC Board has designated a lead director.

All members of the Audit, Compensation and Nominating and Governance committees are independent of management.

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Independent directors are not permitted to serve on more than four boards of public companies in addition to the LNC Board, and inside directors are not permitted to serve on more than two boards of public companies in addition to the LNC Board.

The Board has determined that J. Patrick Barrett, the chairman of the Audit Committee, is an audit committee financial expert as defined by applicable rules of the Securities and Exchange Commission. In addition, the Board has determined that LNC has other Audit Committee members who qualify as audit committee financial experts.

The Audit, Compensation and Nominating and Governance committees have charters that comply with the New York Stock Exchange's listing standards, and those charters are attached to this proxy statement as Exhibit 3 (page 52), Exhibit 4 (page 57), and Exhibit 5 (page 60), respectively.

LNC has Guidelines on Corporate Governance that likewise comply with the New York Stock Exchange's listing standards, and such Guidelines are attached as Exhibit 6 (page 63).

LNC has a Code of Conduct that is available on its website (www.lfg.com). The Code of Conduct comprises the Corporation's code of ethics for purposes of Item 406 of Regulation S-K under the Securities Exchange Act of 1934. The Company intends to disclose amendments to or waivers from a required provision of the code by including such information on its website at www.lfg.com.

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During 2003 LNC's directors, in the aggregate, attended approximately 93.8% of all Board and Board committee meetings that they were eligible to attend.

LNC's current Institutional Shareholder Service Corporate Governance Quotient (CGQ) is at the 95th percentile vis-a-vis the insurance industry and at the 91st percentile vis-a-vis the S&P 500.

The positions of CEO and Chairman are currently held by the CEO.

LNC does not have cumulative voting for directors.

Committee chairs are selected for a 3-year term and have a two-term limit.

LNC's Amended and Restated Incentive Compensation Plan was approved by shareholders.

LNC does not allow the re-pricing of stock options.

LNC began expensing stock options in 2003 by adopting a method that provides for the retroactive expensing of options, a more conservative method of expensing options than on a prospective basis only.

LNC has a mandatory retirement age for independent directors, which is age 70.

The Nominating and Governance Committee conducts a review of the performance of the Board and its committees each year.

The Nominating and Governance Committee is responsible for individual director assessments and obtains input for such assessments from all Board members other than the director being assessed. These assessments, including confidential feedback to the director, will be completed at least one year prior to a director's anticipated nomination for a new term.

The Audit, Compensation and Nominating and Governance committees each conduct a self-evaluation of their respective committee's performance each year.

The Board conducts an annual CEO performance evaluation.

LNC has a CEO succession plan including an emergency plan in the event a CEO vacancy occurs unexpectedly.

The Board, Audit Committee, Compensation Committee and Nominating and Governance Committee each have authority to retain legal counsel or any other consultants or experts without notification to, or prior approval of, management.

Directors are required by LNC's Guidelines on Corporate Governance to submit their resignation upon changing their occupational status, and the Nominating and Governance Committee with input from the CEO makes a recommendation to the Board regarding acceptance of such resignation.

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Directors are required to achieve share ownership of 5 times their annual retainer within 5 years of election to the Board, and all directors are in compliance with such requirements.

LNC will pay the reasonable expenses for each director to attend at least one continuing education program per year.

LNC has a director orientation program for new directors, and all directors are invited to attend orientation programs when they are offered.

Certain officers and employees are required to meet the following share ownership requirements within 5 years, or in the case of officers of the Delaware Investments companies, within 6 years, of becoming subject to such requirements:

<u>Title of Officer</u>	<u>Multiple of Base Salary</u>
Chief Executive Officer	5 times
President	5 times
Executive Vice President or equivalent	3 times
Senior Vice President or equivalent	2 times
Vice President or equivalent	1 time

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ITEM 1 - ELECTION OF DIRECTORS

If you sign the enclosed proxy card and return it to the Corporation, your proxy will be voted for William J. Avery, Jon A. Boscia, Eric G. Johnson and Glenn F. Tilton for terms expiring in May 2007, unless you specifically indicate on the proxy card that you are withholding authority to vote for one or more of those nominees.

All nominees are current directors of the Corporation and all nominees have agreed to serve on the Board if they are elected. If any nominee is unable (or for whatever reason declines) to serve as a director at the time of the Annual Meeting, proxies may be voted for the election of a qualified substitute nominee or else the size of the Board will be reduced.

More information concerning security ownership, compensation of officers and directors, performance of the Corporation, and other important matters are set forth below under *Additional Information* starting on page 12.

NOMINEES FOR TERMS EXPIRING IN 2007

Nominee for Term Expiring in May 2007

PRINCIPAL OCCUPATION

William J. Avery

Retired Executive

Director since 2002

Age 63

FIVE YEAR BUSINESS HISTORY:

Chairman of the Board and Chief Executive Officer of Crown Cork & Seal Company, Inc. (a manufacturer of packaging products for consumer goods) [April 1995 - February 2001]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Rohm & Haas [February 1997 - present]

Nominee for Term Expiring in May 2007

PRINCIPAL OCCUPATION :

Jon A. Boscia

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Director since 1998 Chairman of the Corporation [March 2001 present]

Age 51 Chief Executive Officer of the Corporation [July 1998 present]

FIVE YEAR BUSINESS HISTORY:

President of the Corporation [January 1998 March 2001]

President, The Lincoln National Life Insurance Company [December 1999 present]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Hershey Foods Corporation [August 2001 present]

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Nominee for Term Expiring in May 2007

PRINCIPAL OCCUPATION :

Eric G. Johnson

Director since 1998

President and Chief Executive Officer of Baldwin Richardson Foods Company (a manufacturer of dessert products and liquid condiments for retail and the food service industry) [December 1997 - present]

Age 53

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

None

Nominee for Term Expiring in May 2007

PRINCIPAL OCCUPATION:

Glenn F. Tilton

Director since 2002

Chairman, President and Chief Executive Officer of UAL Corporation and United Airlines [UAL Corporation filed a voluntary bankruptcy petition under Chapter 11 of the federal bankruptcy laws in December 2002]

Age 56

FIVE YEAR BUSINESS HISTORY:

Vice Chairman of the Board of ChevronTexaco Corporation (a global energy corporation) [October 2001 - August 2002]

Chairman and CEO of Texaco Inc. (an integrated international petroleum company) [February 2001 - October 2001]

President of Texaco's Global Business Unit [January 1997 - February 2001]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

UAL Corporation and United Airlines

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OTHER DIRECTORS OF THE CORPORATION

The identity of, and certain biographical information relating to, the directors of the Corporation who will continue in office after the Annual Meeting are set forth below.

Continuing in Office for Term Expiring in 2006

PRINCIPAL OCCUPATION:

Jenne K. Britell

Director since 2001

Chairman and Chief Executive Officer of Structured Ventures, Inc. (advisors to private equity and venture capital firms) [February 2001 – present] and Senior Advisor to eBay and PayPal for financial services [May 2003 – present]

Age 61

FIVE YEAR BUSINESS HISTORY:

President of GE Capital Global Commercial & Mortgage Banking (international commercial and mortgage banking) and Executive Vice President of GE Capital Global Consumer Finance (an international consumer finance company) [July 1999 – March 2000]

President and Chief Executive Officer of GE Capital Central and Eastern Europe (consumer and commercial businesses) [January 1998 – June 1999]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Crown Holdings, Inc. (formerly, Crown Cork & Seal Company, Inc.) [July 2000 – present]

Aames Financial Corporation [July 2001 – present]

Continuing in Office for Term Expiring in 2006

PRINCIPAL OCCUPATION:

M. Leanne Lachman

Director since 1985

President, Lachman Associates LLC (independent real estate consultant and investment advisor) [October 2003 – present]

Age 61

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FIVE YEAR BUSINESS HISTORY:

Principal and Managing Director of Lend Lease Real Estate Investments (a global investment manager)
[November 1999 - October 2003]

Managing Director of Boston Financial (a national real estate investment management firm) [January 1999
November 1999]

Partner, Schroder Real Estate Associates (a national real estate investment management firm) [April 1987
January 1999]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Liberty Property Trust [June 1994 - present]

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Continuing in Office for Term Expiring in 2006

PRINCIPAL OCCUPATION:

Ron J. Ponder

Director since 2000

Executive Vice President of Information Services and Chief Information Officer of WellPoint Health Networks Inc. (managed healthcare company) [July 2002 present]

Age 61

FIVE YEAR BUSINESS HISTORY:

President and Chief Executive Officer of Telecom Media Networks, A Cap Gemini Ernst & Young Company (a telecommunications/internet consulting operation) [April 1999 May 2002]

President and Chief Executive Officer of Beechwood Data Systems (a full-service consulting and systems development company) [November 1997 April 1999]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Atlantic Health Systems [1995 - present]

Continuing in Office for Term Expiring in 2006

PRINCIPAL OCCUPATION:

Jill S. Ruckelshaus

Director since 1975

Retired Executive

Age 67

BUSINESS HISTORY:

Prior to her retirement in 1997, Ms. Ruckelshaus was a consultant for William D. Ruckelshaus Associates (environmental consultants) [January 1989 January 1997]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

Costco, Inc [January 1996 present]

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Continuing in Office for a Term Expiring in May 2005

PRINCIPAL OCCUPATION:

J. Patrick Barrett

Chairman and Chief Executive Officer of CARPAT Investments (a private investment company) [1987 present]

Director since 1990

Age 67

FIVE YEAR BUSINESS HISTORY:

President of Telergy, Inc. (an applications infrastructure provider serving the telecommunications and energy industries) [April 1998 August 2001] Telergy filed a voluntary bankruptcy petition under Chapter 11 of the federal bankruptcy laws in October 2001 and under Chapter 7 in December 2001

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

None

Continuing in Office for a Term Expiring in May 2005

PRINCIPAL OCCUPATION:

Thomas D. Bell, Jr.

President and CEO of Cousins Properties, Inc. (a Real Estate Investment Trust) [January 2002 present]

Director since 1988

Age 54

FIVE YEAR BUSINESS HISTORY:

Chairman and Chief Executive Officer of Young & Rubicam, Inc. (the parent company of international communications companies) [January 2000 November 2000]

President and Chief Operating Officer of Young & Rubicam, Inc. [August 1999 December 1999]

Chairman and Chief Executive Officer of Young & Rubicam Advertising (an advertising agency) [October 1998 August 1999]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

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Cousins Properties Inc. [June 2000 - present]

AGL Resources Inc. [July 2003 - present]

Regal Entertainment Group [March 2002 - present]

Credit Suisse Group [May 2002 - present]

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Continuing in Office for a Term Expiring in May 2005

PRINCIPAL OCCUPATION:

John G. Drosdick

Director since 2000

Age 60

Chairman, Chief Executive Officer and President of Sunoco, Inc. (a manufacturer and marketer of petroleum and petrochemical products) [May 2000 - present]

FIVE YEAR BUSINESS HISTORY:

President and Chief Operating Officer of Sunoco, Inc. [December 1996 - May 2000]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

United States Steel Corporation [February 2003 - present]

Sunoco Logistics Partners L.P. [October 2001 - present]

Sunoco, Inc. [December 1996 - present]

Continuing in Office for a Term Expiring in May 2005

PRINCIPAL OCCUPATION:

Michael F. Mee

Director since 2001

Age 61

Retired Executive and Chief Financial Officer

FIVE YEAR BUSINESS HISTORY:

Executive Vice President and Chief Financial Officer of Bristol-Myers Squibb Company (a pharmaceutical and related health care products company) [March 1994 - April 2001]

OTHER DIRECTORSHIPS OF PUBLIC COMPANIES:

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ADDITIONAL INFORMATION

SECURITY OWNERSHIP

SECURITY OWNERSHIP OF DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

The Corporation has two classes of equity securities: Common Stock and Preferred Stock. Table A on page 41 shows the number of shares of Common Stock and stock units (*i.e.*, non-transferable accounting-entry units, the value of which is the same as the value of the corresponding number of shares of Common Stock) beneficially owned by each director, nominee for director, and Named Executive Officer, individually, and by all directors and executive officers as a group (in each case as of February 20, 2004). As of that date, none of the persons listed in that table owned more than 1% of the Corporation's issued and outstanding Common Stock, nor did any of those persons own any Preferred Stock.

