LINCOLN NATIONAL CORP
Form DEF 14A
April 09, 2009

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
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Lincoln National Corporation
(Name of Registrant as Specified In Its Charter)

N/A
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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1) Amount Previously Paid:
2) Form, Schedule or Registration Statement No.:

3) Filing Party:
4) Date Filed:

RADNOR, PENNSYLVANIA

April 9, 2009

Dear Fellow Shareholder:

You are cordially invited to attend our Annual Meeting of Shareholders scheduled for Thursday, May 14, 2009, at 9:00 a.m., local time, at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102. Our 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 of Shareholders. Please review these documents carefully.

It is important that you vote your shares of our stock, either in person, or by proxy. To assist you in voting your shares, we offer, 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,

Dennis R. Glass
President and Chief Executive Officer

LINCOLN NATIONAL CORPORATION
RADNOR, PENNSYLVANIA

NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS

April 9, 2009

The Annual Meeting of Shareholders of Lincoln National Corporation will be held on Thursday, May 14, 2009, at 9:00 a.m., local time, at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102.

The items of business are:

1. to elect four directors for three-year terms expiring at the 2012 Annual Meeting;
2. to ratify the appointment of Ernst & Young LLP, as independent registered public accounting firm for 2009;
3. to approve the 2009 amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan;
4. to consider and vote on a shareholder proposal requesting that the Board of Directors initiate the appropriate process to amend the Company's restated articles of incorporation to provide for the election of director nominees by a majority of votes cast; and
5. 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 of Shareholders if you were a shareholder of record at the close of business on March 9, 2009. 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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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREOWNERS TO BE HELD ON MAY 14, 2009:
This proxy statement and the accompanying annual report are available at:
http://bnymellon.mobular.net/bnymellon/lnc.

LINCOLN NATIONAL CORPORATION
150 N. RADNOR CHESTER ROAD
RADNOR, PENNSYLVANIA 19087

PROXY STATEMENT
Annual Meeting of Shareholders
May 14, 2009

The Board of Directors of Lincoln National Corporation (the "Company," "we," "our," or "us") is soliciting proxies in connection with the proposals to be voted on at the Annual Meeting of Shareholders scheduled for May 14, 2009 (the "Annual Meeting"). The Annual Meeting will be held at the Ritz-Carlton Hotel, 10 Avenue of the Arts, Philadelphia, Pennsylvania 19102, beginning at 9 a.m. local time. This Proxy Statement and enclosed proxy or a Notice of Internet Availability were first sent to our shareholders on or about April 9, 2009. 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.

GENERAL INFORMATION

What proposals are being voted on at the Annual Meeting?

At the Annual Meeting, shareholders are being asked to vote upon the following items of business:

1. to elect four directors for three-year terms expiring in 2012;
2. to ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for 2009;
3. to approve the 2009 amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan;
4. to consider and vote on a shareholder proposal requesting that the Board of Directors amend the Company's restated articles of incorporation to elect directors by a majority of votes cast; and
5. to consider and act upon such other matters as may properly come before the meeting.

Who is entitled to vote at the Annual Meeting?

Only shareholders of record at the close of business on March 9, 2009, the record date for the meeting, are entitled to vote at the Annual Meeting. As of the record date, we had 256,036,246 shares of common stock and 11,565 shares of $3.00 cumulative convertible preferred stock, series A, issued, outstanding and entitled to vote at the Annual Meeting. 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.

What constitutes a quorum?

A majority of all outstanding shares entitled to vote at the Annual Meeting constitutes a quorum, which is 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. Generally, "broker non-votes" occur when brokerage firms return proxies for which no voting instructions have been received from beneficial owners and the broker does not have discretionary authority to vote on the proposal. 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).

How do I vote?

1. In person. If you are a shareholder of record, you may attend the Annual Meeting and vote your shares or send a personal representative with an appropriate proxy.

