CERNER CORP /MO/
Form DEF 14A
April 09, 2012
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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

Filed by the Registrant x

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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

CERNER CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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April 9, 2012

Dear Shareholder:

You are cordially invited to attend the Annual Shareholders Meeting of Cerner Corporation to be held at 10:00 a.m., local time, on May 18, 2012, at The Cerner Round auditorium in the Cerner Vision Center, located on the Cerner campus at 2850 Rockcreek Parkway, North Kansas City, Missouri 64117.

Details of the business to be conducted at the Annual Shareholders Meeting are provided in the attached Notice of Annual Shareholders Meeting and Proxy Statement. We will also report on matters of current interest to our shareholders.

We hope you will be able to attend the meeting. However, even if you plan to attend in person, please vote your shares promptly to ensure they are represented at the meeting. You may submit your proxy vote by telephone or Internet as described in the following materials or by completing and signing the enclosed Proxy Card and returning it in the envelope provided. If you decide to attend the meeting and wish to change your proxy vote for shares held in your name, you may do so automatically by voting in person at the meeting.

Promptly voting by telephone or Internet or returning your Proxy Card in the enclosed postage prepaid envelope will help ensure that as many shares as possible are represented.

Very truly yours,

CERNER CORPORATION

Neal L. Patterson

Chairman of the Board of Directors,

Chief Executive Officer and President

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CERNER CORPORATION

2800 ROCKCREEK PARKWAY

NORTH KANSAS CITY, MISSOURI 64117

NOTICE OF ANNUAL SHAREHOLDERS MEETING

MAY 18, 2012

TO OUR SHAREHOLDERS:

The Annual Shareholders Meeting of Cerner Corporation will be held on May 18, 2012, at 10:00 a.m. local time, in The Cerner Round auditorium in the Cerner Vision Center, located at our corporate headquarters, 2850 Rockcreek Parkway, North Kansas City, Missouri 64117, for the following purposes:

1. To elect two Class II Directors: Clifford W. Illig and William B. Neaves, Ph.D. each to serve for a three year term (*see Proposal #1*);

2. The ratification of the appointment of KPMG LLP as the independent registered public accounting firm of Cerner Corporation for 2012 (*see Proposal #2*);

3. To conduct an advisory vote to approve the compensation of our Named Executive Officers (*see Proposal #3*);

4. To consider a shareholder proposal to repeal our classified Board of Directors, if properly presented at the meeting (*see Proposal #4*); and

5. Any other business that may properly come before the Annual Shareholders Meeting or any adjournment thereof.

These items are more fully described in the following pages, which are made part of this notice.

The holder of record of each share of our Common Stock at the close of business on Friday, March 30, 2012 is entitled to receive notice of and to vote at the Annual Shareholders Meeting or any adjournment or postponement of the meeting. Shares of Common Stock can be voted at the Annual Shareholders Meeting only if the holder is present in person or by valid proxy. The Board of Directors of Cerner Corporation solicits you to sign, date and promptly mail the Proxy Card in the enclosed postage prepaid envelope or to vote your shares by telephone or the Internet, regardless of whether you intend to be present at the Annual Shareholders Meeting. You are urged, however, to attend the Annual Shareholders Meeting.

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A copy of our Annual Report to Shareholders, which includes audited consolidated financial statements, is enclosed. The Annual Report is not part of our proxy soliciting material.

BY ORDER OF THE BOARD OF DIRECTORS,

Randy D. Sims

Secretary

You may vote your shares by telephone, via the Internet or by mail by following the instructions on your Proxy Card. If you vote by telephone or via the Internet, you should not return your Proxy Card. If you choose to vote by mail, please sign, date and return the Proxy Card in the envelope provided. The Proxy may be revoked at any time before your shares are voted at the meeting by submitting written notice of revocation to the Secretary of Cerner Corporation or by submitting another timely proxy by telephone, Internet or mail. If you are present at the meeting, you may choose to vote your shares in person, and the Proxy will not be used. If you hold shares through a broker or other custodian, please check the voting instructions used by that broker or custodian.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholders Meeting to be Held on May 18, 2012: The 2012 Proxy Statement and 2011 Annual Report to Shareholders are available at www.cerner.com under About Cerner, Investor Relations, Financial Information, Proxy Materials.

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PROXY STATEMENT

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CERNER CORPORATION

2800 ROCKCREEK PARKWAY

NORTH KANSAS CITY, MISSOURI 64117

PROXY STATEMENT

2012 ANNUAL SHAREHOLDERS MEETING

MAY 18, 2012

This Proxy Statement, which is being mailed on or about April 9, 2012, is furnished to you in connection with the solicitation of proxies by the Board of Directors (the Board) of Cerner Corporation, a Delaware corporation (Cerner, the Company, us, our or we), for use at the Annua Shareholders Meeting of the Company to be held on May 18, 2012, commencing at 10:00 a.m., local time, at The Cerner Round Auditorium in the Cerner Vision Center, located on the Cerner campus at 2850 Rockcreek Parkway, North Kansas City, Missouri 64117, and any adjournment thereof. Your vote is very important. For this reason, the Board is requesting that you allow your Common Stock to be represented at the Annual Shareholders Meeting by the persons named as proxies on the Proxy Card.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Who can vote? You are entitled to vote your outstanding shares of common stock, par value $.01 per share, of the Company (Common Stock) if our records show that you held your shares as of the close of business on Friday, March 30, 2012, the record date for our meeting. At the close of business on that date, 170,143,442 shares of Common Stock were outstanding and entitled to vote. Each share of Common Stock is entitled to one vote. The Proxy Card shows the number of shares that you are entitled to vote. Your individual vote is confidential and will not be disclosed to third parties.

How do I vote? If your Common Stock is held by a broker, bank or other nominee (i.e., in street name), you will receive instructions from the broker, bank or other nominee that you must follow in order to have your shares voted. The Proxy Card contains voting instructions.

If you hold your shares in your own name (i.e., as a holder of record), you may vote your shares by mail, by telephone, over the Internet or in person. **PLEASE CHOOSE ONLY ONE OF THE FOLLOWING:**

1. **By Mail:** To vote by mail, you may instruct the persons named as proxies how to vote your Common Stock by signing, dating and mailing the Proxy Card in the envelope provided. If you mail your Proxy Card, we must receive it before 10:00 a.m. (CT) on Friday, May 18, 2012, the day of the Annual Shareholders Meeting.

If you are returning your Proxy Card to Broadridge Financial Solutions, Inc., they must receive it before 10:00 a.m. (ET) on Thursday, May 17, 2012, the day before the Annual Shareholders Meeting.

2. **By Telephone:** You may vote by telephone 24 hours a day, 7 days a week until 11:59 p.m. (ET) on May 17, 2012. If you are in the United States or Canada, you may call toll-free 1 (800) 690-6903.

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In order to vote by telephone, you need the control number on your Proxy Card. Each shareholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting. If you use the telephone voting system, you do not need to return your Proxy Card.

3. **By Internet:** The website for voting is at http://www.ProxyVote.com. You may vote via the Internet 24 hours a day, 7 days a week until 11:59 p.m. (ET) on May 17, 2012.

In order to vote on the Internet, you need the control number on your Proxy Card. Each shareholder has a unique control number so we can ensure all voting instructions are genuine and prevent duplicate voting. If you use the Internet voting system, you do not need to return your Proxy Card.

4. **In Person:** Of course, you can always come to the meeting and vote your shares in person. You can vote by any of the three methods above prior to the meeting and still attend the Annual Shareholders Meeting. In all cases, a vote at the Annual Shareholders Meeting will revoke any prior votes.

Depending on the number of accounts in which you hold Common Stock, you may receive and need to vote more than one control number.

How may I revoke or change my proxy instructions?

If you vote your shares, and later desire to revoke or change your vote (prior to the Annual Shareholders Meeting), you may revoke and then change your initial proxy instructions by any of the following procedures:

1. Send us another signed proxy with a later date that we receive before 10:00 a.m. (CT) on Friday, May 18, 2012;

2. Follow the telephone or Internet voting instructions on how to revoke or change your vote by logging in and resubmitting your vote;

3. Send a letter revoking your proxy to our Corporate Secretary that is received before 10:00 a.m. (CT) on Friday, May 18, 2012; or

4. Attend the Annual Shareholders Meeting and vote your shares in person.

How are votes counted?