Whenever we refer in this Proxy Statement to the Named Executive Officers, we are referring to those executive officers of the Corporation that the Corporation is required to identify in the Summary Compensation Table (Table C) on page 43 and whose compensation is discussed in Summary Annual and Long-Term Compensation beginning on page 23. Those individuals are: Jon A. Boscia, Richard C. Vaughan, John H. Gotta, Jude T. Driscoll, and Westley V. Thompson. For more information regarding these officers and their compensation, see Table C and Summary Annual and Long-Term Compensation below.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Table B on page 42 sets forth the names of persons known by the Corporation to own beneficially more than 5% of its Common Stock. Those stockholders are Capital Research and Management Company (8.4%) and Barclay's Private Bank Limited (5.1%). The Corporation knows of no one who beneficially owns more than 5% of its Preferred Stock.

THE BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS; COMPENSATION OF DIRECTORS

The members of the Board, their relevant term of office, and certain biographical information are set forth above under Item 1 Election of Directors. Compensation of the Corporation's directors is discussed below under Executive Compensation.

COMMITTEES

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The Board currently has six standing committees (*i.e.*, committees composed entirely of Board members): the Audit Committee, the Compensation Committee, the Development Committee, the Nominating and Governance Committee, the Securities Committee and the Pricing Committee. A brief description of each committee is set forth below.

Audit Committee

The Board has determined that all members of the Audit Committee meet the standards for independence contained in the NYSE listing agreement. The members of the Audit Committee are:

William J. Avery

J. Patrick Barrett (Chair)

Jenne K. Britell

Michael F. Mee

Glenn F. Tilton

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The principal functions of the Audit Committee are to:

assist the Board in its oversight of the integrity of the Corporation's financial statements

assist the Board in its oversight of the Corporation's compliance with legal and regulatory requirements

assist the Board in its oversight of the independent auditors' qualifications and independence

assist the Board in its oversight of the performance of the Corporation's chief internal auditor and the Corporation's independent auditors

select, evaluate and replace the independent auditors, and approve all engagements of the independent auditors

consult with the independent auditors regarding the independence of the independent auditors

review significant financial reporting issues and practices of the Corporation

inquire about significant risks and exposures, if any, and the steps taken to monitor and minimize such risks

establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters

prepare any report of the Audit Committee required to be included in the Corporation's annual proxy statement

More information concerning the Audit Committee, including an Audit Committee Report, is set forth below under "Audit Committee Matters" beginning on page 35.

Compensation Committee

The Board has determined that all members of the Compensation Committee meet the standards for independence contained in the NYSE listing agreement. The members of the Compensation Committee are:

Thomas D. Bell, Jr. (Chair)

John G. Drosdick

M. Leanne Lachman

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Michael F. Mee

Glenn F. Tilton

Each of the foregoing individuals is a Non-Employee Director (*i.e.*, not an officer or employee of the Corporation). The principal functions of the Compensation Committee are to:

establish, in consultation with senior management, the Corporation's general compensation philosophy

review and confer on the selection and development of officers and key personnel

select and recommend to the Board for approval candidates for chairman of the board and chief executive officer

review and approve all elements of remuneration for the executive officers

make recommendations to the Board regarding incentive compensation and equity-based plans

approve the payment of bonuses (both discretionary and contractual) for executive officers and key personnel

approve employment contracts and agreements for executive officers and key personnel

recommend to the Board the establishment of employee and officer retirement, group insurance and other benefit plans

approve certain modifications to employee benefit plans if the present value of all such modifications over the five calendar years after their effectiveness is not, according to actuarial estimates, greater than \$20 million

administer benefit plans of the Corporation that are designed to comply with the provisions of Rule 16b-3(d) under the Securities Exchange Act of 1934, as amended

prepare an annual report on executive compensation for inclusion in the Corporation's proxy statement

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perform such other related functions as are necessary or desirable

A copy of the Compensation Committee Charter is attached as Exhibit 4 beginning on page 57.

Development Committee

The members of the Development Committee are:

Eric G. Johnson (Chair)

Jon A. Boscia

John G. Drosdick

M. Leanne Lachman

Jill S. Ruckelshaus

The Development Committee generally may authorize the following transactions and expenditures having a value greater than \$10 million but not more than \$20 million:

acquisitions or divestitures of assets, blocks of business (excluding indemnity and financial reinsurance), and equity interests in corporations, partnerships and other legal entities

mergers, strategic investments and joint ventures

capital commitments or expenditures for leases and asset purchases

purchases by the Corporation or its affiliates of securities issued by the Corporation or any of its affiliates

issuance of securities by the Corporation or any of its affiliates, except for securities from the Corporation's shelf registration, which are authorized by the Securities Committee

acquisitions or dispositions of information systems development projects

other transactions referred to the Development Committee by the Executive Steering Committee or chief executive officer

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The Development Committee also may authorize capital transactions between affiliates (excluding dividends) having a value greater than \$100 million but not more than \$200 million.

Nominating and Governance Committee

The Board has determined that all members of the Nominating and Governance Committee meet the standards for independence contained in the NYSE listing agreement. The members of the Nominating and Governance Committee are:

Ron J. Ponder (Chair)

William J. Avery

Jenne K. Britell

Jill S. Ruckelshaus

The principal functions of the Nominating and Governance Committee are to:

identify individuals qualified to become Board members

recommend to the Board nominees for director and for Board committees

take a leadership position regarding corporate governance

develop and recommend to the Board standards for determining the independence of directors

recommend to the Board an overall compensation program for directors

establish the retirement policy and benefit plans for directors

make recommendations to the Board regarding the size of the Board and the size, structure and function of Board committees

make recommendations to the Board regarding Board committee appointments

develop and recommend to the Board a set of corporate governance principles (a copy of the current Guidelines on Corporate Governance is attached as Exhibit 6 beginning on page 63)

evaluate competencies appropriate for the Board and identify missing or under-represented competencies

assist in the evaluation of the Board and the evaluation of individual directors

recommend to the Board such additional actions related to corporate governance as the Committee deems advisable

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Although the Nominating and Governance Committee does not solicit shareholder recommendations regarding director nominees to be proposed by the Board, it will consider such recommendations if they are made. See *Director Nomination Process* on page 38. Recommendations regarding director nominees to be proposed by the Board, along with relevant qualifications and biographical material, should be sent to the Secretary of the Corporation.

Director nominees to be proposed by a shareholder at a shareholders' meeting must comply with the provisions of the Corporation's Bylaws (see *Shareholder Proposals* on page 39 and Exhibits 1 and 2 on pages 50 and 51, respectively).

A copy of the Nominating and Governance Committee Charter is attached as Exhibit 5 beginning on page 60.

Securities Committee

The members of Securities Committee are:

M. Leanne Lachman (Chair)

J. Patrick Barrett

Jon A. Boscia

Eric G. Johnson

The principal functions of the Securities Committee are to:

exercise all the authority of the Board with respect to the issuance and sale of the securities that may from time to time be offered from the Corporation's shelf registration statement on file with the Securities and Exchange Commission (the *Shelf Registration Statement*)

make all determinations with respect to the terms, conditions and provisions of any securities sold pursuant to the Shelf Registration Statement, provided:

such determinations are not inconsistent in any material respect with the general description of such securities in the registration statement, and

any sales of Common Stock pursuant to the Shelf Registration Statement are at a price of not less than \$20 per share nor more than \$125 per share (subject to adjustments as a result of stock splits, stock dividends, recapitalizations or similar transactions with respect to the Common Stock).

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The functions of the Securities Committee and the Pricing Committee overlap to a large extent. The Securities Committee must approve each offering of securities from the Shelf Registration Statement and to the extent the Securities Committee exercises authority or makes determinations pursuant to its authority, the Pricing Committee must act consistent with the Securities Committee's actions. The Securities Committee may establish limits or parameters within which the Pricing Committee must act with respect to any offering. The Pricing Committee will exercise authority and make determinations within limits or parameters, if any, set by the Securities Committee. Because the Pricing Committee consists of only one member, it normally will be able to move quickly to take advantage of changing market conditions.

Pricing Committee

The Pricing Committee consists of a single member, Jon A. Boscia.

Within limits now or hereafter specified by the Board and the Securities Committee, the principal functions of the Pricing Committee are to:

determine the pricing of the securities offered from the Shelf Registration Statement (including the interest rate, dividend rate, distribution rate or contract adjustment payments, as applicable, the conversion ratio or settlement rate, as applicable, the price at which such securities will be sold to the

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underwriters, the underwriting discounts, commissions and reallowances relating thereto and the price at which such securities will be sold to the public), and

approve the final form of underwriting agreement, security and other transaction documents relating to the offering and sale of the securities under the Shelf Registration Statement; provided that:

such determinations are not inconsistent in any material respect with the general description of such securities in the Shelf Registration Statement, and

any sales of Common Stock pursuant to the Shelf Registration Statement are at a price of not less than \$20 per share nor more than \$125 per share (subject to adjustments as a result of stock splits, stock dividends, recapitalizations or similar transactions with respect to the Common Stock).

ATTENDANCE AT MEETINGS

During 2003, the Board held 6 regularly scheduled meetings. In addition, the Audit Committee met 10 times; the Nominating and Governance Committee met 5 times; the Compensation Committee met 6 times; the Development Committee met 5 times and the Securities Committee met 1 time. The Pricing Committee normally takes action by the unanimous written consent of the sole member of that Committee and one such action was taken in 2003. All directors except Glenn F. Tilton and Ron J. Ponder attended 75% or more of the aggregate meetings of the Board and Board committees that he or she was eligible to attend. Messrs. Tilton and Ponder each attended 73% of the aggregate meetings of the Board and Board committees that each was eligible to attend. The Corporation believes attendance at meetings is only one criterion for judging the contribution of individual directors, and all directors have made substantial and valuable contributions to the management of the Corporation.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following persons served as members of the Corporation's Compensation Committee during the 2003 fiscal year: Thomas D. Bell, Jr., John G. Drosdick, M. Leanne Lachman, Michael F. Mee and Glenn F. Tilton. No member of the Compensation Committee had an interlock reportable under Section 402(j) of Regulation S-K under the Securities Exchange Act of 1934, and no member was an employee, officer or former officer of the Corporation or its subsidiaries.

SECTION 16(a) BENEFICIAL OWNERSHIP

REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Corporation's executive officers and directors, and persons who own more than 10% of a registered class of the Corporation's equity securities (the Reporting Persons), to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the SEC) and the NYSE. Reporting Persons are required by the Exchange Act to furnish the Corporation with copies of all Section 16(a) forms they file. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Corporation pursuant to Rule 16a-3(e) under the Exchange Act during its most recent fiscal year and Forms 5 and amendments thereto furnished to the registrant with respect to its most recent fiscal year, and any written representations from the Reporting Persons, the Corporation believes that with respect to the fiscal year ended December 31, 2003, all the Reporting Persons complied with all applicable filing requirements, except that George Davis, Senior Vice President of the Corporation, Barbara Kowalczyk, Senior Vice

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President of the Corporation, Westley Thompson, President and CEO of the Corporation's subsidiary, Lincoln Financial Distributors, and Casey Trumble, Senior Vice President of the Corporation, each filed a single late report in 2003.

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EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT

Responsibilities and Composition of the Compensation Committee

The Corporation's executive compensation programs are administered by the Compensation Committee (the "Committee"), a committee of the Board of Directors consisting exclusively of Non-Employee Directors. The Committee approves all compensation plans and awards for the Corporation's executive officers. No Committee member has an interlocking or other relationship that would call into question his or her independence as a Committee member, nor has any Committee member ever served as an officer of the Corporation.

Compensation Philosophy

Compensation of the Corporation's executive officers is set at levels intended to:

Attract and retain the most talented individuals in the financial services industry; and

Make total compensation competitive with selected companies within the Corporation's market.

To achieve the latter goal, the Committee strives to ensure that total direct compensation will be below average for average or below-average financial performance but will be above average for above-average performance. The market to which the Committee compares compensation of the Corporation's executive officers includes selected companies in the financial services industry.

General industry comparisons are made for positions not requiring unique knowledge of the financial services industry.

The forms of compensation provided and the mix of those forms are designed to:

Maximize the creation of long-term shareholder value. To accomplish this objective, the Committee develops executive compensation policies that are consistent with and linked to the Corporation's strategic business objectives.

Provide a direct link between executive compensation and the Corporation's financial performance, appropriately balancing the rewards for short-term and long-term performance. Immediate linkage currently takes the form of annual incentive awards that are conditioned on the Corporation's financial performance and other corporate and business unit measures which are described in the discussion of Incentive Compensation on page 19 below.