If you own your shares in “street name” (i.e., through a broker-dealer or other financial institution) and you want to vote at the Annual Meeting, you will need to obtain a proxy card from the institution that holds your shares and present that card at the Annual Meeting.

If you own share equivalents through the Lincoln National Corporation Common Stock fund of the Lincoln National Corporation Employees’ Savings and Retirement Plan, the Delaware Management Holdings, Inc. Employees’ Savings and 401(k) Plan, or The Lincoln National Life Insurance Company Agents’ Savings and Profit-Sharing Plan, all of which are 401(k) plans, you cannot vote at the Annual Meeting. Instructions on voting these share equivalents are described in more detail below.

You can obtain directions to attend the Annual Meeting and vote in person by contacting Shareholder Services at 1-800-237-2920 or shareholderservices@lfg.com.

2. By Mail. Mark, date, sign and mail the proxy card in the prepaid envelope. If you return the proxy card but do not mark your voting preference, the individuals named as proxies will, to the extent permissible, vote your shares in accordance with the description of each item in this proxy statement. With respect to any other matter that properly comes before the Annual Meeting, the individuals named as proxies will, to the extent permissible, vote all proxies in the manner they perceive to be in our best interests.

3. By Telephone or Internet. You may submit your proxy with voting instructions by telephone if you are calling within the United States, Canada or Puerto Rico. You may submit your proxy through the Internet by visiting the website listed on the enclosed proxy card or Notice.

If you hold your shares in “street name,” please check your proxy card or contact your broker, nominee, fiduciary or other custodian to determine if you will be able to vote by telephone or Internet.

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.

Can I revoke my proxy and change my vote after I return my proxy card?

Yes. You may revoke your proxy or change your vote at any time prior to the Annual Meeting by: (1) sending our Corporate Secretary a written revocation; (2) submitting a new proxy by mail, telephone or Internet; or (3) attending the Annual Meeting and voting your shares in person.

How do I vote my 401(k) and/or dividend reinvestment plan shares?

If you have invested in the Lincoln National Corporation Common Stock fund of the Lincoln National Corporation Employees’ Savings and Retirement Plan, the Delaware Management Holdings, Inc. Employees’ Savings and 401(k) Plan, or The Lincoln National Life Insurance Company Agents’ Savings and Profit-Sharing Plan, the enclosed proxy/voting instruction card, when executed and returned by you, will instruct the trustees of your plan how to vote the shares of common stock allocated to your account. If our 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/voting instruction card representing all shares owned by you. If you participate in one of these plans and do not return a proxy/voting instruction card by 11:59 p.m. (E.D.T.) on May 11, 2009, the trustees of your plan will vote the shares in your account in proportion to shares held by the plans for which voting instructions have been received.

If you participate in our dividend reinvestment plan, your proxy/voting instruction card(s) will also include your shares of common stock allocated to your accounts in that plan. To vote your shares in those plans, you must return your proxy/voting instruction card(s) or submit your voting instructions by telephone or over the Internet as instructed on your proxy/voting instruction card(s).

If you own our shares 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.

What vote is required to approve each item?

A plurality of the votes cast is required for the election of directors (Item 1), which means that the director nominees receiving the highest number of votes will fill the open director seats. We do not have cumulative voting for directors. With respect to the ratification of the independent registered public accounting firm (Item 2), the proposal will be approved if more shares are cast in favor of the proposal than against it. For this purpose, abstentions and, if applicable, broker non-votes are not counted as votes cast.

Under Indiana law, approval of the amendment and restatement of the Lincoln National Corporation Amended and Restated Incentive Compensation Plan (Item 3) will be approved if more shares are cast in favor of the proposal than against it, and abstentions and broker non-votes are not counted as votes cast on the proposals. However, under New York Stock Exchange ("NYSE") listing standards, for the shares under the Plans to be approved for listing, at least a majority of the votes cast on each proposal must be voted in favor of the proposal, and the total votes cast on each proposal must represent a majority of all shares entitled to vote on the proposal at the Annual Meeting. Under the NYSE rules, abstentions are counted as votes cast against the proposal, but broker non-votes are not counted as votes cast on the proposal.