The Annual Shareholders Meeting will be held if a majority of our outstanding shares entitled to vote is represented at the meeting. If you have returned valid proxy instructions or attend the meeting in person, your shares will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the meeting. If a quorum is not present, the Annual Shareholders Meeting may be adjourned from time to time until a quorum is obtained.

If you give us a proxy without giving specific voting instructions, your shares will be voted by the persons named as proxies as recommended by the Board. We are not aware of any other matters to be presented at the Annual Shareholders Meeting except for those described in this Proxy Statement. However, if any other matters not described in this Proxy Statement are properly presented at the meeting, the persons named as proxies will use their own judgment to determine how to vote your shares. If the meeting is adjourned, your shares may be voted by the persons named as proxies on the new meeting date as well, unless you have revoked your proxy instructions prior to that time. All votes will be tabulated by two independent individuals appointed by the Board as Inspectors of Election.

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What is a broker non-vote?

A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or other nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Shareholders Meeting, if such shares are otherwise properly represented at the meeting in person or by proxy. Broker non-votes are not counted for purposes of determining the number of shares entitled to vote on any proposal for which the broker or other nominee lacks discretionary authority.

If you are a beneficial shareholder and your broker holds your shares in its name, the broker is permitted to vote your shares on the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm, even if the broker does not receive voting instructions from you.

Brokers do not have discretionary voting rights with respect to all other voting items: the election of Directors *(Proposal #1)*, the advisory vote to approve the compensation of our Named Executive Officers *(Proposal #3)* and the consideration of the shareholder proposal to declassify our Board *(Proposal #4)*; therefore, if you do not instruct your broker on how you would like your shares voted with respect to the individuals nominated for election this year or the other proposals referenced above, your shares will not be voted.

May I attend the Annual Shareholders Meeting?

If you were a holder of record on the record date, Friday, March 30, 2012, you may attend and vote at the Annual Shareholders Meeting. If you plan to attend the Annual Shareholders Meeting, please indicate this when you vote. If you want to vote in person any shares you hold in street name, you must get a proxy in your name from your bank or broker.

What vote is required?

In an uncontested Director election, such as this one, the favorable vote of a majority of the votes cast, in person or by proxy, is required for the election of Directors *(Proposal #1)*. Therefore, if you elect to Abstain from voting for any nominee, such action will be counted as a vote against the nominee; however, if you do not: a) vote for a nominee on your Proxy Card or b) instruct your broker how to vote for the election of Directors, then your vote will not count for or against such nominee. No shareholder may vote in person or by proxy for more than two nominees at the Annual Shareholders Meeting. Shareholders do not have cumulative voting rights in the election of Directors.

The favorable vote of a majority of the shares present in person or by proxy and entitled to vote will be required for:

the ratification of the appointment of KPMG LLP as our independent registered public accounting firm (*Proposal #2*);

the approval, on an advisory basis, of the compensation of our Named Executive Officers (*Proposal #3*);

the approval of the shareholder proposal to declassify our Board (*Proposal #4*); and

any other proposal that might properly come before the meeting.

With respect to *Proposal #3* (the advisory say-on-pay vote on executive compensation), the results of this vote are not binding on the Board, whether or not any resolution is passed at the Annual Shareholders Meeting. In evaluating the shareholder vote on this advisory resolution, the Board will consider the voting results in their entirety.

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With respect to Proposal #4 (the shareholder proposal urging the Board to take all necessary steps to eliminate the classification of our Board), the declassification of the Board of Directors will not become effective unless our Second Amended and Restated Certificate of Incorporation (the Restated Certificate) is amended, which would require a resolution by our Board to adopt an amendment followed by the approval of 80% of the shares of our Common Stock outstanding. If approved, the Board will consider the voting results in their entirety.

Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining whether a quorum exists. Abstentions are treated as votes Against Proposal #s 2, 3 and 4. Brokers may use their discretionary voting authority only with respect to the ratification of our independent registered public accounting firm (Proposal #2), but not with respect to the remaining items.

How does the Board recommend that I vote?

The Board recommends a vote:

FOR all nominees for Director (*Proposal #1)*;

FOR the ratification of the appointment of KMPG LLP as the independent registered public accounting firm of the Company for 2012 (*Proposal #2*);

FOR the approval, on an advisory basis, of the compensation of our Named Executive Officers (*Proposal #3*); and

AGAINST the shareholder proposal to declassify our Board of Directors (*Proposal #4*).

Who pays the cost of this proxy solicitation?

We will bear all costs of solicitation of proxies. We will solicit proxies by mail, except for any incidental personal solicitation made by our Directors, officers and associates (employees), for which they will not be paid. We will request brokers, banks, custodians and other fiduciaries to forward proxy soliciting materials to the beneficial owners of stock they hold of record. We will reimburse them for their reasonable out-of-pocket expenses incurred in connection with the distribution of the proxy materials.

Who should I call if I have questions?

If you have questions about the Annual Shareholders Meeting or voting, please call our Corporate Secretary, Randy Sims, at (816) 201-1024.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholders Meeting to be Held on May 18, 2012: The 2012 Proxy Statement and 2011 Annual Report to Shareholders are available at www.cerner.com under About Cerner, Investor Relations, Financial Information, Proxy Materials & Annual Reports.

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INFORMATION CONCERNING DIRECTORS

Our Bylaws currently provide for a Board consisting of eight persons, divided into three classes serving staggered terms of three years.

The terms of our two Class II Directors will expire at this year s Annual Shareholders Meeting. Each of the current Class II Directors has been recommended by our Nominating, Governance & Public Policy (NG&PP) Committee for re-election and has been nominated by our Board. Those elected as Class II Directors this year will serve as Directors until the 2015 annual meeting. The terms of the Class I and Class III Directors will expire at the 2014 and 2013 annual meetings, respectively.

The Board has determined that all six current non-employee members of the Board are independent Directors as required by the Securities and Exchange Commission (SEC) and The NASDAQ Stock Market. The names and biographies of the Company s current Directors, including those individuals nominated for re-election as Class II Directors, are set forth below.

CLASS I

John C. Danforth (Age 75) Member of the: Compensation Committee Nominating, Governance & Public Policy Committee	Mr. Danforth was a Director of the Company from May 1996 through June 2004 when he resigned to serve as Ambassador to the United Nations. Mr. Danforth served as an Ambassador to the United Nations from July 2004 through January 2005. Mr. Danforth was re-appointed by the Board as a Director of the Company in February 2005. Mr. Danforth represented the State of Missouri in the U.S. Senate for 18 years until 1995 and served as a Director of The Dow Chemical Company and MetLife, Inc. until June 2004. Mr. Danforth is presently a partner in the law firm of Bryan Cave LLP, an advisory member of the Board of Trustees of Eisenhower Medical Center, on the commission on Presidential Debates and a Director of Greenhill & Co.
	The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Danforth should serve as a Director: his government and public policy professional background and experience, current and previously held leadership positions, his service on other public and private company boards, Cerner board experience, board attendance and participation, and his extensive experience with health care related companies and policies.
Neal L. Patterson (Age 62)	Mr. Patterson has been a Director of the Company since 1980 and is a co-founder of the Company. Mr. Patterson has been Chairman of the Board of Directors and Chief Executive Officer of the Company for more than five years. Mr. Patterson has served as President of the Company since July 2010, a position he also held from March 1999 until August 1999.
	The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Patterson should serve as a Director: his entrepreneurial and leadership skills and proven visionary leadership while serving as the Company s Chief Executive Officer and Chairman, his information technology expertise and his extensive knowledge and understanding of the Company s business, operations, solutions and services.
William D. Zollars (Age 64) Member of the:	Mr. Zollars has been a Director of the Company since May 2005. He is the former Chairman, President and Chief Executive Officer of YRC Worldwide (now known as YRC Freight), which position he held from November 1999 to July 2011. YRC Worldwide provides transportation and global logistics services. Mr. Zollars served as President of Yellow Transportation, Inc. from September 1996 through November 1999. From 1994 to 1996, Mr. Zollars was Senior Vice President of Ryder Integrated Logistics, and prior to that, Mr. Zollars held various executive positions with Eastman Kodak. Mr. Zollars serves on the boards of CIGNA Corporation and Prologis, Inc. Mr.

Audit Committee Compensation Committee Nominating, Governance & Public Policy Committee	Zollars also serves on the boards of United Way of Greater Kansas City and The Carlson School of Management at the University of Minnesota.