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Focus management on the long-term interests of the Corporation and its shareholders. This objective is accomplished by establishing three-year performance cycles. Performance measures for the long-term performance cycle ending in 2003 were linked to total shareholder return, growth in income from operations¹ per diluted share and return on equity during the performance cycles, as compared to a designated group of peer companies. Performance measures for the three-year long-term performance cycle beginning in 2004 are described in the discussion of Incentive Compensation on page 19 below. Currently, compensation under the long-term performance cycles may be in the form of cash, stock units, or stock options. The Committee seeks to ensure that short-term gains do not come at the expense of long-term performance. It is the objective of the Committee that the executive officers have at least 50% of their compensation at risk based on long-term performance.

¹ Income from operations represents after-tax results excluding, as applicable, realized gains or losses on investments and derivatives, cumulative effect of accounting changes, restructuring charges, reserve changes on business sold through reinsurance, gain on sale of subsidiaries and certain other items. Income from operations is an internal measure used by the company in the management of its operations. Management believes that this performance measure explains the results of the Corporation's ongoing operations in a manner that allows for a better understanding of the underlying trends in the Corporation's current business.

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Align the continuing financial interests of executive officers with those of shareholders. To achieve this goal, the Corporation requires officers to meet specific share ownership requirements based upon a multiple of their base salary, as set forth below:

<u>Title of Officer</u>	<u>Multiple of Base Salary</u>
Chief Executive Officer	5 times
President	5 times
Executive Vice President or equivalent	3 times
Senior Vice President or equivalent	2 times
Vice President or equivalent	1 time

Stock options, even if vested and in-the-money, are not counted in determining whether the share ownership requirements are satisfied. Newly appointed officers have five years, or in the case of officers of the Delaware Investment companies (Delaware), six years, to achieve the applicable multiple. All Named Executive Officers who currently are officers of the Corporation are on schedule to meet or have met or exceeded their share ownership requirements. In addition, all officers below Vice President are encouraged to own one time their base salary in the Corporation's Common Stock. The share ownership requirements do not apply to certain Delaware officers participating in a subsidiary level equity plan.

Compensation Methodology

Each year the Committee reviews market data and assesses the Corporation's competitive position in each component of executive compensation, including base salary and incentive compensation. The primary market comparison used by the Committee is a broad-based survey of companies in the financial services industry, conducted by Towers Perrin, a well-known and respected compensation consulting firm. Target compensation is based on the average of actual compensation, adjusted to reflect differences in size among these companies. Towers Perrin is retained by and accountable to the Committee.

The principal survey used by the Committee was selected primarily because the companies covered by it operate in businesses similar to the Corporation's and compete for executives with experience and skills similar to those the Corporation requires. The Committee also considered the technical competence of the survey firm. The Committee also consults several additional broad-based surveys for purposes of verifying the findings of the primary survey and for a broader analysis of trends in executive compensation, including those impacting positions in the Corporation not requiring unique knowledge of the financial services industry. Compensation decisions regarding individual executives are also based on factors such as individual performance, level of responsibility and unique skills.

Compensation Components and Process

The primary components of executive compensation used by the Committee are:

Base Pay

Incentive Compensation

Benefits

These components are discussed below.

Base Pay

The Chief Executive Officer provides compensation recommendations for each executive officer (except the Chief Executive Officer) to the Committee. Annual base salary is designed to compensate executives for their sustained performance. Salary is based on: (1) market compensation data; (2) individual performance; and (3) increase guidelines approved by the Committee. The Committee approves in

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advance all salary increases for executive officers. In general, salaries for executive officers for 2003 were set to be at or below the median of the compensation peer group.

Incentive Compensation

Incentive awards comprise the largest portion of total compensation for executive officers. Currently, incentive awards are made to the Corporation's executive officers under the Amended and Restated Lincoln National Corporation Incentive Compensation Plan (the "ICP"), which was approved by the Corporation's shareholders on May 15, 1997 and re-approved by shareholders on May 10, 2001. The ICP provides the Committee with the authority to grant annual incentive awards, which represent a conditional right to receive cash, shares or other awards upon achievement of pre-established performance goals during the specified one-year period. Long-term performance awards under the ICP are based upon multiple-year performance cycles established by the Committee. In the case of both annual and long-term incentive awards, the Committee retains discretion, even if the relevant Corporate Performance threshold is achieved, to reduce any award at the end of the relevant one-year period or multiple-year performance cycle below the maximum amount payable, and such awards also may be subject to additional criteria (e.g., continued service requirements).

Prior to the effective date of the ICP, awards were made under the Lincoln National Corporation 1986 Stock Option Incentive Plan ("Stock Option Plan"). Although this plan has been terminated, awards granted prior to the termination of the plan remain outstanding in accordance with their terms.

Under the ICP, the primary forms of incentives utilized for key executives include stock options, restricted stock or restricted stock units, and cash awards. The Committee also has the flexibility to grant other equity-based awards under the ICP. In any given year, an executive may receive a combination of all or some of these incentives, depending on circumstances such as individual and corporate performance, and the awards may provide for vesting based on continued service and/or the achievement of performance goals. For 2003, approximately eighty-four percent (84%) of the value of the Named Executive Officers' total compensation was variable (i.e., was tied to the performance of the Corporation and/or its Common Stock).

ANNUAL INCENTIVE COMPENSATION

Payouts under the 2003 ICP annual incentive awards were determined by the Committee in March 2004 and are reflected in Table C, Summary Compensation Table on page 43.

The 2004 ICP annual incentive awards were designated by the Committee in November 2003. These awards are in the form of conditional rights to receive cash or stock on the achievement of pre-established performance goals during 2004. Generally, 2004 performance goals for the Corporation's senior management are based (with a weighting of 90%) on the Corporation's growth in income from operations (as defined on page 17) per diluted share, return on equity (both of which are absolute measures) and sales growth relative to an index of peers and to a lesser extent (a weighting of 10%) on human resources measures (specifically, success in attracting and retaining a diverse and talented employee group, in management development and succession planning). For some executives, including some of the Named Executive Officers, these performance measures are supplemented with additional measures appropriate to their particular business units, with a resulting change in weighting. For the Corporation's Named Executive Officers and certain other members of senior management, annual incentive awards can in no event exceed the lesser of specified dollar amounts or limits keyed to the Corporation's income from operations (as defined on page 17).

LONG-TERM INCENTIVE COMPENSATION

Performance achievement under the three-year (1998-2000) ICP long-term performance cycle, applicable to the restricted shares previously granted to the Corporation's executive officers, was determined by the Committee in March 2001. These restricted shares vested in January 2004 for executives satisfying the continued service requirements that lapsed after three years.

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Payouts under the three-year (2001-2003) ICP performance cycle were determined by the Committee in March 2004 and are reflected in Table C, Summary Compensation Table on page 43.

Awards under a three-year (2002-2004) ICP long-term performance cycle were designated by the Committee in March 2002. These awards are in the form of conditional rights to receive cash or stock upon the achievement of pre-established performance goals during the performance cycle periods (based upon the Corporation's total shareholder return, growth in income from operations (as defined on page 17) per diluted share and return on equity during the cycle, as compared to a designated group of peer companies).

Awards under a three-year (2003-2005) ICP long-term performance cycle were designated by the Committee in March 2003, and are reflected in Table D, Long Term Incentive Plans Awards in the Last Fiscal Year on page 45. These Awards are substantially similar to those made with respect to the previous long-term performance cycles. With respect to the Awards under the (2003-2005) ICP long-term performance cycle, however, eligible executives were provided with an election to receive cash, performance share units (which represent the right to receive payment in the form of stock if the performance goals are satisfied), stock options or a combination thereof upon the satisfaction of the performance goals. A target value for each executive was established, and the number of stock options or performance share units, respectively, that an executive could elect to receive was based on the Black-Scholes value of the stock options or the market value of the Corporation's shares as of the date the Awards were designated. If the Corporation achieves the target level of financial performance established for the (2003-2005) ICP long-term performance cycle awards, an executive electing payment solely in stock options receives stock options having a Black-Scholes value equal to 100% of the target amount, while an executive electing payment solely in performance share units receives units payable in stock having a value equal to 80% of the target amount and an executive electing payment solely in cash receives cash equal to 67% of the target amount. Various combinations of stock options, performance share units and cash were permitted to be elected, with the value of each combined award relative to the target amount being adjusted according to the relative percentage of the forms of payment comprising the award.

Performance measures for long-term performance cycles beginning in 2001 and running through 2005 are total shareholder return, growth in income from operations (as defined on page 17) per diluted share and return on equity. These long-term performance cycles are designed to reward management for consistently high financial performance relative to peers. Peer companies used for these relative performance measures were selected with a view toward picking companies that represent the strongest performers in the markets in which the Corporation competes. Consistent with this philosophy, appropriate changes in the peer group for the Corporation's long-term performance cycles have been necessary to reflect current competitive conditions. Based upon current conditions, the Corporation anticipates that peer company comparisons for these long-term incentive programs will continue to include: AmerUs Group Co., Hartford Financial Services Group, Inc., Jefferson Pilot Corporation, MetLife, Inc., Manulife Financial Corporation, Nationwide Financial Services, Inc., Principal Financial Group, Inc., Prudential Financial, Inc. and Sun Life Financial Services CDA, Inc. Payouts under these long-term performance cycles are based on relative performance compared to the performance of the peer companies and do not require increases in the respective measures or a positive result.

Awards under a three-year (2004-2006) ICP long-term performance cycle were designated by the Committee in March 2004. As with the (2003-2005) ICP long-term performance cycle, eligible executives were provided an election to receive cash, performance share units or a combination thereof upon satisfaction of the performance goals. The performance goals are based on growth in income from operations (as defined on page 17) per diluted share (with a weighting of 40%), return on equity (with a weighting of 40%) and total shareholder return (with a weighting of 20%). Growth in income from operations (as defined on page 17) and return on equity are absolute measures. Return on equity is weighted 20% in the initial year, 30% in the middle year and 50% in the final year. Total shareholder return is a comparison to the S&P 500. The performance measures for the (2004-2006) ICP long-term performance cycle were changed in part because of industry consolidation, which has reduced the size of the peer group used in previous long-term performance cycles. As with the (2003-2005) ICP long-term performance cycle, a target value for each executive was established, and the number of stock options or

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performance share units, respectively, that an executive could elect to receive was based on the Black-Scholes value of the stock options or the market value of the Corporation's shares as of the date the Awards were designated. If the Corporation achieves the target level of financial performance established for the (2004-2006) ICP long-term performance cycle awards, an executive electing payment solely in stock options receives options having a Black-Scholes value equal to 100% of the target amount and an executive electing payment solely in performance share units receives units equal to 100% of the target amount. Executives electing payment solely in cash will receive cash in the amount of 100% of the first third of the target amount and 67% of the remainder. As with the (2003-2005) ICP long-term performance cycle, various combinations of stock options, performance shares and cash were permitted to be elected. The Awards actually made for the (2004-2006) ICP long-term performance cycle will be reported in the 2005 proxy.

Stock Options: Stock option grants provide the opportunity to purchase shares of the Corporation's Common Stock at Fair Market Value (the average of the high and low trading prices on the day preceding the date of the grant). The objective of these grants is to increase the executive officers' equity interest in the Corporation and to allow them to share in the appreciation of the Corporation's Common Stock. Stock options have value for the executive officers only if the stock price appreciates in value from the date the options are granted. Before 2003, the Committee granted stock options each year to executive officers, and these options typically became exercisable in four equal annual installments beginning on the first anniversary of the grant and have a ten-year term. For 2003 and later years, stock options will, as described above, be included as a distribution choice for the revised long term incentive cycles, and those options will only become exercisable if the performance goals established by the Committee are satisfied. Option grants are for shares of Common Stock authorized under shareholder-approved plans. Executives are encouraged to hold shares received upon the exercise of the options, linking their interests to those of shareholders.

In granting stock options to executive officers prior to 2003, including the Named Executive Officers, the Committee took into account the executive's level of responsibility, individual contribution and appropriate total compensation relative to the market. In addition, the Committee took into account the Chief Executive Officer's award recommendation for the Named Executive Officers. The Committee considers the amounts and terms of option grants as an important component in designing a competitive total compensation package.

Restricted Stock: Awards of shares of restricted stock typically are restricted from sale or trade for three years after the grant, or in the case of those granted under the three-year (1998-2000) ICP Performance Cycle, for three years after the end of the performance cycle, except in certain situations relating to retirement (with Committee consent), death, disability, termination without cause, or change of control of the Corporation. Executives may vote the shares during the period that the shares are issued but restricted and are generally paid dividends on the shares or compensated for dividends that would have been paid if the shares had not been restricted. In addition to lapse of time, the Committee may impose additional restrictions on the vesting of restricted stock awards. The number of restricted shares held by the Named Executive Officers are reflected in Table A, Security Ownership of Directors, Nominees and Executive Officers on page 41.