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The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Zollars should serve as a Director: his professional background and experience in senior-executive leadership positions at public companies, his service on other public and private company boards, Cerner board experience, board attendance and participation, and his extensive experience with large employers, industry usage of information technology and his extensive understanding of strategic planning, tactical business decision making, risk management and corporate financial statements.

CLASS II

Clifford W. Illig

(Age 61)

Mr. Illig has been a Director of the Company since 1980 and is a co-founder of the Company. He was appointed Vice Chairman of the Board of Directors in March 1999. Mr. Illig previously served as Chief Operating Officer of the Company until October 1998 and as President of the Company until March 1999. Mr. Illig is also a member of the Board of Directors of The Stowers Institute.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Mr. Illig should serve and be nominated as a Director: his leadership skills acquired while serving as the Company s Vice Chairman of the Board, former President and former Chief Operating Officer, his information technology expertise and his extensive knowledge and understanding of the Company s business, operations, solutions and services.

William B. Neaves, Ph.D.

(Age 68)

Member of the:

Audit Committee

Compensation Committee

Nominating, Governance & Public Policy Committee (Chairperson)

Dr. Neaves has been a Director of the Company since March 2001. From June 2000 through June 2010, Dr. Neaves served as the Chief Executive Officer and as a member of the Board of Directors of The Stowers Institute for Medical Research, which conducts basic research on genes and proteins that control fundamental processes in living cells in the hope of unlocking the mysteries of disease and finding keys to their cause, treatment and prevention. Dr. Neaves continues as a member of the Board of Directors of The Stowers Institute in his current position as President Emeritus. He also served as President of The Stowers Institute from June 2000 through July 2009. For twenty years prior to joining The Stowers Institute in 2000, he served in various leadership positions at the University of Texas Southwestern Medical Center in Dallas, Texas. He served in succession as Dean of the University of Texas Southwestern Graduate School, Dean of the University of Texas Southwestern Medical School, and Chief Academic Officer and holder of the Wildenthal Distinguished Chair in Biomedical Science at the University of Texas Southwestern Medical Center. Dr. Neaves is presently a member of the Board of Trustees of Washington University in St. Louis and the National Council of the Washington University School of Medicine and a Fellow of the American Academy of Arts & Sciences.

The following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Neaves should serve and be nominated as a Director: his medical and science-based professional background and experience, current and previously held leadership positions at privately funded research institutions and academic institutions, his service on other research-related and academic boards, Cerner board experience, board attendance and participation, and his extensive experience with genomics, health care research and corporate financial statements.

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CLASS III

Gerald E. Bisbee, Jr., Ph.D. (Age 69) Member of the: Audit Committee (Chairperson) Compensation Committee Nominating, Governance & Public Policy Committee	Dr. Bisbee has been a Director of the Company since February 1988. Dr. Bisbee is the co-founder, Chairman and Chief Executive Officer of The Health Management Academy, which provides an open environment for the senior executives of the country s largest health systems and corporations to exchange best practices and benchmarking data, focused on increasing the quality, appropriateness and efficiency of care. From 1998 to September 2011, Dr. Bisbee was President, Chief Executive Officer and Chairman of the Board of Directors of ReGen Biologics, Inc. (ReGen), which develops, manufactures and markets orthopedic tissue repair products worldwide. Dr. Bisbee was a Director of Aros Corporation (formerly known as APACHE Medical Systems, Inc.) commencing in December 1989, serving as Chairman of the Board from December 1989 to November 1997 and from December 2000 to June 2002, when ReGen and Aros Corporation merged. ReGen filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2011 and substantially all of the business and assets of ReGen were purchased by Sports Medicine Holdings Company, LLC in June 2011. Prior to 1989, Dr. Bisbee was Director of the Healthcare Group at Kidder, Peabody & Co., President of the Hospital Research and Educational Trust and also was a faculty member of the Department of Epidemiology and Public Health at Yale University. The following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Bisbee should serve as a Director: his medical, financial and health care-based professional background and experience, current and previously held leadership positions in medical and health care-related entities, his service on other research-related and academic boards, Cerner board experience, board attendance and participation, his extensive experience with health care research and specialized expertise in public company accounting and mergers and acquisitions.

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Denis A. Cortese, M.D.

(Age 68)

Member of the:

Audit Committee

Compensation Committee

Dr. Cortese has been a Director of the Company since May 2011. Dr. Cortese is currently the Emeritus President and Chief Executive Officer of Mayo Clinic, which is a not-for-profit medical practice and medical research group specializing in treating difficult medical issues. From 2002 through November 2009, Dr. Cortese was the President, Chief Executive Officer and Chairman of the Board of Governors and a Member of the Board of Trustees of Mayo Clinic. Dr. Cortese was also the Chief Executive Officer of Mayo Clinic in Jacksonville, Florida from 1999 through 2002 and worked as a physician for the Mayo Clinic from 1976 through 1999. Since January 2010, Dr. Cortese has been a Foundation Professor at Arizona State University (ASU) in the School of Health Management and Policy, W.P. Carey School of Business and the Department of Biomedical Informatics, Ira A. Fulton School of Engineering, as well as the Director of ASU s Health Care Delivery and Policy Program. He is also the President of the newly launched Healthcare Transformation Institute based in Phoenix, Arizona. Dr. Cortese is currently a board member of the Essence Group, Pinnacle West Capital Corporation and RAND Health, and a member of the Institute of Medicine of the National Academy of Sciences (U.S.). Dr. Cortese was the chair of the Institute of Medicine s Roundtable on Evidence-Based Medicine from 2006 to 2009, and since 2009, he has served as chair of the Roundtable on Value & Science-Driven Health Care. He was a member of the Board of the Healthcare Leadership Council from 2003 to 2009, serving as board chair for two of those years. Dr. Cortese previously served as a member of the Harvard/Kennedy Health Policy Group and the Division of Engineering and Physical Sciences of the National Research Council. He is an honorary member of the Academia Nacional de Medicina (Mexico) and the Royal College of Physicians (London).

The following experience, qualifications, attributes and/or skills led the Board to conclude that Dr. Cortese should serve as a Director: his medical and science-based professional background and experience, his current and previously held senior-executive level leadership positions at academic institutions and at a world-renowned health care enterprise, his service on research-related and academic boards, his extensive knowledge of and experience with internal medicine and pulmonary diseases, health care leadership and health care information technology.

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Linda M. Dillman (Age 55) Member of the: Audit Committee Compensation Committee (Chairperson)	Ms. Dillman has been a Director of the Company since May 2010. Since January 2012, she has been Chief Information Officer for QVC, Inc., one of the largest multimedia retailers in the world, broadcasting live 24 hours a day, 364 days a year. Prior to joining QVC, Inc., Ms. Dillman was Senior Vice President of Enterprise Services/Global Functions IT for Hewlett-Packard Company, a leading global provider of products, technologies, software, solutions and services to individual consumers, small- and medium-sized businesses and large enterprises, including customers in the government, health and education sectors, from August 2009 through January 2012. From April 2006 through July 2009, Ms. Dillman was Executive Vice President of Benefits and Risk Management for Wal-Mart Stores, Inc., and prior to that, from August 2002 to April 2006, she held the position of Executive Vice President and Chief Information Officer of Wal-Mart Stores, Inc. She held various positions within Wal-Mart Stores, Inc. from 1991-2002. The following experience, qualifications, attributes and/or skills led the Board to conclude that Ms. Dillman should serve as a Director: her professional background and experience, current and previously held senior-executive level leadership positions at public companies and her extensive knowledge of information technology, human resources and health care insurance and health care plans for large employers.

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MEETINGS OF THE BOARD AND COMMITTEES

The Board has established Audit, Compensation and Nominating, Governance & Public Policy Committees. The Board has adopted a written charter for each of these Committees. The full text of each charter and the Company s Corporate Governance Guidelines are available on our website located at www.cerner.com under About Cerner, Leadership. The Board does not have an Executive Committee. During 2011, the Board held four regular meetings, the Audit Committee held eight meetings, the Compensation Committee held two meetings and the NG&PP Committee held three meetings. Each current Director attended at least 75% of the aggregate of the total meetings of the Board and the Board Committees on which the Director served during the fiscal year.