Stock Units: Stock units are a form of deferred compensation, the value of which mirrors the value of a corresponding number of shares of Common Stock. Stock units may be awarded as restricted stock units, similar to restricted stock awards. The restrictions on restricted stock units typically lapse three years from the date of grant. Stock units and restricted stock units have no voting rights and dividend equivalents are converted to additional stock units. As with restricted stock awards, the Committee may impose restrictions in addition to, or in lieu of, lapse of time on the vesting of restricted stock units. Stock units with only performance-based vesting are known as performance share units and were described above in the discussion of the 2003-2005 ICP long-term performance cycle.

Other Awards: The Committee also has the flexibility to grant other awards under the ICP, including bonus stock, stock appreciation rights (or SARs), convertible securities and cash awards.

Table of Contents**Benefits**

Benefits offered to key executives are largely those that are offered to the general employee population (with some variation, largely to promote tax efficiency and replacement of benefit opportunities lost due to regulatory limits). In general, these benefits provide a safety net for protection against the financial catastrophes that can result from illness, disability or death. To compensate for tax code limitations on compensation that can be deferred under the Corporation's tax-qualified Employees' Savings and Profit-Sharing Plan (the 401(k) Plan), eligible executives are permitted to defer additional amounts of salary and incentive compensation under the Corporation's Executive Deferred Compensation Plan for Employees (the Deferred Compensation Plan). Amounts so deferred are credited to bookkeeping accounts representing unsecured promises of the Corporation to pay these amounts, as subsequently credited with earnings or losses mirroring the future performance of certain investment options available under the 401(k) Plan. Executives who have made the maximum permitted pre-tax contributions to the 401(k) Plan and who also defer specified additional amounts of current compensation under the Deferred Compensation Plan become entitled to an additional matching credit under the Deferred Compensation Plan. This matching credit parallels the matching contribution made by the Corporation for all eligible employees under the 401(k) Plan and is credited with earnings or losses and phantom dividends as if the credited amount were invested in Common Stock of the Corporation to the same extent that the Corporation's actual matching contributions made to the 401(k) Plan are invested in such Common Stock. Actual shares of the Corporation's Common Stock will be issued in settlement when the Executives are actually paid. Before settlement no voting rights or other rights of any kind associated with ownership of the Corporation's Common Stock inure to the Executives.

2003 Compensation for the Chief Executive Officer

The total salary for the Corporation's Chief Executive Officer, Jon A. Boscia, for 2003 was \$850,000. In March of 2004, Mr. Boscia received an ICP annual incentive award of \$4,247,571 and an award of \$1,954,287 with respect to the three-year (2001-2003) ICP long-term performance cycle. In making decisions with respect to 2003 compensation for Mr. Boscia and his March 2004 ICP awards, the Committee reviewed the Corporation's financial results and peer company comparisons. Financial results for 2003 were excellent. Income from operations (as defined on page 17) per diluted share was up 40% from 2002. Domestic net flows reached a record. Other records achieved in 2003 included: retail deposits, life insurance account values, life insurance in force, life insurance net flows, retail, universal and total life insurance sales and investment management net flows. Performance was strong across all business lines. The Corporation's stock price was up 27.8% for the year. With dividends paid, the total return to the Corporation's shareholders for 2003 was 32.8%. Mr. Boscia's ICP annual incentive award increased from \$1,934,855 in 2003 to \$4,247,571 in 2004 reflecting this dramatic performance improvement. Also, because of the improvement in performance in 2003, the ICP performance for the (2001-2003) ICP long-term performance cycle was better than the (2001-2002) ICP long-term incentive cycle. As a result, Mr. Boscia's ICP long-term performance cycle award increased from \$1,150,659 in 2003 to \$1,954,287 in 2004. The Committee noted the gain in market share achieved in key product areas, as well as the improved premiums, deposits, net flows, and expense levels. The Committee also reviewed key strategic actions and restructuring taken to strengthen the Corporation for the future, noting the excellent progress continuing to be made in talent development, brand awareness, distribution expansion, product development and expense management.

Impact of Tax Deduction Limitations on Executive Compensation

The Committee is responsible for addressing tax deduction limitations that make certain non-performance-based compensation non-deductible to the Corporation (*i.e.*, non-performance-based compensation to certain executives of the Corporation in excess of \$1,000,000 per year). To qualify as performance-based compensation, payments must be based on achieving objective performance goals established under a plan that is administered by a committee of outside directors. In addition, the material terms of the plan must be disclosed to and approved by shareholders and the Committee must certify that the performance goals were achieved before payments may be made.

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The Committee has taken several steps to minimize the effect of these tax deduction limits on the Corporation's deduction for compensation to be paid to the Named Executive Officers listed on the Summary Compensation Table. The Stock Option Plan was amended to place maximums on the number of stock options awarded to any officer and the ICP was approved by shareholders in 1997 and re-approved by shareholders in 2001. Stock options awarded under the Stock Option Plan and amounts awarded pursuant to the ICP have generally been designed as performance-based compensation not subject to the \$1,000,000 limit. Currently, the maximum annual incentive awards for the Named Executive Officers are limited to specified percentages of the Corporation's income from operations (as defined on page 17) and the maximum long-term performance cycle awards are limited to the greater of, 1) specified percentages of the Corporation's income from operations (as defined on page 17), or 2) amounts determined by comparing the Corporation's total shareholder return to the S&P 500. Income from operations (as defined on page 17) is determined by the elimination of specified items from the Corporation's net income for the applicable period. The maximum long-term performance awards in previous cycles are limited to specified percentages of the Corporation's income from operations (as defined on page 17).

Although the plans referenced above satisfy the requirements for payments to be deductible, the Committee may make payments of compensation to executives that are not deductible in order to recognize exceptional service or to correct below market compensation. Should compliance with the \$1,000,000 limit conflict with the Committee's compensation philosophy, the Committee will act in the manner it perceives to be in the best interests of shareholders. The Committee continues to monitor the level of compensation paid to executive officers in order to take any steps which may be appropriate to comply with applicable tax deduction limitations relating to executive compensation.

Conclusion

Executive compensation is designed to be linked to, and commensurate with, the Corporation's performance. The Committee believes that the Corporation's performance validates the success of its compensation philosophy and that its executive compensation policies and programs serve the best interests of the Corporation and its shareholders.²

Thomas D. Bell, Jr., Chair

John G. Drosdick

M. Leanne Lachman

Michael F. Mee

Glenn F. Tilton

SUMMARY ANNUAL AND LONG-TERM COMPENSATION

The Corporation's compensation program for executive officers for the fiscal year ended December 31, 2003 consisted primarily of salaries, bonuses, and other compensation. Table C on page 43 includes information concerning the annual compensation for services in all capacities to the Corporation and its subsidiaries for the fiscal years ended December 31, 2003, 2002, and 2001 of the Corporation's Named Executive Officers. Under SEC rules, the Named Executive Officers include:

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each person who acted as the Corporation's chief executive officer at any time during 2003,

the four other most highly compensated executive officers employed by the Corporation (or its subsidiaries) on December 31, 2003,
and

up to two additional executive officers who would have been required to be listed in the Summary Compensation Table had they been employed by the Corporation (or its subsidiaries) on

² Pursuant to item 402(a)(9) of Regulation S-K under the Securities Exchange Act of 1934 promulgated by the Securities and Exchange Commission (SEC), the Compensation Committee Report shall not be deemed to be filed with the SEC for purposes of the Securities Exchange Act of 1934 nor shall such report or such material be deemed to be incorporated by reference in any past or future filing by the Corporation under the Securities Exchange Act of 1934 or the Securities Act of 1933, as amended.

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December 31, 2003.

LONG-TERM INCENTIVE PLAN AWARDS

Set forth in Table D on page 45 is information regarding long-term incentive plan awards made in 2003. These awards were made under the ICP.

STOCK OPTION PLANS

Set forth in Table E on page 46 is information on grants of stock options pursuant to the ICP during fiscal year 2003 to the Named Executive Officers. No stock appreciation rights were granted to the Named Executive Officers during fiscal 2003.

OPTION EXERCISES AND FISCAL YEAR-END VALUES

Table F on page 47 includes information with respect to option exercises in fiscal year 2003 and unexercised options to purchase the Corporation's Common Stock granted to the Named Executive Officers through fiscal year 2003 under the ICP and in prior years under the Stock Option Plan.

RETIREMENT PLANS

Effective January 2003, the Corporation changed its pension plan by replacing the existing final pay plan with an account based plan. In connection with the change certain transition rules apply. Through December 31, 2011, employees who participated in the pension plan before January 2002 will accrue benefits based on the greater of the formula in effect at that time or the new cash balance formula. Those employees still with the Corporation on January 1, 2012 will have their benefit calculated under the formula in effect before January 2002 and, if that benefit is greater than the cash balance formula, the difference will be added to their cash balance account. A discussion of the new account based plan, as well as the estimated annual retirement benefits that may be payable on a straight life annuity basis to participants under the transition rules are set forth in Table G on page 48.

SUPPLEMENTAL RETIREMENT ARRANGEMENTS

Certain officers of the Corporation and its subsidiaries, including all the Named Executive Officers, (Participating Executives) have entered into salary continuation agreements under the terms of the Salary Continuation Plan for Executives of Lincoln National Corporation and Affiliates (Salary Continuation Plan). Participation of a Participating Executive in the Salary Continuation Plan and accrual of benefits continues until the earlier of the date that the Chief Executive Officer of the Corporation determines the Participating Executive to be no longer eligible to participate or the date on which the Participating Executive terminates employment. Under the Salary Continuation Plan, the amount each Participating Executive is entitled to receive upon retirement is 2% of his or her final monthly compensation multiplied by the number of years

the individual's salary continuation agreement with the Corporation has been in effect (up to a maximum of 10% of final monthly salary), so long as the Participating Executive agrees to an exclusive consulting arrangement with the Corporation until the earlier of the waiver of such arrangement or attainment of age 65. This amount will be paid in the form of a 120-month certain and life annuity. Actuarially reduced benefits will be paid upon retirement of a Participating Executive at or after age 55, but prior to age 65. In the event of death prior to retirement, a designated beneficiary of a Participating Executive who was participating in the Salary Continuation Plan on December 31, 1991, will receive annual payments each equal to 25% of the Participating Executive's final annual salary until the later of the date on which the Participating Executive would have attained age 65 or the date on which a minimum of ten payments have been made. For a Participating Executive whose participation in the Salary Continuation Plan commenced after December 31, 1991, and whose beneficiary is entitled to a survivor benefit under the Corporation's Employee's Retirement Plan, a monthly survivor benefit, equal to the benefit that would have been payable under the Salary Continuation Plan to the Participating Executive, based upon his or her status immediately prior to death as either a continuing or former employee, determined as of the later of the Participating Executive's date of death or 5th birthday, will be payable to the beneficiary for a period of 120 months. Neither a Participating

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Executive nor his or her beneficiary will be entitled to any benefits under the Salary Continuation Plan if the Participating Executive voluntarily terminates his or her employment prior to attaining age 55; except that in the event of a change in control of the Corporation, as defined in the Severance Plan (discussed below), and a subsequent voluntary or involuntary termination of the Participating Executive's employment within two years of the change in control, he or she will be treated as continuing employment with the Corporation and its affiliates until age 65 at which time benefits will begin. The Salary Continuation Plan caps compensation used to determine benefits at the greater of \$200,000 or the annual base compensation in effect on December 31, 1991 for executives participating on that date.

Benefits under other supplemental plans established by the Corporation to provide pension benefits exceeding those that can be provided from tax-qualified plans, because of Internal Revenue Code limits, are included in the benefits described in Table G, Pension Plan Table for 2004 Proxy, on page 48.

CHANGE-IN-CONTROL ARRANGEMENTS

Recognizing that an unforeseen change of control is unsettling to the Corporation's key executives, the Board adopted the Lincoln National Corporation Executives' Severance Benefit Plan (the "Severance Plan"). The objectives of the Severance Plan are to:

attract certain qualified executives and encourage their continued employment in the face of an actual or threatened change of control

enable such executives to help the Board assess any proposed change of control of the Corporation and advise the Board regarding whether such proposal is in the best interests of the Corporation, its shareholders, and the policyholders and customers of its affiliates without being unduly influenced by the uncertainty of continued employment

demonstrate to those executives the Corporation's desire to treat them fairly

Executives eligible for participation in the Severance Plan ("Eligible Executives") are the members of the Corporation's Senior Management Committee and other employees as determined by the Compensation Committee. All Named Executive Officers were Eligible Executives during 2003. Pursuant to the Severance Plan, the Corporation may enter into agreements (which are not employment agreements) with Eligible Executives to provide severance benefits in the event that, in anticipation of or within three years after a change of control of the Corporation has occurred (i) the Corporation or a successor entity terminates their employment for any reason other than cause, death or disability, or (ii) the Eligible Executive terminates employment for good reason, such as a change in the Eligible Executive's responsibilities, a reduction in salary or benefits, or relocation. Any termination of employment by the Chief Executive Officer during such three-year period is deemed to be for good reason under the Severance Plan.

The benefit to which an Eligible Executive would be entitled under the terms of the Severance Plan is: (1) for the Chief Executive Officer, an amount equal to three (3) times the Chief Executive Officer's highest annual base salary during the twelve (12) month period immediately preceding the date of termination of employment, plus three (3) times the target bonus for which the Chief Executive Officer was eligible during the calendar year in which the Chief Executive Officer's employment terminated and (2) for all other Eligible Executives, an amount equal to two (2) times the highest annual base salary during the twelve (12) month period immediately preceding the executive's termination of employment, plus two (2) times the target bonus for which the executive was eligible during the calendar year in which the executive's employment terminated. In addition, an Eligible Executive would be entitled to benefits such as:

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reimbursement of COBRA premiums paid for the continuation of coverage under the Corporation's benefit plans;

additional credited service for retiree medical and dental coverage;

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immediate and 100% vesting in all excess benefit plans and supplemental retirement plans and additional benefit accrual based on the amount of the severance benefit paid under the Severance Plan;

payments with respect to incentive plans;

immediate and 100% vesting of restricted stock and stock options; and

outplacement services.

The Eligible Executive would also be entitled to an after tax payment (Gross-Up) to cover any excise tax and related assessments, but not regular income taxes, on amounts deemed to be excess parachute payments under the Internal Revenue Code of 1986, as amended (Code) (i.e., a lump sum payment in an amount sufficient, after the payment of all taxes on the lump-sum payment itself, to pay the excise tax and related assessments, if any, to which the executive becomes subject as a result of receiving the change-of-control payments), unless it is determined that the payments otherwise payable would not be subject to the excise tax, if such payments were reduced by an amount that is less than ten (10) percent of the portion of the payments that would be treated as parachute payments under the Code, in which case the amounts payable to the Eligible Executive under the Severance Plan will be reduced to the maximum amount that could be paid without giving rise to the excise tax. The Corporation must also reimburse an Eligible Executive for legal fees and expenses incurred by the Eligible Executive relating to enforcing the Corporation's obligations under the Severance Plan, unless a court determines that the position taken by the Eligible Executive was frivolous or in bad faith. The Severance Plan supplements and does not supersede other plans, contracts of employment, or other arrangements which Eligible Executives may have with the Corporation or its affiliates.

EMPLOYMENT CONTRACTS

The Corporation has no employment agreement with any Named Executive Officer. Mr. Vaughan has a severance agreement which provides that from June 18, 1991 until the first month following his 55th birthday, if his employment is involuntarily terminated by the Corporation, he will be entitled to one year of severance payments at his then base salary. This arrangement does not apply to voluntary termination or if termination is for cause.

COMPENSATION OF DIRECTORS

Compensation Philosophy

The Board considers a variety of outside sources (e.g., comparisons with peer companies and third party studies on director compensation) when determining the levels and types of compensation to be paid to directors. Of particular relevance, the Board endorses each of the six Best Practices recommended in the Report of the Blue Ribbon Commission on Director Compensation of the National Association of Corporate Directors. Consistent with those practices, the Board adheres to the following guidelines in establishing director compensation:

a substantial portion of each director's compensation is paid in LNC Common Stock or stock units

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in order to avoid the appearance of employee-like tenure or compromised independence, generally directors are not eligible for defined benefit pensions

directors are expected to achieve stock ownership of at least 5 times their annual retainer within 5 years of election to the Board

LNC currently pays retainer and meeting fees to Non-Employee Directors. Beginning July 1, 2004, LNC will no longer pay meeting fees to Non-Employee Directors. Currently, Non-Employee Directors also are eligible to receive various other bonus awards and service awards. If the Plan (defined below) is approved, effective July 1, 2004, Non-Employee Directors will no longer be eligible to receive bonus and

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service awards, as the Corporation intends to discontinue awards under the LNC Directors Value Sharing Plan (DVSP). Instead, in the interest of simplification, Non-Employee Directors will receive their annual retainers partly in cash, and partly in deferred stock units or units of phantom common stock of the Corporation awarded under the new Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors, which, if approved, will be effective July 1, 2004 (the Plan). In addition, the Non-Employee Directors may elect to defer any or all of the cash portion of their annual retainers into the new Plan, to be invested by the Non-Employee Directors in a variety of phantom investment options made available under the Plan, including the deferred stock unit option. The Board believes that the current and proposed compensation packages for Non-Employee Directors are comparable to the compensation packages paid to the directors of similar companies. The details of Non-Employee Director compensation and the new Plan are set forth directly below.

EXISTING DIRECTOR COMPENSATION PROGRAM

The Corporation currently compensates its Non-Employee Directors in the manner described below. Assuming approval by shareholders of the new Plan, the compensation of Non-Employee Directors will be altered and simplified in the manner described under the heading PROPOSED DIRECTOR COMPENSATION PROGRAM on page 28 below.

Retainer and Meeting Fees

The Corporation pays annual retainer fees under the Lincoln National Corporation 1993 Stock Plan for Non-Employee Directors (the Stock Plan). Under the Stock Plan, the Corporation pays each Non-Employee Director an annual retainer of \$55,000 (\$18,000 in cash and \$37,000 in LNC restricted stock). If a Non-Employee Director is elected to a new three-year term, the Corporation pays that director an additional \$10,000 in restricted stock (rounded up to the nearest whole share). The restrictions on shares awarded under the Stock Plan will lapse on the earliest of the Non-Employee Director's death, disability, retirement from the Board at age 70 or, if specifically approved by the Board, other events of resignation or retirement from the Board. Under the Stock Plan, the Corporation has authorized the granting of 3,000 stock options per year to each Non-Employee Director through July 1, 2004.

In addition to the annual retainer fee, the Corporation paid each Non-Employee Director \$1,100 for each Board and Board committee meeting he or she attended during 2003. Committee chairpersons received an additional annual fee of \$5,000 for their services. The Corporation also reimburses directors (and sometimes their spouses) for the reasonable travel expenses they incur when attending Board and Board committee meetings. In May 2003, Thomas D. Bell was designated the lead director of the independent directors and compensated an additional \$5,000 for his services in that regard for the period May 2003 to May 2004.

Non-Employee Directors may defer the cash portion of their annual retainer and fees in stock units, as provided in the Stock Plan. When a director retires, he or she can receive the value of those units in LNC Common Stock or in cash (with fractional shares paid in cash), either in a lump sum payment or in annual installments over a period of up to fifteen years.

Bonus Awards, Service Awards and Other Benefits

Non-Employee Directors are eligible to receive Bonus Awards, Service Awards, and certain other benefits under the DVSP.

Bonus Awards. In addition to annual retainer fees and meeting fees, the Non-Employee Directors participate in the DVSP. The DVSP effectively aligns the criteria used for Director s compensation with the criteria applicable to the compensation of the Corporation s executives by mirroring the long-term incentive cycles and goals under the ICP. A three-year (2001-2003) cycle has been completed and awards determined based upon the performance goals achieved. In addition two three-year, (2002-2004) and (2003-2005), overlapping long-term performance cycles have been previously designated with performance goals that mirror the cycles and goals established for the executives plan.

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Service Awards. Except as discussed below under Retirement Benefits, each Non-Employee Director receives a quarterly Service Award in the form of LNC stock units (up to a maximum of 40 Service Awards). As with Bonus Awards, Service Awards are credited to a non-qualified deferred compensation account established for each Non-Employee Director under the DVSP. Service Awards are based upon a formula that takes into account the Non-Employee Director's age upon election to the Board, the annual retainer and an assumed minimum return on LNC Common Stock.

Certain Death and Other Benefits. If a Non-Employee Director was a director on January 1, 1996, he or she could choose either to receive Service Awards under the DVSP or to continue participating in the Retirement Plan (described below). However, if a Non-Employee Director has elected to receive Service Awards, but dies prior to retirement from the Board, the value of his or her Service Award account will not be less than the lump sum death benefit that would have been payable under the Retirement Plan.

The Corporation provides financial planning services to Non-Employee Directors with a value not to exceed \$20,000 for an initial financial plan and \$10,000 for annual updates.

Retirement Benefits

Non-Employee Directors who were directors on January 1, 1996 and did not elect to receive Service Awards under the DVSP continue to be eligible for retirement benefits under the Retirement Plan. The annual benefit payable to a Non-Employee Director under the Retirement Plan is 0.833% of the director's retainer during the last year he or she was a director, multiplied by the number of months he or she served on the Board (up to a maximum of 120 months). A Non-Employee Director may receive his or her retirement benefit under the Retirement Plan either in a single lump sum or in monthly payments beginning at the later of retirement from the LNC Board or age 65. If the director dies prior to the date retirement benefits start, the death benefit will be paid to his or her beneficiary. Only one director participates in the Retirement Plan. Non-Employee Directors who were first elected to the Board after January 1, 1996 have no right to retirement benefits other than Service Awards, as discussed above.

PROPOSED DIRECTOR COMPENSATION PROGRAM

The Nominating and Governance Committee of the Board recommended, and the Board, at its March 2004 meeting, approved, subject to shareholder approval of the new Plan, and the reservation of 700,000 shares of the Corporation's common stock for issuance in the form of stock-based awards under the Plan, the following changes in the compensation of Non-Employee Directors. If the Plan is approved, these changes would become effective July 1, 2004.

New grants of stock options and of Bonus Awards, Service Awards and other benefits under the DVSP, as described above, will cease, although outstanding grants and awards will not be affected. Similarly, separate payments for attendance at Board or Board Committee meetings will be discontinued, except in the event circumstances require the Board to meet more than is typically the case. Instead, each Non-Employee Director will receive an annual retainer consisting of \$80,000 in cash and \$80,000 in deferred stock units, or phantom shares of the Corporation's common stock, to be awarded under the new Plan. As is currently the case, Board members will receive one or more additional committee chairperson retainers of \$5,000, as appropriate. The additional annual fee payable to the Lead Director will be increased from \$5,000 to \$25,000 in cash to reflect the additional responsibilities of that office. Financial planning services will be provided on the same basis as currently provided.

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At the election of the Non-Employee Director, any or all of the cash portion of the annual retainer described above may be deferred in accordance with the new Plan, with such amounts (and any earnings, losses, and expenses charged or accounted thereto) payable upon the Non-Employee Director's retirement or resignation from the Board. These deferred amounts shall be directed by the Non-Employee Directors into various phantom investment options. Amounts notionally invested into phantom investment options are credited with earnings or losses as if the deferred amounts had been actually invested in either the Corporation's common stock (payable only in stock), or in investment options also available under the Corporation's Employee's Savings and Profit-Sharing Plan (as directed by the Non-Employee Director). All amounts deferred under the Deferred Compensation Plan for Non-

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Employee Directors shall remain unfunded. Such amounts are not held in trust and are therefore not protected against the Corporation's insolvency. The benefits of individual Non-Employee Directors may therefore become subject to claims of the Corporation's general creditors. In the event of insolvency, the rights of any Non-Employee Director (as well as the rights of his or her beneficiary or estate) to claim amounts under the Plan are solely those of an unsecured general creditor of the Corporation. At the time that a Non-Employee Director ceases service on the Board, amounts deferred under the Plan must begin to be paid, at the election of the participant, either in a lump sum or in annual installments over a period of up to twenty years. Amounts deferred into phantom common stock units of the Corporation will be paid out in shares of common stock with any fractional share being settled in cash. Any amounts not yet disbursed to a participant will continue to be credited with earnings under the relevant investment measures until such time as those amounts are paid in full.

The Corporation believes that these proposed revisions in the compensation of Non-Employee Directors remain consistent with the Compensation Philosophy described previously while simplifying Director Compensation and making the elements of that compensation more transparent to shareholders.