The Board has determined that all of the current non-employee Directors on each of the Board s three standing Committees, including the non-employee Director nominee nominated as a Class II Director, are independent as defined under the rules of The NASDAQ Stock Market, including, in the case of all current and proposed members of the Audit Committee, the additional independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Under applicable NASDAQ rules, a Director of the Company will only qualify as an independent director if, in the opinion of the Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. The Board has determined that none of the current non-employee Directors (including the non-employee Director nominee nominated for election as a Class II Director) has a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director and that each of the following current Directors (including the non-employee Director nominee) are independent as defined under Rule 5605 (a)(2) of The NASDAQ Stock Market Marketplace Rules: Gerald E. Bisbee, Jr., Ph.D.; Denis A. Cortese, M.D.; John C. Danforth; Linda M. Dillman; William B. Neaves, Ph.D.; and William D. Zollars. The independence determination is made by the full Board each May based on all available facts and circumstances of each Director. The independence finding is also reviewed and confirmed by the Company s Chief Legal Officer, Chief Financial Officer and outside legal counsel.

Pursuant to the Company s Corporate Governance Guidelines, all individuals nominated for election as Class II Directors are expected to attend the Annual Shareholders Meeting. All other Directors, barring unforeseen circumstances, are expected to attend the Annual Shareholders Meeting as well. All of our current Directors, including the Class II Directors nominated for re-election this year, attended the 2011 Annual Shareholders Meeting.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities with respect to our accounting and financial reporting practices, and in addressing the scope and expense of audit and related services provided by our independent registered public accounting firm. The Audit Committee has the authority to obtain advice and assistance from and receive appropriate funding from the Company for outside legal, accounting or other advisors as the Audit Committee deems necessary to carry out its duties. The Board has determined that the composition of the Audit Committee, the attributes of its members and the responsibilities of the Audit Committee, as reflected in its charter, are in accordance with applicable SEC rules and The NASDAQ Stock Market Marketplace Rules for audit committees. In particular, all Audit Committee members possess the required level of financial literacy, at least one member of the Audit Committee meets the current standard of requisite financial management expertise and the Board has determined that Gerald E. Bisbee, Jr., Ph.D., the Chairperson of the Audit Committee, is an audit committee financial expert as defined in Item 407(d)(5) of Regulation S-K of the Securities Act of 1933.

Compensation Committee

The Compensation Committee s primary responsibilities are to review and approve our compensation policies and practices, establish compensation for Directors, evaluate our Chief Executive Officer s performance and establish compensation accordingly, review and approve the total compensation of our Section 16 Officers, review and approve executive Performance-Based Compensation Plan targets and earned payouts and equity stock grants to our Section 16 Officers and adopt and approve major changes in our benefit plans and compensation philosophy.

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The Compensation Committee of the Board is currently comprised of six Directors. Each member of the Compensation Committee is an independent director as defined by The NASDAQ Stock Market Marketplace Rules applicable to issuers such as the Company that have shares listed on The NASDAQ Global Select Market. Compensation Committee membership is reviewed annually by the Company s NG&PP Committee, which then recommends the Compensation Committee membership to the full Board. Compensation Committee members are approved by the full Board each May.

The Compensation Committee meeting dates are reviewed and approved by the entire Compensation Committee, in an effort to ensure attendance, and Compensation Committee agendas are reviewed and approved prior to distribution to the rest of the Compensation Committee by the Compensation Committee Chairperson.

The Compensation Committee has a Charter that is available on our website located at: www.cerner.com under About Cerner, Leadership, Compensation Committee. The Charter is reviewed by the Compensation Committee annually in March and any recommended amendments to the Charter are considered for approval by the full Board of Directors. The Compensation Committee s Charter was last reviewed in March 2012. The Compensation Committee s scope of authority is as set forth in its Charter. The Compensation Committee has delegated its authority as follows and as approved by the Board:

Section 16 Insider Equity and Incentive Compensation Subcommittee this subcommittee of the Compensation Committee is appointed annually and consists of outside directors for purposes of Section 162(m) of the Internal Revenue Code and non-employee directors for purposes of 16b-3 promulgated under the Exchange Act. It has authority to review recommendations and approve equity grants and incentive-based compensation (targets, metrics and payments) of our Section 16 officers,

Equity-based Grant Policy Quarterly Administration Subcommittee this subcommittee of the Compensation Committee currently consists of the Chairperson of the Compensation Committee and has authority to ensure timely administration of the Equity-based Grant Policy for matters that require action between regularly scheduled Compensation Committee meetings. The Equity-based Grant Policy Quarterly Administration Subcommittee reports to the full Compensation Committee at the next Compensation Committee meeting on any action approved by such subcommittee,

Incentive Compensation Plan Quarterly Administration Subcommittee this subcommittee of the Compensation Committee currently consists of the Chairperson of the Compensation Committee and has authority to ensure timely administration of the Performance-Based Compensation Plan for matters that require action between regularly scheduled Compensation Committee meetings. The Incentive Compensation Plan Quarterly Administration Subcommittee reports to the full Compensation Committee at the next Compensation Committee meeting on any action approved by such subcommittee, and

Foundations Retirement Plan Administrative and Investment Committee this committee currently consists of the Chief Financial Officer, Chief People Officer, Vice President, Compensation & Benefits and one other corporate executive named by the first three members. The committee has authority to: i) select, monitor and manage our 401(k) retirement plan s (the Plan) third party administrator, record keeper, custodian and trustee, ii) monitor the Plan s reporting to the IRS and Department of Labor, the Plan s ERISA compliance, Plan audits and the payment of Plan expenses, iii) monitor and evaluate disclosures by the Plan to participants and beneficiaries, iv) ensure maintenance of fiduciary liability insurance coverage and the ERISA fidelity bond coverage, v) research and recommend Plan amendments, vi) adopt, review and carry-out investment policies and objectives for the Plan, vii) review and select the investment options offered under the Plan, viii) select and monitor the Plan s investment managers and fund providers, ix) supervise, monitor and evaluate the performance of the investment options offered under the Plan, x) periodically review the Plan s investment performance as a whole and xi) retain independent outside consultants.

Compensation Consultant

The Compensation Committee was advised in 2011 by a compensation consultant, Deloitte Consulting, who has no other role with Cerner other than to advise the Compensation Committee. The Compensation Committee has engaged Semler Brossy as its compensation consultant for 2012. Similar to Deloitte Consulting, Semler Brossy has no other role with Cerner other than to advise the Compensation Committee. See Compensation Discussion and Analysis Compensation Strategy and Objectives.

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Relationship between Compensation and Risk Management

In 2011, the Compensation Committee utilized Cerner s internal Enterprise Risk Management (ERM) team to perform a review of the Company s 2011 incentive compensation arrangements. More specifically, the ERM team reviewed the policies and processes of incentive compensation arrangements for associates, including the Section 16 officers, assessed the overall design of and execution by management of 15 incentive compensation agreements from 2011, and identified the risks posed from an associate behavior perspective. The scope of the review was based on incentive compensation arrangements that provided the highest aggregate incentive dollars for 2011. The Compensation Committee assessed the ERM team summary and concluded that our incentive compensation arrangements, coupled with internal controls and policies, do not encourage associates to: i) take excessive risks that are likely to cause material adverse harm to the Company or ii) manipulate performance in order to increase incentive award payouts.

Specifically, the Compensation Committee noted a number of design features of our cash incentive program that mitigate risk, including:

- stock ownership guidelines for executives may reduce the risk of executives making decisions that benefit them in the short-term at the expense of the Company s long-term performance;
- the design of annual incentives provides for the taking of a reasonable amount of risk in order to provide upside incentive compensation opportunity, while a payout cap on the incentives reduces risk by limiting the amount of short-term compensation that may be earned;
- incentive goals are established using a rigorous and time-tested process and are tied to the Company s annual budget;
- incentive plan metrics and goals for Section 16 officers are approved by the Compensation Committee within the first 90 days of each year and goals are not altered during the performance cycle;
- the Company has a rigorous verification and review process to calculate the performance of each incentive plan; and
- the Company has a compensation recovery policy that applies to all associates receiving cash incentives.

Nominating, Governance & Public Policy Committee

The NG&PP Committee provides assistance and recommendations to the Board and the Chairman and Chief Executive Officer of the Company in the areas of: i) Board membership nomination, ii) committee membership selection and rotation practices, iii) evaluation of the overall effectiveness of the Board, iv) review and consideration of developments in corporate governance practices and v) review and consideration of current and emerging political, corporate citizenship and public policy issues that may affect our business operations, performance or public image. The Chairperson of the NG&PP Committee presides at all executive session meetings of the independent Directors.