ITEM 2

PROPOSAL TO APPROVE THE LINCOLN NATIONAL CORPORATION DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The Board and the Compensation Committee believe that equity incentives have contributed significantly to the Corporation's ability to attract, retain and stimulate the performance of the executive officers, non-executive officers, employees, agents and brokers of the Corporation and its subsidiaries. Similarly, the Board and the Nominating and Governance Committee believe that the Corporation's long-term success will be enhanced by continuing to provide a competitive and comprehensive compensation package to the Non-Employee Directors. Currently, Non-Employee Directors receive compensation through a variety of plan awards, including amounts awarded under the Lincoln National Corporation 1993 Stock Plan for Non-Employee Directors (the "Stock Plan") and the Lincoln National Corporation Directors' Value Sharing Plan (the "DVSP"). In the interest of simplifying the administration and disclosure to shareholders of the compensation of Non-Employee Directors, the Board and the Nominating and Governance Committee propose to discontinue awards under the DVSP and to allow the Stock Plan to expire. Instead, if the Plan (as defined below) is approved, Non-Employee Directors will be compensated under a single new plan. Accordingly, the Board and the Nominating and Governance Committee have approved, subject to approval by the Corporation's shareholders, the adoption of the new Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors, which, if approved, will become effective July 1, 2004 (the "Plan"), and the reservation of 700,000 authorized but unissued shares of LNC Common Stock for issuance to the Non-Employee Directors under the new Plan. If the new Plan is approved by shareholders, no new awards will be made under the DVSP and the Stock Plan as of the proposed effective date (July 1, 2004). A chart comparing current Non-Employee Director Compensation and proposed compensation is included toward the end of this Item 2.

Description of the Plan

The following is a brief description of the material features of the Plan. This description is qualified in its entirety by reference to the full text of the Plan, which is attached to this proxy statement as Exhibit 7.

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The Plan consists of two components: (1) a non-qualified deferred compensation component and (2) a deferred stock unit grant component.

(1) The Non-Qualified Deferred Compensation Component. A Non-Employee Director wishing to voluntarily defer any portion of the cash portion of his or her annual retainer (including any Committee Chairperson Fee or Lead Director Fee) must make an irrevocable annual election in the form and

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manner, and during the enrollment period, specified by the Benefits Administrator (the Nominating and Governance Committee of the Board, which may delegate, at its discretion, any portion of its administrative functions). Non-Employee Directors will be offered an opportunity to make an election within 30 days of first becoming eligible for the Plan with respect to cash retainer amounts not yet earned. Thereafter, any such election will be effective for annual retainer payments scheduled to be paid to the Non-Employee Director in the next following calendar year.

The Non-Employee Director may select from various investment options made available under the Plan for the hypothetical investment of amounts deferred under the Plan. Investment options under the Plan are simply bookkeeping entries, and all investments in such options are notional or phantom investments only. Amounts notionally invested in phantom investment options are credited with earnings or losses as if the deferred amounts had been actually invested in either LNC Common Stock, or in the other investment options offered under the Plan. The investment options available under the new Plan may mirror those investment options offered under the Corporation's Employee Savings and Profit-Sharing Plan (401(k) Plan), but in no event may a different or a greater variety of investment options be offered under this Plan than under the 401(k) Plan.

All amounts deferred under the Plan may, at the election of the Non-Employee Director, be invested in deferred stock units. Non-Employee Directors will be prohibited from transferring amounts invested in deferred stock units out of such units and into the other phantom investment options available under the Plan. Non-Employee Directors are restricted from investing in deferred stock units except as permitted under the current LNC National Corporation Policy on Insider Trading. In addition, elections to invest deferred stock units will be restricted to 30-day open window periods commencing on either the (a) third trading day after the release of the Corporation's quarterly or annual earnings, or (b) the fifth business day after the filing of the Corporation's annual report on Form 10-K to shareholders.

(2) The Deferred Stock Unit Award Component. The Plan provides for a portion of each Non-Employee Director's annual retainer to be awarded in the form of a grant of deferred stock units, with such deferred stock units to be credited to each Non-Employee Director's stock unit account under this Plan. Amounts invested in deferred stock units attributed to such automatic grants are subject to the same terms and provisions as deferred stock units acquired through a Non-Employee Director's voluntary election to defer and, therefore, must remain invested in deferred stock units until paid in shares of LNC Common Stock. The Board has authorized a maximum of 700,000 shares of LNC Common Stock to be reserved for issuance under the Plan, subject to shareholder approval. Those 700,000 shares shall be used to pay out distributions invested in deferred stock units. In addition, shares authorized under this Plan may be used to satisfy obligations incurred by the Corporation as a result of dividend equivalent payments made on awards previously granted under the Stock Plan.

As discussed below under Comparison of Benefits, Non-Employee Directors currently receive fees for each Board or Committee meeting attended. Under the Plan, if approved, Non-Employee Directors will generally will not receive meeting fees. However, if the Board or any of its committees have meetings in addition to their regularly scheduled meetings, the Nominating and Governance Committee will consider whether to recommend to the Board additional compensation for such additional meetings.

Distributions - General. All amounts accounted for under the Plan (whether attributable to elective deferrals, automatic grants of deferred stock units by the Corporation, or payments of dividend equivalents pursuant to the terms of the Stock Plan), and any investment gains and/or losses credited with respect to such amounts, shall be, or begin to be, distributed to a Non-Employee Director upon resignation or retirement (whether voluntary or involuntary), or to his or her designated beneficiary or estate upon his or her death.

No hardship distributions, early distributions, or loans may be taken from the Plan. Amounts notionally invested in the Corporation's Common Stock (*i.e.*, deferred stock units) will be paid in shares of LNC Common Stock, with fractional shares paid in cash. All other amounts shall be paid in cash. Distributions may be made in a cash lump sum, or, pursuant to the Non-Employee Director's proper election, made in annual installments over a five-year, ten-year, fifteen-year or twenty-year period. Any amounts not yet

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disbursed to the Non-Employee Director will continue to be credited with earnings under the relevant investment measures until such time as those amounts are paid in full.

Separate elections as to the timing of a distribution may be made with respect to amounts credited in deferred stock units.

In-Kind Distribution of Shares. All amounts credited to a Non-Employee Director's Stock Unit account (whether made pursuant to the Stock Plan as dividend equivalent payments, through automatic grants by the Corporation as partial payment of the Non-Employee Director's annual retainer, or through elective deferrals) will be credited to a bookkeeping reserve account maintained under the Plan. The Non-Employee Director will have the right to receive payment in the form of LNC Common Stock after his or her retirement or resignation from the Board, whether characterized as voluntary or involuntary, or his or her death. Prior to settlement in actual shares, an award of deferred stock units carries no voting or dividend rights or other rights associated with share ownership. The right to receive credits equivalent to dividends on LNC Common Stock may be granted, however, and may, at the discretion of the Nominating and Governance Committee, be subject to mandatory reinvestment.

Shares Subject to the Plan. Under the Plan, the total number of shares of LNC Common Stock reserved and available for delivery to Non-Employee Directors in connection with deferred stock units is 700,000 shares. Any shares of LNC Common Stock delivered under the Plan shall consist of authorized and unissued shares.

The Nominating and Governance Committee, as the Benefits Administrator for the Plan, is authorized to adjust the number and kind of shares subject to the aggregate share limitation under the Plan and subject to outstanding awards in the event of a stock dividend, recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event that affects LNC Common Stock. The Board is also authorized to amend the Plan or other terms of awards made under the Plan in response to these kinds of events or for other reasons.

Eligibility. All Non-Employee Directors (*i.e.*, directors of the Corporation who are not employees or officers of the Corporation or its affiliates) will be eligible to receive awards under the Plan.

Administration. The Plan will be administered by the Benefits Administrator, which shall be the Nominating and Governance Committee of the Board (the Nominating Committee). Subject to the terms of the Plan, the Nominating Committee shall have complete discretion to interpret the provisions of the Plan, including, but not limited to making determinations regarding eligibility and the terms of participation, the calculation of benefits payable under the Plan, and to take whatever action that it believes is necessary or desirable for such administration, including but not limited to (a) establishing administrative rules consistent with the provisions of this Plan, (b) delegating certain responsibilities to other persons, including the Senior Vice-President of Human Resources of the Human Resources Department; (c) retaining the services of lawyers, accountants or other third parties to assist with the administration of the Plan, (d) making equitable adjustments under the Plan (including retroactive adjustments) to correct mathematical, accounting or factual errors made in good faith by the Corporation or a participating director (and any such adjustments will be final and binding on all persons), and (e) directing the Corporation to deduct from all Accounts, payments and distributions under the Plan any federal, state or local taxes or such other amounts as may be required by law to be withheld.

Amendment and Termination of the Plan. The Board may make prospective amendments to this Plan at any time. In addition, the Board may delegate this amendment power to the Nominating Committee, in whole or in part, by resolution adopted by the Board. The Board may terminate this Plan for any reason at any time, with thirty (30) days advance written notice of the termination to be given to all participating directors. The Plan will terminate automatically, without thirty (30) days advance written notice of the termination to be given to all participating

directors, upon the occurrence of the following events (a) the Corporation is judicially declared bankrupt or insolvent; or (b) the Corporation is dissolved, subject to a merger, consolidation or reorganization, or a sale of all or substantially all of its assets, except as otherwise determined by the Benefits Administrator. The termination of the Plan in conjunction with one

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of the events described in subsection (b) above shall not result in the loss of any benefits, rights, or features of this Plan with respect to amounts credited to a Non-Employee Director's account prior to the date of such event.

Unfunded Status of the Plan. The Plan is a non-qualified, unfunded benefit plan. The account balances under the Plan are not protected against the claims of the Corporation's general creditors in the case of the Corporation's insolvency. In the event of insolvency, the rights of any Non-Employee Director (as well as the rights of his or her beneficiary or estate) to claim amounts under the Plan are solely those of an unsecured general creditor of the Corporation. Awards granted under the Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participating director's death.

Tax Implications of the Plan. The following is a brief description of the tax issues generally arising with respect to awards and distributions under the Plan.

Amounts credited to accounts under the Plan will not be taxable to the Non-Employee Director for federal income tax purposes when credited. When distributions are made under the Plan, in either cash or shares, the Non-Employee Director receiving the distribution must generally recognize ordinary income equal to the cash or the fair market value of shares or other property received. The Corporation will generally be entitled to a deduction in an amount equal to the ordinary income recognized by the Non-Employee Director.

The Benefits Administrator may condition any payment from the Plan on the withholding of required taxes and may provide that a portion of any distribution be withheld to satisfy withholding and other tax obligations.

The foregoing summary of the tax consequences with respect to this Plan is for general information only. Interested parties should consult their personal tax or financial advisors as to specific tax consequences, including the application and effect of foreign, state and local tax laws.

New Plan Benefits

The following table presents the automatic Awards that will be received by or allocated to each of the following persons and groups for fiscal 2004, to the extent these benefits or amounts are determinable. These awards are subject to shareholder approval of the Plan. Additional amounts may be electively deferred under the Plan (as described above); such amounts are not accounted for in this table.

Lincoln National Corporation

Deferred Compensation Plan for Non-Employee Directors

Name and Position

Dollar Value

Number of Shares

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Non-Executive Directors as a Group

\$ 888,000⁽¹⁾

⁽²⁾

- ⁽¹⁾ Neither the number of shares subject to awards nor the types of awards under the Plan to any particular eligible recipient(s) or group(s) of eligible recipients is presently determinable.
- ⁽²⁾ Under the Plan, each of the Corporation's Non-Employee Directors will annually receive for 2004 a grant \$80,000 payable quarterly in shares of restricted stock. Because the fair market value of shares of the Corporation's Common Stock will not be known until the time of the such award, it is not presently possible to determine the number of shares of Common Stock the Non-Employee Directors will receive.

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Comparison of Benefits

The table set forth below compares the benefits available for Non-Employee Directors and compares those benefits with the benefits that would be received by Non-Employee Directors if the Plan is approved:

Director Compensation

Comparison Chart

<u>Current Arrangement</u>	<u>Proposed Arrangement</u> (effective July 1, 2004, if approved)
Cash Portion of Annual Retainer:	Cash Portion of Annual Retainer:
\$18,000	\$80,000
Total: \$18,000	Total: \$80,000
(Retainer also includes \$37,000 in restricted stock granted under the Stock Plan, see below)	(Retainer would also include \$80,000 in deferred stock units granted under the new Plan)
Stock Plan:	The Stock Plan will expire June 30, 2004 outstanding options not affected; Deferred Stock Units would be awarded under
\$3,333 (annualized) in restricted stock (\$10,000 re-election bonus granted every three years = \$3,333)	\$80,000 in Deferred Stock Units (non-cash portion of Annual Retainer)
\$37,000 in restricted stock (non-cash portion of Annual Retainer)	Total: \$80,000
Annual grant of 3,000 stock options; estimated value: \$33,322	
Total: \$72,545	
Annual Committee Chairperson Retainer:	Annual Committee Chairperson Fee:

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Total: \$5,000

Total: \$5,000

Meeting Fees:

No Meeting Fees¹

\$1,100 for each Board Meeting (\$1,100 x 7 = 7,700)

\$1,100 for each Committee Meeting (\$1,100 x 10= 11,000)

Total: \$18,700

Total: \$0

Annual Lead Director Fee:

Annual Lead Director Fee:

Total: \$5,000

Total: \$25,000

Directors Value Sharing Plan:

Directors Value Sharing Plan will be terminated

\$20,954 Average Cash Bonus Award

\$16,311 Average Service Award

Total: \$37,265

Total: \$0

TOTAL: \$146,510³

TOTAL: \$ 160,000³

¹ If the Board or any of its committees have meetings in addition to their regularly scheduled meetings, the Nominating and Governance Committee will consider whether to recommend to the Board additional compensation for such additional meetings.

² The actual number of Board and Board committee meetings that a Non-Employee Director may attend depends upon a number of factors including the number of committees of which the Non-Employee Director is a member and

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the number of times per year a given committee meets. The assumptions used in this example are for illustrative purposes only.

- ³ This figure does not include fees for performing the functions of committee chairperson or lead director. The fees for committee chairperson remain unchanged at \$5,000 per year. The fees for lead director are currently \$5,000 per year, but are proposed to be increased July 1, 2004 to \$25,000 per year.

Equity Compensation Plan Information

The table below provides information as of December 31, 2003 regarding securities authorized for issuance under LNC's equity compensation plans.

	(a)	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation (excluding securities reflected in column (a))
Equity compensation plans approved by shareholders	19,781,711 ¹	\$ 39.20	6,903,230 ²
Equity compensation plans not approved by shareholders	None		

- ¹ Includes 16,919,923 outstanding options, 204,316 outstanding performance stock options, 77,022 outstanding restricted stock units, 1,528,003 outstanding performance stock units and 1,052,447 outstanding deferred stock units.

- ² Includes up to 2,315,799 securities available for issuance in connection with restricted stock, restricted stock unit, performance stock, performance stock unit, deferred stock and deferred stock unit awards under LNC's Incentive Compensation Plan and up to 38,088 securities available for issuance in connection with restricted stock and deferred stock unit awards (of which not more than 14,917 securities are available for issuance in connection with restricted stock awards) under LNC's 1993 Stock Plan for Non-Employee Directors.

Request for Approval

The Corporation believes that the proposed compensation structure for Non-Employee Directors, effective July 1, 2004, remains consistent with the Corporation's compensation philosophy, while simplifying the structure of such compensation and making the elements of Non-Employee Director compensation more transparent. Accordingly, it requests that shareholders vote in favor of approval of the Corporation's new Deferred Compensation Plan for Non-Employee Directors.

Vote Required

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Approval of the Plan requires that the votes cast for approval of the Plan exceed the votes cast against approval the Plan, provided that at least a majority of the shares eligible to be voted on Item 2 are actually cast. For these purposes abstentions, but not broker non-votes, will be treated as votes cast on Item 2.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE LINCOLN NATIONAL CORPORATION DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS, PROPOSED TO BE EFFECTIVE JULY 1, 2004.

Table of Contents**Principal Accountant Fees and Services**

Below are fees incurred by LNC and its affiliates for fiscal years 2003 and 2002 for professional services provided by Ernst & Young LLP, LNC's independent auditors, as well as the related percentage of total fees that each category comprises.

	Fiscal Year Ended December 31, 2003	% of total fees	Fiscal Year Ended December 31, 2002	% of total fees
Audit Fees	\$ 5,898,334	67.7%	\$ 5,228,883	64.0%
Audit-Related Fees	\$ 2,766,497	31.7%	\$ 1,777,165	21.7%
Tax Fees	\$ 43,818	0.5%	\$ 87,750	1.1%
All Other Fees	\$ 10,000	0.1%	\$ 1,076,624	13.2%
TOTAL FEES:	\$ 8,718,649	100.0%	\$ 8,170,422	100.0%

Audit Fees

Fees for audit services include fees associated with the annual audit, the reviews of the Corporation's quarterly reports on Form 10-Q, statutory audits required domestically and internationally, and accounting consultations directly associated with the audit.

Audit-Related Fees

Audit-related services principally include internal control and employee benefit plan audits, service auditor reports on internal controls, due diligence procedures in connection with acquisitions and dispositions, and accounting consultations not directly associated with the audit or quarterly reviews. During 2003, audit-related services also included assistance provided to the Corporation related to the ongoing implementation of Section 404 of the Sarbanes-Oxley Act.

Tax Fees

Fees for tax services include tax compliance and advisory services.

All Other Fees

Fees for all other services not included above consisted of fees for Ernst & Young online accounting research tool in 2003 and primarily consisted of information technology internal audit services provided in 2002 that were no longer performed in 2003. Internal audit services were

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permitted under the SEC's independence rules prior to the May 6, 2003 effective date of the SEC's new independence rules.

Audit Committee Pre-Approval Policy

In accordance with its charter, the Audit Committee's policy is to pre-approve services provided by Ernst & Young LLP. These pre-approval procedures are set forth in Exhibit 8 hereto. During the year ended December 31, 2003, all services provided by Ernst & Young LLP were pre-approved by the Audit Committee in accordance with this policy.

AUDIT COMMITTEE MATTERS

GENERAL

The Corporation's securities are listed on the New York Stock Exchange (the NYSE) and are governed by its listing standards. All the members of the Audit Committee are independent, as independence for audit committee members is defined in the NYSE listing standards. The Board has determined that J. Patrick Barrett, the chairman of the Audit Committee, is an audit committee financial expert as defined

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under Item 401 of Regulation S-K under the Securities Exchange Act of 1934. In addition, the Board has determined that the Corporation has other Audit Committee members who qualify as audit committee financial experts. The Board has adopted a written charter for the Audit Committee, a copy of which is attached as Exhibit 3.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2003. The Audit Committee has also discussed with the Corporation's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communications with Audit Committees. Additionally, the Audit Committee has received the written disclosures and representations from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the independent auditors the independent auditors' independence.

Based upon the review and discussions referred to in this report, the Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended December 31, 2003 be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the SEC.¹

William J. Avery

J. Patrick Barrett, Chair

Jenne K. Britell

Michael F. Mee

Glenn F. Tilton

¹ Pursuant to Item 306(c) of Regulation S-K under the Securities Exchange Act of 1934 and Item 7(e)(3)(v) of Schedule 14A promulgated by the SEC, the information included under Audit Committee Matters, including the Audit Committee Report, shall not be deemed to be soliciting material or to be filed with the SEC, except to the extent the Corporation specifically requests that such information be treated as soliciting material or specifically incorporates such information by reference into a document filed with the SEC under the Exchange Act or under the Securities Act of 1933, as amended.

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**COMPARISON OF FIVE-YEAR
CUMULATIVE TOTAL RETURN**

The graph set forth below shows a five-year comparison of the yearly performance of the Corporation's cumulative total shareholder return (change in the year-end stock price plus reinvested dividends), based on a hypothetical investment of \$100 (invested on January 1, 1999 with dividends reinvested through December 31, 2003), with the S&P 500 Composite Index and the S&P Life/Health Index. Returns of the S&P Life/Health Index have been weighted according to their respective aggregate market capitalization at the beginning of each period shown on the graph.

The Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or under the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates this graph by reference, and shall not otherwise be deemed filed under such Acts.

There can be no assurance that the Corporation's stock performance will continue into the future with the same or similar trends depicted in the preceding graph. The Corporation will not make or endorse any predictions as to future stock performance.

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GENERAL

DIRECTOR NOMINATION PROCESS

The Corporation has a Nominating and Governance Committee (the Nominating Committee) of the Board composed solely of independent directors as that term is defined in the listing standards of New York Stock Exchange rules. The Nominating Committee has a charter, which is attached as Exhibit 5. The charter provides that among other purposes the Nominating Committee is responsible for (1) assisting the Board by identifying individuals qualified to become Board members, (2) recommending to the Board the director nominees for the next annual meeting of shareholders and (3) evaluating the competencies appropriate for the Board and identifying missing or under-represented competencies.

The Nominating Committee does not have any specific minimum qualifications that must be met by a nominee. The charter provides, however, that [I]n nominating candidates, the Nominating Committee shall take into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience, the extent to which the candidate's experience complements the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The Nominating Committee may consider candidates proposed by management, but is not required to do so.

The Nominating Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. The Nominating Committee begins by reviewing the individual director assessments of existing directors who are being considered for re-nomination. Current members of the board who have skills and experience that are relevant to the Corporation's business, who are willing to continue to serve and whose director assessment indicates the director has performed well during the most recent term are considered for re-nomination. If any member of the Board being considered for renomination does not wish to serve or if the Nominating Committee decides not to re-nominate a given member, the Nominating Committee identifies the desired skills and experience of a new nominee. The Nominating Committee also considers whether it is necessary or desirable that the nominee be considered independent under the New York Stock Exchange listing standards, and, if so, whether the individual meets the standards for independence. The Nominating Committee may, but is not required to, retain an outside firm to assist in the identification and evaluation of potential nominees.

The Nominating Committee is responsible for reviewing with the Board the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment includes integrity, issues of diversity, age, professional accomplishments, skills such as understanding of marketing, finance, accounting, regulation and public policy, international background, commitment to the Corporation's shared values, etc. all in the context of an assessment of the perceived needs of the Board at a given point in time.

The Corporation's Guidelines on Corporate Governance provide that the Board itself should be responsible, in fact as well as procedure, for selecting its own members. The Board delegates the screening process involved to the Nominating Committee with input from the CEO. Finally, the charter provides that the Nominating Committee is to review and make recommendations to the Board regarding shareholder nominations for election as directors made in accordance with the procedures set forth in Article I, Section 11 of the Corporation's Bylaws which is set forth in Exhibit 2 to this proxy statement. For specific requirements regarding shareholder nominations, please see the discussion immediately below under the heading Shareholder Proposals. There are no differences in the manner in which the Nominating Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder.

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SHAREHOLDER PROPOSALS

To Be Included in the Corporation's Proxy Materials

Any shareholder proposals intended to be considered for inclusion in the proxy materials for the Corporation's 2005 annual meeting of shareholders must be received by the Corporation no later than December 1, 2004. All such proposals should be sent to the Secretary of the Corporation.

To Be Presented In-Person at Shareholder Meetings

Shareholders wishing to propose matters for consideration at a meeting of shareholders or to propose nominees for election as directors must follow the procedures contained in the Corporation's Bylaws. Such procedures include giving notice to the Secretary of the Corporation at least 90 and not more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. However, if and only if the annual meeting is not scheduled to be held within a period that commences thirty (30) days before such anniversary date and end thirty (30) days after such anniversary date (an annual meeting date outside such period being referred to herein as an Other Annual Meeting Date), such shareholder notice shall be given by the close of business on the later of (i) the date ninety days prior to such Other Annual Meeting Date or (ii) the tenth day following the date such Other Annual Meeting Date is first publicly announced or disclosed. Based on the Annual Meeting Date of May 13, 2004, such notice to be considered timely received for the 2005 annual meeting of shareholders must be received on or after January 13, 2005 and on or before February 12, 2005. That notice must include:

the name and address of the proposing shareholder (as it appears on the Corporation's stock records)

a brief description of the business desired to be brought before the meeting

the class and number of shares of the Corporation which are beneficially owned by the proposing shareholder

a description of any interest of such proposing shareholder in the business proposed

There are additional requirements, which may be applicable. The applicable bylaw requirements are set forth in Exhibit 1 on page 50.

In the case of a shareholder-proposed nominee for director, the required notice, in addition to meeting the above notice requirements, must also contain as to each such person:

the name, age, business address and residence address of such person

the principal occupation or employment of such person

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the class and number of shares of the Corporation which are beneficially owned by such person

any other information relating to such person that is required to be disclosed in solicitation of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected)

the qualifications of the nominee to serve as a director of the Corporation

The applicable Bylaw requirements regarding shareholder proposed nominees is set forth in Exhibit 2 on page 51.

In the event any such matter is not brought before the meeting in accordance with the Corporation's Bylaws, the individuals identified on the proxy card may, if the matter will be voted on, vote the shares represented by proxies in their discretion in the manner they believe to be in the best interests of the Corporation. However, the person presiding at a meeting of shareholders (the chairman) is authorized by the Bylaws, if the facts warrant, to determine that the proposed business was not properly brought before the meeting, or was not

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lawful or appropriate for consideration at the meeting or that a nomination for director was not properly made. Upon a declaration of such determination by the chairman, the proposed business shall not be transacted or the defective nomination shall be disregarded, as the case may be. There are additional requirements which may be applicable.