DIRECTOR COMPENSATION

For the 2011-2012 Board year (May 2011 May 2012), non-employee Directors received an annual cash retainer of $66,000. In addition, each Committee Chairperson received an additional annual cash retainer as follows: $22,500 for the Audit Committee Chairperson, $12,500 for the Compensation Committee Chairperson and $10,000 for the NG&PP Committee Chairperson. Each member of the Audit Committee (excluding the Chairperson) received an additional annual cash retainer of $10,000. The Directors are not paid meeting fees. All cash retainers as disclosed above are paid in quarterly installments at each Board meeting. During the 2011-2012 Board year, the sole exception to the payments discussed above was with respect to Mr. Danforth, who was entitled to receive $66,000 cash compensation based on the above described annual cash retainer; however, in lieu of cash, Mr. Danforth is entitled to take his compensation in the form of personal use of planes owned by or under contract with the Company, in accordance with our policies on personal use of such aircraft.

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Each non-employee Director also receives a grant of restricted stock of the Company for each year of service on the Board. The equity component of the Board compensation package is based on a target dollar amount, not a fixed share amount (in order to avoid unintended compensation fluctuations based on stock price fluctuations, stock-splits, combination or other changes in the number or type of the Company s shares outstanding). The target for the equity compensation component of the total annual Board compensation package for the May 2011 to May 2012 Board service period was set at approximately $190,000. In May 2011, pursuant to the Board equity compensation program, 3,200 shares of restricted stock (which has been adjusted for the 2-for-1 stock split effective June 27, 2011) of the Company were granted to each of the then-current non-employee Directors: Dr. Bisbee, Dr. Cortese, Mr. Danforth, Ms. Dillman, Dr. Neaves and Mr. Zollars, respectively. These restricted stock grants will vest in May 2012 at the completion of each respective Director s one year of service to the Board.

Additionally, under the Board equity compensation program, each non-employee Director that is newly appointed or elected to the Board receives an initial grant of shares of restricted stock of the Company with a value equal to the annual equity grant value as discussed above, with a ratable vesting over three years. Dr. Cortese was eligible to receive an initial appointment/election grant of shares of restricted stock in May 2011 when he was first elected to the Board; therefore, on May 27, 2011, Dr. Cortese was awarded an additional 3,200 shares of restricted stock (which has been adjusted for the 2-for-1 stock split effective June 27, 2011) of the Company, which restricted shares will vest ratably over the three year term of his Board position.

The Directors are subject to the same Stock Ownership Guidelines that apply to the Company s officers. The guidelines are further discussed in the Compensation Discussion and Analysis section below. As of January 1, 2012, at the annual measurement date, all non-employee Directors were in compliance with these guidelines.

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The following table contains information regarding the compensation earned by non-employee Directors during 2011.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Gerald E. Bisbee, Jr., Ph.D.	88,500	192,448					280,948
Denis A. Cortese, M.D.	38,000	384,896(4)					422,896
John C. Danforth	66,000(3)	192,448					258,448
Linda M. Dillman	88,500	192,448					280,948
William B. Neaves, Ph.D.	86,000	192,448					278,448
William D. Zollars	76,000	192,448					268,448

(1) These amounts reflect the fair value of the award on the grant date and have been adjusted for the 2-for-1 stock split effective June 27, 2011. As of December 31, 2011, each then-current non-employee Director had the following number of restricted stock awards outstanding: Gerald E. Bisbee, Jr., Ph.D., 3,200; Denis A. Cortese, M.D., 6,400; John C. Danforth, 3,200; Linda M. Dillman, 5,868; William B. Neaves, Ph.D., 3,200; and William D. Zollars, 3,200.

(2) As of December 31, 2011, each non-employee Director had the following number of stock options outstanding: Gerald E. Bisbee, Jr., Ph.D., 0; Denis A. Cortese, M.D., 0; John C. Danforth, 0; Linda M. Dillman, 0; William B. Neaves, Ph.D., 48,000; and William D. Zollars, 0.

(3) Amount reflects value of personal use of corporate aircraft (owned by or under contract with the Company, in accordance with our policies on personal use of such aircraft) and unused amounts paid out in cash as of year-end.

(4) Denis A. Cortese, M.D. received a grant of 3,200 shares of restricted stock, valued at $192,448 for the Board service year of May 2011 to May 2012, and he also received a grant of 3,200 shares of restricted stock valued at $192,448 related to his first time election to the Board in May 2011. Both grants have been adjusted for the stock-split.

AUDIT COMMITTEE REPORT

Notwithstanding anything to the contrary set forth in any of the Company s filings under the Securities Act of 1933 or the Exchange Act, the following report of the Audit Committee shall not be incorporated by reference into any such filings and shall not otherwise be deemed to be soliciting material or filed under such Acts.

The Audit Committee of the Company is currently composed of five independent members of the Board (all of whom have been determined by the Board to meet the independence requirements of the SEC and The NASDAQ Stock Market) and operates under a written charter adopted by the Board that is available on our website, www.cerner.com at About Cerner, Leadership, Audit Committee. The Audit Committee appoints and retains the Company s independent registered public accounting firm. The selection is subsequently submitted to the shareholders of the Company for ratification.

Management is responsible for the Company s internal controls and the financial reporting process. The Company s independent registered public accounting firm, KPMG LLP, is responsible for performing an independent audit of the Company s consolidated financial statements and issuing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles and on the effectiveness of the Company s internal control over financial reporting. The Audit Committee s responsibility is to monitor and oversee these processes and to report to the Board on its findings.

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In this context, the Audit Committee has met and held discussions with management and the Company s independent registered public accounting firm. Management represented to the Audit Committee that the Company s consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the Company s independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Company s independent registered public accounting firm also provided to the Audit Committee the written disclosures and letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and the Audit Committee has discussed with the independent registered public accounting firm that firm s independence.

Based upon the Audit Committee s discussions with management and the independent registered public accounting firm and the Audit Committee s review of the audited financial statements, the representation of management and the report of the independent registered public accounting firm to the Audit Committee, the Audit Committee recommended that the Board include the audited consolidated financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

Members of the Audit Committee:

Gerald E. Bisbee, Jr., Ph.D.

Denis A. Cortese, M.D.

Linda M. Dillman

William B. Neaves, Ph.D.

William D. Zollars

Guidelines of Cerner Corporation s Audit Committee

for Pre-Approval of Independent Auditor Services

The Audit Committee has adopted guidelines regarding the engagement of our independent registered public accounting firm to perform services for the Company. For audit services (including statutory audit engagements as required under local country laws) and audit-related services, the independent auditor will provide the Audit Committee with an engagement letter during the first quarter of each year outlining the scope of audit and audit-related services proposed to be performed during the fiscal year. If agreed to by the Audit Committee, this engagement letter will be formally accepted by the Audit Committee at either its March or May meeting. The Audit Committee will approve, if necessary, any changes in the terms, conditions and fees resulting from changes in audit scope, Company structure or other matters.

The independent registered public accounting firm will submit to the Audit Committee for approval an audit services fee proposal with the engagement letter.

For any permissible non-audit services, the independent registered public accounting firm will provide the Audit Committee with a detailed scope of service description and fee range. Each non-audit service must be separately pre-approved by the Audit Committee. Our management and the independent registered public accounting firm will each confirm to the Audit Committee that any non-audit services for which pre-approval is requested are permissible under all applicable legal requirements.

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To ensure prompt handling of unexpected matters, the Chairperson of the Audit Committee is appointed to amend or modify the scope of pre-approved permissible audit, audit-related or non-audit services and the fees related thereto. Upon receiving an unforeseen request for audit, audit-related or non-audit services or a change in the fee range, the independent registered public accounting firm will advise our management; our management will request pre-approval for such change in audit, audit-related or non-audit services or fees from the Chairperson of the Audit Committee. The Audit Committee Chairperson will report on all action taken with respect to pre-approval of audit, audit-related or non-audit services and fees to the Audit Committee at the next Audit Committee meeting. With respect to any such pre-approval of non-audit services, our management and the independent registered public accounting firm will each confirm to the Audit Committee Chairperson that such non-audit services are permissible under all applicable SEC independence requirements.

With respect to each proposed pre-approved service, the independent registered public accounting firm will provide sufficient detail in the description to ensure that the Audit Committee (or Chairperson, as applicable) knows precisely what services it is being asked to pre-approve so that it can make a well-reasoned assessment of the impact of the service on the registered public accounting firm s independence.

The independent registered public accounting firm must ensure that all audit, audit-related and non-audit services provided to the Company have been approved by the Audit Committee.

COMPENSATION COMMITTEE REPORT

Notwithstanding anything to the contrary set forth in any of the Company s filings under the Securities Act of 1933 or the Exchange Act, the following report of the Compensation Committee shall not be incorporated by reference into any such filings and shall not otherwise be deemed to be soliciting material or filed under such Acts.

The Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and set forth below, and, based upon that review and discussion, recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of the Compensation Committee:

Gerald E. Bisbee, Jr., Ph.D.

Denis A. Cortese, M.D.

John C. Danforth

Linda M. Dillman

William B. Neaves, Ph.D.

William D. Zollars

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COMPENSATION DISCUSSION AND ANALYSIS

This section explains our executive compensation program and specifically describes the application of that program to the following Named Executive Officers (NEOs) whose compensation information is presented in the tables and narrative discussion below in accordance with Securities and Exchange Commission rules. All references to stock ownership and equity grants have been adjusted for the 2-for-1 stock split effective June 27, 2011.

Neal L. Patterson	Chairman of the Board, Chief Executive Officer and President
Marc G. Naughton	Chief Financial Officer
Jeffrey A. Townsend	Executive Vice President
Michael R. Nill	Executive Vice President
Zane M. Burke	Executive Vice President
Michael G. Valentine	Executive Vice President (resigned)

In addition, as discussed in *Proposal #3* below, we are conducting our annual advisory say-on-pay vote requesting your non-binding approval of the compensation to our NEOs as outlined in this Compensation Discussion and Analysis and the tables and narrative discussion that follow. In this discussion we summarize our executive compensation programs and objectives and provide an overview of how and why the Compensation Committee of our Board of Directors (the Compensation Committee) made specific decisions regarding our NEOs.

Executive Summary

2011 Business Results. A significant portion of the total compensation of our executive officers is directly linked to our performance. The 2011 fiscal year was another excellent year for Cerner. We delivered record levels of new business bookings, revenues, net earnings and cash flows in 2011. Highlights of the year include:

- A 37% increase in our new business bookings to $2.7 billion compared to $2.0 billion in 2010. New business bookings reflect the value of executed contracts for software, hardware, professional services and managed services.

- A 19% increase in our revenues to $2.2 billion compared to $1.9 billion in 2010. The year-over-year increase in revenue reflects improved economic conditions and demand driven by the stimulus incentives.

- A 29% increase in our net earnings to $306.6 million compared to $237.3 million in 2010. Diluted earnings per share increased 27% to $1.76 compared to $1.39 in 2010. The growth in net earnings and diluted earnings per share was driven primarily by strong revenue growth and continued progress with our margin expansion initiatives, including efficiencies in our implementation and operational processes, leveraging R&D investments and controlling general and administrative expenses. With our full-year 2011 operating margin at 20.9%, we achieved our long term goal of 20% operating margins in 2011.

- Cash collections of receivables of $2.2 billion in 2011 compared to $1.9 billion in 2010. Days sales outstanding decreased to 83 days for the 2011 fourth quarter compared to 87 days for the 2011 third quarter and the 2010 fourth quarter, reflecting an improvement in cash collections. Operating cash flows for 2011 were strong at $546.3 million compared to $456.4 million in 2010, with the growth driven by cash collections from clients.

Compensation Strategy. Our compensation strategy is designed to offer competitive compensation packages to attract, motivate and reward qualified associates who contribute significant value to us and reward performance, such as attainment of business and individual associate goals, business results, leadership, and strong relationships with clients, and is not based on rewarding seniority. We received a 98% vote of support in favor of our executive compensation in our say-on-pay vote at the 2011 Annual Meeting of Shareholders. As a result, the Compensation Committee has determined that our approach to 2012 compensation policies and decisions will remain consistent with our 2011 approach.

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Performance Management Philosophy. Our compensation strategy is linked to our performance management philosophy which is designed to identify and reward associate performance through compensation. We believe in pay for performance as represented by our NEO pay mix. In 2011, 80% of the total compensation paid to our Chief Executive Officer (CEO) was performance-based and 82% was performance-based for our other NEOs. Our performance-based compensation consists of the performance-based cash incentive plan, stock options and performance-based restricted stock grants. During 2011, our management team continued practices established to closely link pay to performance. A quarterly performance review process was used to provide quarterly assessments of executives on their performance and attainment of our goals.

Other aspects of our compensation program are intended to further align our executives interest with shareholders. These include:

- An Equity-based Grant Policy, which outlines the grant practices with respect to equity-based grants awarded under our equity incentive plans, is designed to ensure grant dates for such programs will be outside of trading blackout periods except for new hires and as specifically approved by the Compensation Committee.

- Performance-based compensation paid to our executive officers is subject to claw back pursuant to performance plan agreements with our executive officers.

- Unlike typical ownership guidelines that are based on a multiple of salary or fixed number of shares, our guidelines require the retention of 50% to 80% of the equity awards made to our officers and outside Directors, except that after tenure of at least 11 years of service, upon retirement or upon hardship the guidelines apply in decreasing percentages. We believe this generally leads to significantly higher stock ownership requirements than other companies.

- Our internal pay equity guidelines provide that the CEO s total cash compensation shall not be more than three times that of the next highest executive officer s total cash compensation.

Compensation Structure. Compensation for our executive officers includes: i) base salary, ii) performance-based cash incentive compensation and iii) long-term incentive plan compensation, consisting of stock options and performance-based restricted shares. To provide incentives to attain our business goals, a significant portion of executive compensation is at-risk and tied to individual and Company performance. We provide our executive officers with relatively limited perquisites and do not pay tax gross-ups on any of our perquisites, severance pay or change in control payments.

We also have medical, dental, vision, 401(k) and associate stock purchase plans in which contributions are made by us to the executive officers on the same basis as to all other associates. The cost of these plans and opportunity for benefits thereunder are the same for the executive officers as for all other associates.

Compensation Strategy and Objectives

Our compensation strategy is designed to offer competitive compensation packages to attract, motivate and reward qualified associates who contribute significant value to us. Our compensation program is designed to reward performance, such as attainment of business and individual associate goals, business results, leadership, and strong relationships with clients, and is not based on rewarding seniority. We believe this strategy allows us to attract qualified candidates and maintain a reasonable business model. This compensation strategy is linked to our performance management philosophy which is designed to identify and reward associate performance through compensation. Our strategy is to target our aggregate compensation at the median (50th percentile) within our peer group with top performers able to earn above the median. We believe this strategy keeps us competitive in the marketplace.

The independent compensation consultant retained by the Compensation Committee works with our human resources compensation team each year to develop, analyze and compare peer group companies whose annual revenue, net income, total shareholder return (one year and three year), market capitalization and business model are similar to that of ours. The Compensation Committee then reviews and approves use of the recommended peer group. The companies included in our 2011 peer group for compensation comparison were selected based on standard industrial classifications (SIC) and/or financial measures. The SICs used were computer programming services, prepackaged software, computer integrated systems design and computer processing, data preparation and processing services. The financial measures used to obtain information for our 2011 peer group were market capitalization of $1.5 billion to $17 billion and revenues of $840 million to $3.34 billion. Our peer group changed slightly from 2010 due to the increased range of the financial measures we use each year to reflect the growth of Cerner and also due to mergers and acquisitions within the peer group. The 22 companies included in our 2011 peer group were:

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2011 Compensation Peer Group

Company Name	Ticker
Acxiom Corporation	ACXM
Allscripts Healthcare Solutions, Inc.	MDRX
Autodesk, Inc.	ADSK
BMC Software, Inc.	BMC
CACI International, Inc.	CACI
Cadence Design Systems, Inc.	CDNS
Citrix Systems, Inc.	CTXS
Cognizant Technology Solutions Corporation	CTSH
Compuware Corporation	CPWR
DST Systems, Inc.	DST
Intuit, Inc.	INTU
Lender Processing Services, Inc.	LPS
McAfee, Inc.	MFE
MICROS Systems, Inc.	MCRS
Parametric Technology Corporation	PMTC
Salesforce.com, Inc.	CRM
SXC Health Solutions Corp.	SXCI
Synopsys, Inc.	SNPS
Teradata Corporation	TDC
Total Systems Services	TSS
Verisign, Inc.	VRSN
VMWare, Inc.	VMW

For 2012, we adjusted how we develop our peer group to include additional financial measures including market capitalization as a multiple of revenue, revenue growth and operating margin to identify high performing growth companies. Consequently, our peer group has changed for 2012 and was used as the basis for benchmarking our executive officers compensation packages set in 2012 as disclosed below in Compensation of the Chief Executive Officer and Compensation of the other NEOs.