2004 Shareholder Proposals

No shareholder proposals were received for the 2004 Annual Meeting. To the extent permissible, your proxy will be voted in the discretion of the proxy holders with respect to each matter properly brought before the meeting that has not been enumerated in this Proxy Statement or for which no specific direction was given on the proxy card.

COMMUNICATIONS WITH DIRECTORS

The Board provides a process for security holders to send communications to the Board or to the independent directors of the Board. Such communications can be sent to the Corporation at: Lincoln National Corporation, 1500 Market Street, Suite 3900, Centre Square West, Philadelphia, Pennsylvania 19102-2112, Facsimile: 215-448-3215, Attention: Office of the Corporate Secretary. A further description of the process is available on the Corporation's website at www.lfg.com.

ATTENDANCE AT 2003 ANNUAL MEETING

The Board does not have a formal policy regarding attendance by Board members at the Corporation's annual meeting of shareholders, but directors are encouraged to attend the annual meeting of shareholders. All directors attended the 2003 annual meeting of shareholders.

RELATIONSHIP WITH INDEPENDENT AUDITORS

Ernst & Young LLP has been selected by the Board to be the independent auditors to audit the consolidated financial statements of the Corporation for fiscal year 2004. The Corporation has engaged this firm and its predecessors in that capacity continuously since January 17, 1968. Fees incurred by LNC and its affiliates for fiscal year 2002 and 2003 for professional services rendered by Ernst & Young LLP are disclosed above under Principal Accountant Fees and Services. Representatives of Ernst & Young LLP will be present at the Annual Meeting, will be given an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions relating to the audit of the Corporation's 2003 consolidated financial statements.

ANNUAL REPORT

The Corporation's Annual Report to Shareholders for the fiscal year 2003 (which includes a copy of LNC's Form 10-K for 2003) is being mailed simultaneously with this proxy statement (in the same envelope) to shareholders of record at the relevant addresses appearing on the

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Corporation's stock books. **In addition, a printed copy of the Annual Report on Form 10-K will be provided on written request and without charge to any shareholder requesting it. Write to Corporate Secretary, Lincoln National Corporation, 1500 Market Street, Suite 3900, Centre Square West Tower, Philadelphia, Pennsylvania 19102-2112.** In addition, you can access that report and other reports of the Corporation on the SEC's website at www.sec.gov and on the Corporation's website at www.lfg.com.

For the Board of Directors,

C. Suzanne Womack, Secretary
March 31, 2004

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TABLE A

SECURITY OWNERSHIP OF DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS

NAME	AMOUNT OF LNC COMMON STOCK AND NATURE OF BENEFICIAL OWNERSHIP ¹	LNC STOCK UNITS	TOTAL OF LNC COMMON STOCK AND STOCK UNITS
William J. Avery	2,919	3,812	6,731
J. Patrick Barrett	23,861	25,441	49,302
Thomas D. Bell, Jr.	13,861	7,762	21,623
Jon A. Boscia	1,290,920	38,948	1,329,868
Jenne K. Britell	6,367	5,758	12,125
Jude T. Driscoll	63,071	2,418	65,489
John G. Drosdick	8,159	7,327	15,486
John H. Gotta	206,515	3,182	209,697
Eric G. Johnson	10,094	10,926	21,020
M. Leanne Lachman	13,864	23,693	37,557
Michael F. Mee	5,095	5,350	10,455
John M. Pietruski	21,531	9,855	31,386
Ron J. Ponder	9,082	9,130	18,212
Jill S. Ruckelshaus	12,864	6,162	19,026
Westley V. Thompson	136,472	-0-	136,472
Glenn F. Tilton	5,772	3,465	9,237
Richard C. Vaughan	453,607	45,474	499,081
<i>Directors and Executive Officers as a group 25 persons</i>	2,994,904	301,160	3,296,064

¹ Each of these amounts represents less than 1% of the outstanding shares of the Corporation's Common Stock as of February 20, 2004. As to shares beneficially owned, each person has sole voting and investment power except that the following individuals share voting and investment power with another person with respect to the specified number of shares: Mr. Boscia, 29,302 shares. The number of shares which each person named in this table has a right to acquire pursuant to Rule 13d-3(d)(1) is as follows: Mr. Avery, 750 shares; Mr. Barrett, 4,500 shares; Mr. Bell, 4,500 shares; Mr. Boscia, 1,090,817 shares; Ms. Britell, 2,250 shares; Mr. Driscoll, 27,000 shares; Mr. Drosdick, 4,500 shares; Mr. Gotta, 184,000 shares; Mr. Johnson, 4,500 shares; Ms. Lachman, 4,500 shares; Mr. Mee, 2,250 shares; Mr. Pietruski, 9,000 shares; Mr. Ponder, 4,500 shares; Ms. Ruckelshaus, 4,500 shares; Mr. Thompson, 132,450 shares; Mr. Tilton, 2,250 shares; and Mr. Vaughan, 355,750 shares. In addition, the following persons have sole voting power (and no investment power) as to the number of shares indicated: Mr. Avery, 2,169 shares; Mr. Barrett, 8,361 shares; Mr. Bell, 8,361 shares; Mr. Boscia, 0 shares; Ms. Britell, 3,117 shares; Mr. Driscoll, 10,000 shares; Mr. Drosdick, 3,659 shares; Mr. Gotta, 0 shares; Mr. Johnson, 5,549 shares; Ms. Lachman, 8,364 shares; Mr. Mee, 2,845 shares; Mr. Pietruski, 0 shares; Mr. Ponder, 4,582 shares; Ms. Ruckelshaus, 8,364 shares; Mr. Thompson, 0 shares; Mr. Tilton, 2,306 shares; and Mr. Vaughan, 0 shares. In addition, the shares listed above include certain shares over which the individual exercises no formal voting or investment power: Mr. Boscia, 43,302 shares, Mr. Gotta, 16,931 shares, and Mr. Vaughan, 32,436 shares. Finally, of the amount shown above for Mr. Vaughan, 18,020 shares are held through a trust.

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TABLE B

**SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS**

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
	Capital Research and Management Company	14,959,400 shares	
Common	333 South Hope Street Los Angeles, CA 90071	[sole dispositive power 14,959,400 shares; sole voting power 0 shares]	8.4%
	Barclays Private Bank Limited	9,041,172 shares	
Common	59/60 Grosvenor Street London, W1X 9DA England	[sole dispositive power 7,901,843 shares sole voting power 7,890,943 shares]	5.1%

The information set forth in this Table is based solely on a review by the Corporation of Schedules 13G and D filed with the Securities and Exchange Commission and provided to the Corporation by the above named beneficial owners. Information regarding the amount and nature of beneficial ownership is to the best of the Corporation's knowledge, and the percentages have been calculated by the Corporation, as of the record date, February 20, 2004.

Table of Contents**TABLE C****SUMMARY COMPENSATION TABLE**

(a) NAME AND PRINCIPAL POSITION	(b) YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION				
		(c) SALARY (\$)	(d) BONUS ¹ (\$)	(e) OTHER ANNUAL COMPEN- SATION ² (\$)	AWARDS		PAYOUT		(i) ALL OTHER COMPEN- SATION ⁶ (\$)
					(f) RESTRICTED STOCK AWARDS ³ (\$)	(g) SECURITIES UNDERLYING OPTIONS/ SARs ⁴ (#)	(h) LTIP PAYOUT(S) (\$) ⁵		
JON A. BOSCIA	2003	850,000	4,247,571	-0-	-0-	39,393	1,954,287	185,022	
<i>Chairman and CEO</i>	2002	850,000	1,934,855	-0-	-0-	207,964	1,150,659	129,990	
<i>of LNC</i>	2001	850,000	2,100,000	-0-	-0-	188,497	2,339,332	210,941	
RICHARD C. VAUGHAN	2003	515,000	1,545,116	-0-	-0-	15,033	563,657	63,053	
<i>Executive Vice President and CFO of LNC</i>	2002	515,000	703,832	-0-	-0-	50,000	331,858	57,705	
	2001	515,000	666,171	-0-	-0-	53,000	675,420	84,702	
JOHN H. GOTTA	2003	504,807	1,413,604	-0-	-0-	-0-	725,143	40,797	
<i>Executive Vice President of The Lincoln National Life Insurance Company</i>	2002	400,000	822,857	-0-	-0-	55,000	257,600	50,798	
	2001	400,000	310,935	-0-	-0-	50,000	524,683	46,827	
JUDE T. DRISCOLL	2003	442,635	1,457,923	-0-	346,750	-0-	411,429	89,291	
<i>President and CEO, Lincoln National Investment</i>	2002	258,501	-0-	214,218	-0-	-0-	-0-	45,377	
	2001	256,538	-0-	-0-	-0-	36,000	-0-	6,732	

Companies and

Delaware Investments

WESTLEY V.	2003	325,000	1,000,000	-0-	-0-	-0-	303,943	114,316
	2002	325,000	492,792	8,374	-0-	20,000	146,543	17,200
THOMPSON	2001	325,000	348,824	-0-	-0-	23,000	298,576	17,200

President and CEO,

Lincoln Financial

Distributors

- ¹ Includes annual incentive awards for 2003, 2002 and 2001 awarded under the Amended and Restated Lincoln National Corporation Incentive Compensation Plan (ICP).
- ² Perquisites and other personal benefits of the Named Executive Officers did not exceed the lesser of \$50,000 or 10% of the total base salary and annual bonus for the relevant Named Executive Officer during the years reported in the table and, therefore, are not included in the table. Amounts shown for Mr. Driscoll and Mr. Thompson in this column for 2002 include reimbursement for the payment of taxes in connection with their respective relocations during that year.
- ³ The number and aggregate value of restricted stock holdings, including restricted stock units, of the Named Executive Officers as of December 31, 2003, are as follows: Mr. Boscia, 108,056 shares (\$4,362,221); Mr. Vaughan, 38,900 shares (\$1,570,393); Mr. Gotta, 21,022 shares (\$848,658); Mr. Driscoll, 10,390 shares (\$419,444) and Mr. Thompson, 16,243 shares (\$655,730). As of December 31, 2003, the number and value of the aggregate restricted stock holdings (including restricted stock units) of all employees of the Corporation was 335,118 shares representing a total value of \$13,528,714. When the restrictions on restricted stock lapse, dividend equivalents are paid in an amount equal to the dividends that would have been paid during the restricted period had the stock not been restricted during that time.
- ⁴ Amounts shown in this column for 2003 reflect only reload options grants; the details of those grants are described in more detail in Table E (Option/SAR Grants in Last Fiscal Year). In addition, under the 2003-2005 performance cycle under the LTIP, the Named Executive Officers may elect to receive the awards, if any, paid thereunder in cash, restricted stock or stock options, subject to certain adjustments designed to reflect the risk associated with the form of award elected. The

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details of those awards are set forth in Table D. If the performance criteria for the 2003-2005 Performance Cycle are satisfied, the amount and form of awards thereunder will be reflected in the appropriate column in this Table C.

⁵ The amounts shown for 2003, 2002 and 2001 reflect amounts paid out under the performance cycles ended 2003, 2002 and 2001, respectively, established pursuant to the long-term incentive plan (LTIP) adopted by the Compensation Committee under the ICP. More information regarding the LTIP is set forth in the Compensation Committee Report and in Table D. Annual incentive awards made under the ICP for 2003, 2002, and 2001 are reflected in the Bonus column (column d).

⁶ Amounts included in the All Other Compensation column are amounts contributed or accrued for the Named Executive Officers under the Corporation's Employees Savings and Profit-Sharing Plan (the Profit Sharing Plan), the related supplemental savings plans, and similar plans of the Corporation's subsidiaries, and the dollar value of credits for health and life benefits, insurance premiums and insurance termination benefits paid by the Corporation. The amounts contributed to the Profit-Sharing Plan and accrued supplements for fiscal 2003 are as follows: Mr. Boscia, \$68,986, Mr. Vaughan, \$40,961, Mr. Gotta, \$35,137, and Mr. Driscoll, \$30,905. No amounts were contributed for Mr. Thompson with respect to 2003, 2002, and 2001. For Mr. Driscoll in 2002 and 2001, the total profit-sharing amounts were \$28,551 and \$6,732. In addition, Mr. Driscoll, as an employee of Delaware Investments, participates in the Delaware Management Holdings, Inc. Retirement