At the beginning of each fiscal year, the Compensation Committee reviews our peer group and the history of all the elements of each executive officer s total compensation, including base salary, performance-based cash incentive compensation and long-term incentive plan compensation, over each of the past three years in relation to the total compensation and compensation elements of the corresponding executive officers in our peer group. Typically, our CEO, along with our Chief People Officer (CPO), makes compensation recommendations to the Compensation Committee with respect to the executive officers (excluding the CEO s compensation) who report to the CEO. The other executive officers do not participate in executive officer compensation recommendations. The Compensation Committee Chairperson reviews the peer group comparisons with the CPO and makes compensation recommendations to the Compensation Committee with respect to the CEO. The Compensation Committee, after review and discussion of the items set forth above, makes the ultimate decision as to the total compensation and compensation components for our CEO and reviews and approves the total compensation and compensation components for the other executive officers.

The Compensation Committee has authority to secure the services of advisers both internal and external to the Company, including the retention of outside consultants to review executive compensation, Board of Director compensation and to perform any other analysis the Compensation Committee deems appropriate. Historically, the Compensation Committee has worked with our internal resources, such as the CPO and the human resources compensation team, to help it carry out its responsibilities. The Compensation Committee engaged Michael S. Kesner, Principal with Deloitte Consulting, an independent compensation consultant, to assist it in fulfilling its responsibility on an as-needed basis during 2011. Mr. Kesner was retained directly by the Compensation Committee and has worked with us for approximately eleven years. In 2011, Mr. Kesner was engaged to advise the Compensation Committee regarding executive and Board compensation matters, including competitive pay benchmarking, incentive plan design, performance metric testing, peer group selection, updates on trends in executive and director compensation, and review of the Compensation Discussion and Analysis and related tables included in our 2011 Proxy Statement.

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The Compensation Committee believed it would be a good practice to engage in an open review of compensation consultants in 2011. After an open RFP process, due diligence and interviews, the Compensation Committee engaged Daniel H. Marcus, Managing Principal with Semler Brossy Consulting Group, as its independent compensation consultant effective January 1, 2012. The Committee will no longer be using the services of Michael S. Kesner.

Aligning Pay with Performance

During 2011, our management team continued practices established to closely link pay to performance. A quarterly performance review process was used to provide quarterly assessments of executives on their performance and attainment of Company goals. Under this program, any executive whose performance was evaluated as being in the bottom 20% of all executives were not generally eligible for pay increases or additional stock option or other equity grants. In addition, such executive s performance-based incentive compensation award, if earned, may be reduced or eliminated due to the individual s performance rating.

Compensation Elements

Compensation for our executive officers includes: i) base salary, ii) performance-based cash incentive compensation and iii) long-term incentive plan compensation, consisting of stock options and performance-based restricted shares. To provide incentives to attain our business goals, a significant portion of executive compensation is at-risk and tied to individual and Company performance. Additionally, we provide our executive officers with relatively limited perquisites, which the Compensation Committee believes are reasonable. Our process for allocating between short-term and long-term compensation is to ensure adequate base salary and cash bonus opportunity to attract and retain executives, while providing incentives to maximize long-term value for us and our shareholders. We determine the mix of base salary and performance-based cash incentive compensation by balancing the needs of providing adequate guaranteed cash compensation while at the same time providing a meaningful incentive to motivate the executive to achieve the established performance targets. Effective April 1, 2011, the cash compensation package for the NEOs ranged from 46% to 55% in base salary and 45% to 54% in targeted performance-based cash incentive compensation. Our total compensation package mix for the NEOs in 2011 ranged from 33% to 52% in cash compensation and 48% to 67% in equity compensation, which includes equity-related awards. The compensation mix of our NEOs did not change significantly over the previous year. We believe this formula is competitive within the marketplace, appropriate to fulfill our corporate objectives and addresses the goals outlined below under Long-Term Incentive Plan Compensation.

Base Salary. As set forth above, the Compensation Committee reviews peer group data and recommendations proposed by the CEO, CPO and human resources compensation team prior to approving the salary of our executive officers during the first quarter of each calendar year. Salary is based on the duties and responsibilities that each executive officer is expected to discharge during the current year and on the executive officer s performance during the prior year. We also perform external market comparisons for the executive officers, relative to industry-specific peers as disclosed above, based on individual job responsibility. This comparison data helps ensure that the proposed executive officer s compensation is within reasonable market comparison ranges and in line with our compensation strategy, detailed above.

Performance-Based Cash Incentive Compensation. Our Performance-Based Compensation Plan is designed to provide a meaningful incentive on both a quarterly and annual basis to key associates and executive officers and to motivate them to assist in achieving short-term Company goals. Approximately 15% of our associates are eligible for some form of performance-based compensation. These associates are typically sales or executive level associates. Individual payments vary, depending on individual performance and, in some cases, business unit operational achievements. We grant such cash incentive bonuses pursuant to a shareholder approved Performance-Based Compensation Plan. Each of our executive officers is eligible to participate in this plan.

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The Performance-Based Compensation Plan is administered by the Compensation Committee, which establishes performance metrics, eligibility and range of incentive amounts. Under the general feature of the plan, for which our executive officers are not eligible, the performance metrics may vary from participant to participant. Adjustments to the performance metrics may be made during the year as appropriate, for example, to take into account unusual or unanticipated Company or industry-wide developments. Final determination of amounts paid to a participant under the general feature of the plan may also be adjusted downward depending on subjective evaluations by the participant s executive or manager.

Performance targets are initially developed and recommended by management through our annual financial planning process during the last quarter of the year. The Compensation Committee reviews the performance targets proposed by management for the executive officers to ensure they reflect appropriate business growth and return to our shareholders.

All of our executive officers are eligible to participate under the executive feature of the Performance-Based Compensation Plan. Payments made under the executive feature qualify for deductibility under Section 162(m) of the Internal Revenue Code. The Section 16 Insider Equity and Incentive Compensation Subcommittee, comprised solely of outside directors as defined under Section 162(m) of the Internal Revenue Code, of the Compensation Committee establishes the targets prior to or at the beginning of the performance period. The measurement of the achievement of such targets can be, and is, determined under pre-established objective formulas. The Section 16 Insider Equity and Incentive Compensation Subcommittee may select metrics such as earnings per share, operating margins, contract margins or other metrics specifically permitted by the executive feature of the plan. The Section 16 Insider Equity and Incentive Compensation Subcommittee selects metrics which it believes will help drive business growth and return to our shareholders while providing a meaningful incentive on both a quarterly and annual basis to the participants. Once established, the metrics or targets under the executive feature of the plan may not be changed. No changes were made to the established targets during 2011. Bonuses awarded to executive officers under the executive feature of the plan may only be adjusted downward, based on a subjective analysis of the executive officer s overall performance, from the maximum bonus amount available to such executive officer. The maximum bonus available is: i) 140% of the target incentive amount based on the pre-approved performance metric for the year, plus ii) 25% of the target incentive amount based on the executive officer s individual performance rating as determined by management. Regardless of amounts earned under the performance metrics, the maximum possible payout under the Performance-Based Compensation Plan is capped at 200% of base salary for our CEO and 175% of base salary for the other executive officers.

Between Compensation Committee meetings, the Incentive Compensation Plan Quarterly Administration Subcommittee approves annual and quarterly executive targets, approves eligible executive officers for the plan, approves the payment metrics for each executive officer and determines whether one or more executive targets have been satisfied, prior to payment by us to any executive officer.

During 2011, the performance metric for our CEO and other executive officers (with the exception of Mr. Burke) consisted solely of earnings per share (EPS), which was chosen to help drive and ensure business growth and return to our shareholders while providing a meaningful incentive on both a quarterly and annual basis. We have used EPS as the sole performance metric for our CEO and other executive officers (other than Mr. Burke) since 2007. Mr. Burke became an executive officer in 2011 and his performance metrics consisted of agreement margin (defined as bookings margin less internal costs) and EPS given that he oversaw our sales organization.

As a result of our 2011 performance relative to the attainment of these performance targets, we paid cash bonuses to our NEOs under the Performance-Based Compensation Plan. Aggregate incentives paid to our NEOs in the 2011 fiscal year averaged 140% of the target incentive amount and 85% of the maximum cash incentive opportunity available. Payouts were based solely on attainment of the performance target and no discretionary changes based on performance were made to the amounts earned. Additionally, cash bonus payments tied to the individual performance ratings for each NEO were not approved by the Compensation Committee in 2011 due to the over-attainment of the performance metric and therefore, individual performance ratings were not applied as a factor to the cash bonus payments for any of our NEOs in 2011. The following tables detail the payouts by performance plan metric for our NEOs in 2011 and the related performance plan metric attainment by quarter.

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NEO	Performance Metric	Performance Plan Target ($)	Results Relative to Performance Plan Target ($) (1)	Target Attain-ment %	Target Incentive Amount ($)	Actual Amount Earned ($) (2)	% Earned Relative to Target Incentive Amount	Maximum Cash Incentive Opportunity ($)	% Earned of Maximum Cash Incentive Opportunity
Neal L. Patterson	Earnings Per Share	1.72	1.85	108%	1,156,250	1,618,750	140%	1,907,813	85%
Marc G. Naughton	Earnings Per Share	1.72	1.85	108%	337,500	472,500	140%	556,875	85%
Jeffrey A. Townsend	Earnings Per Share	1.72	1.85	108%	475,000	665,000	140%	783,750	85%
Michael R. Nill	Earnings Per Share	1.72	1.85	108%	462,500	647,500	140%	763,125	85%
Zane M. Burke	Earnings Per Share	1.72	1.85	108%	97,500	136,500	140%	160,875	85%
	Agreement Margin	553,875,000	849,277,785	153%	227,500	323,348	142%	375,375	86%
	Total				325,000	459,848	141%	536,250	86%
Michael G. Valentine (3)	Earnings Per Share	1.72	1.85	108%	60,000	84,000	140%	99,000	85%
Totals of Named Executive Officers					**2,816,250**	**3,947,598**	**140%**	**4,646,813**	**85%**

(1) The results relative to the performance plan target reflect adjustments compared to results reported on a Generally Accepted Accounting Principles (GAAP) basis in our 2011 consolidated financial statements, included in the 2011Annual Report on Form 10-K. These numbers have been adjusted by the Compensation Committee for bonus calculation purposes to exclude the impact of certain items that were not originally contemplated in setting plan targets, including share-based compensation expense and a lower tax rate than planned.

(2) Amounts earned were based solely on attainment of the performance metric and do not include any amounts related to individual performance ratings.

(3) Mr. Valentine was only eligible for a Q1 cash bonus since his employment ended on May 13, 2011 before the completion of the second quarter of 2011.

	Performance Metric Summary (EPS)				
Measurement Period	**Target (1)**	**Results**	**Attainment %**	**Payout %**	**Quarterly Weighting (2)**
Q1	$ 0.37	$ 0.39	105%	140%	15%
Q2 YTD	$ 0.78	$ 0.83	106%	140%	15%
Q3 YTD	$ 1.23	$ 1.31	107%	140%	15%
Q4 YTD	$ 1.72	$ 1.85	108%	140%	55%

(1) Target reflects the 100% performance payout level.

(2) Quarterly weightings of the annual target incentive amounts, resulting in a weighted-average aggregate incentive payout of 140% by multiplying the payout percentage for each quarter by that quarter s weighting.

	Performance Metric Summary (Agreement Margin)				
Measurement Period	**Target (1)**	**Results**	**Attainment %**	**Payout %**	**Quarterly Weighting (2)**
Q1	$ 57,562,500	$ 46,959,036	82%	82%	25%
Q2	$ 155,187,500	$ 221,480,418	143%	143%	25%
Q3	$ 170,562,500	$ 258,705,411	152%	152%	25%
Q4	$ 170,562,500	$ 322,132,920	189%	189%	25%

(1)

Target is a measurement of the parts of the business Mr. Burke was responsible for each quarter and reflects the 100% performance payout level.

(2) Quarterly weightings of the annual target incentive amounts, resulting in a weighted-average aggregate incentive payout of 142% by multiplying the payout percentage for each quarter by that quarter s weighting.

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During 2011, the NEOs except for Mr. Patterson earned total cash compensation as follows:

- Mr. Naughton earned $885,577, which included $413,077 in base salary and $472,500 in payments earned under our Performance-Based Compensation Plan.

- Mr. Townsend earned $1,154,615, which included $489,615 in base salary and $665,000 in payments earned under our Performance-Based Compensation Plan.

- Mr. Nill earned $1,124,423, which included $476,923 in base salary and $647,500 in payments earned under our Performance-Based Compensation Plan.

- Mr. Burke earned $781,002, which included $321,154 in base salary and $459,848 in payments earned under our Performance-Based Compensation Plan.

In 2012, our human resources compensation team, together with executive management, reviewed and considered compensation alternatives related to base salary, performance-based cash incentive compensation and/or long-term incentive plan compensation. Based on this review, the Compensation Committee determined that our compensation approach under all three types of compensation meets the needs and serves the purposes as set forth in this Compensation Discussion and Analysis. For 2012, the Compensation Committee has approved the continued use of EPS as the sole performance metric for all executive officers, including Mr. Burke. We continue to believe this metric aligns well with our internal financial imperatives to expand operating margin and grow bottom line earnings, and the Compensation Committee believes this is the best performance metric to help drive and ensure business growth and return to our shareholders while providing a meaningful incentive on both a quarterly and annual basis to our executive officers. The 2011 EPS performance for incentive compensation purposes represented a 26% growth over the prior year. The 2012 performance targets have been set based on the 2012 financial plan approved by the Board of Directors and reflect earnings growth between 16% and 23%. The 2012 bonus opportunity for the NEOs can range between 0% and 140% of the targeted bonus amount, depending on the level of performance achieved in 2012, plus 25% of the targeted bonus amount (up to the maximum possible payout under the Performance-Based Compensation Plan) based on the executive officer s individual performance rating as determined by management, except for the CEO, whose individual performance is evaluated by the Board of Directors. The EPS target designated for each level of payout, as a percentage of the performance target, is consistent with prior years.

Performance-based compensation paid to our executive officers for all years beginning with 2008 is subject to claw back pursuant to performance plan agreements with our executive officers. These agreements have language stating that in the event we implement a Mandatory Restatement (as defined in the Performance-Based Compensation Plan), which restatement relates to the respective fiscal year, some or all of any amounts paid as an incentive payment earned by the executive officer under the Performance-Based Compensation Plan and related to such restated period(s) will be recoverable and must be repaid, in most cases, within 90 days of such restatement(s). The amount to be repaid will be the amount by which the incentive compensation paid exceeds the amount that would have been paid based on the financial results reported in the restated financial statement(s). Additionally, since 2008, the language in our incentive plan agreements provides that all participants (including our executive officers) will be required to repay all earned incentive compensation payments if they are individually found by Cerner s Board of Directors to have engaged in fraud or misconduct that caused or partially caused the need for a Mandatory Restatement.

Long-Term Incentive Plan Compensation. Awards under our Long-Term Incentive Plans may consist of stock options, restricted stock and performance shares, as well as other awards including stock appreciation rights, phantom stock and performance unit awards, which may be payable in the form of Common Stock or cash at the Compensation Committee s discretion; however, the awards granted under the Long-Term Incentive Plan have been primarily in the form of stock options. In 2011, the Compensation Committee approved executive officer awards in the form of stock options and performance-based restricted shares. The performance-based restricted shares made to three of our NEOs in 2011 were intended to add additional long-term compensation incentives, increase focus and alignment to corporate strategies and goals and increase retention. In 2012, the Compensation Committee again approved executive officer awards in the form of stock options and performance-based restricted shares.

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Our Long-Term Incentive Plans are designed to drive long-term shareholder value and retain valuable associates and executives by: i) positioning us competitively as an employer, ii) creating an incentive for associates to contribute to our sustained, long-term growth, iii) creating a mutuality of interest between our associates and shareholders and iv) providing financial incentives for associates. The program encourages associate stock ownership in an effort to align associates interests with the interests of shareholders.

The Compensation Committee approves an annual aggregate value target for all eligible associates excluding executive officers and members of the Board. The Compensation Committee also approves specific grant levels for executive officers and members of the Board on an annual basis. Stock option grants are typically made to an executive upon commencement of employment with us or upon an associate s promotion to an executive role. Executives are eligible for additional Long-Term Incentive Plan grants on an annual basis as individual and Company performance warrants. Gran