With respect to the shareholder proposal on majority vote (Item 4), the proposal will be approved if more shares are cast in favor of the proposal than against it. For this purpose, abstentions and, if applicable, broker non-votes are not counted as votes cast.

If any other matters are properly presented at the meeting, 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.

Who may solicit proxies?

Our directors, officers and employees as well as Georgeson Shareholder may solicit proxies on behalf of the Board in person or by mail, telephone, fax and other electronic means.

Who pays for the costs of soliciting proxies?

We will pay the cost of soliciting proxies. Our directors, officers and employees will receive no additional compensation for soliciting proxies. We 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, we have retained Georgeson Shareholder to solicit proxies. We will pay Georgeson a fee of $8,500, plus reasonable expenses, for these services.

SECURITY OWNERSHIP

Security Ownership of More than 5% Beneficial Owners

We have two classes of equity securities: common stock and preferred stock. The following table shows the names of persons known by us to beneficially own more than 5% of our common stock as of December 31, 2008. We know of no one who owns more than 5% of our preferred stock.

SECURITY OWNERSHIP
OF CERTAIN BENEFICIAL OWNERS
AS OF DECEMBER 31, 2008

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common Stock	Allianz Global Investors Managed Accounts LLC 1345 Avenue of the Americas, 49th Floor New York, New York 10105	13,912,811	5.4%

The information set forth in this table is based solely on our review of Schedules 13G filed with the Securities and Exchange Commission, or SEC, and as of the date set forth above. We do not have information regarding the foregoing share position after December 31, 2008. Information regarding the amount and nature of beneficial ownership is to the best of our knowledge.

Security Ownership of Directors, Nominees and Executive Officers

The following table shows the number of shares of common stock and stock units (i.e., non-transferable, non-voting "phantom" units, the value of which is the same as the value of the corresponding number of shares of common stock) beneficially owned on March 9, 2009, by each director, nominee for director and "Named Executive Officer," individually, and by all directors and executive officers as a group. As of March 9, 2009, none of the persons listed in the table owned any shares of our preferred stock.

Whenever we refer in this Proxy Statement to the Named Executive Officers, or NEOs, we are referring to those executive officers that we are required to identify in the Summary Compensation Table on page 48.

SECURITY OWNERSHIP OF DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS
AS OF MARCH 9, 2009

NAME	AMOUNT OF LNC COMMON STOCK AND NATURE OF BENEFICIAL OWNERSHIP1	PERCENT OF CLASS	LNC STOCK UNITS2	TOTAL OF LNC COMMON STOCK AND STOCK UNITS	TOTAL PERCENT OF CLASS
William J. Avery	25,932	*	14,929	40,861	*
J. Patrick Barrett	57,340	*	38,633	95,973	*
Patrick P. Coyne	45,807	*	5,240	51,047	*
Frederick J. Crawford	170,220	*	3,809	174,029	*
William H. Cunningham	66,997	*	16,630	83,627	*
Robert W. Dineen	209,678	*	994	210,672	*
Dennis R. Glass	1,744,316	*	28,473	1,772,789	*
George W. Henderson, III	66,365	*	25,131	91,496	*
Eric G. Johnson	27,107	*	24,323	51,430	*
Mark E. Konen	302,764	*	0	302,764	*
M. Leanne Lachman	30,854	*	33,884	64,738	*
Michael F. Mee	17,807	*	18,045	35,852	*
William P. Payne	76,808	*	13,123	89,931	*
Patrick S. Pittard	73,772	*	15,010	88,782	*
David A. Stonecipher	2,447,250	*	1,302	2,448,552	*
Isaiah Tidwell	18,536	*	5,832	24,368	*
All Directors and Executive Officers as a group –21 persons	6,002,306	2.30%	252,435	6,254,618	2.39%

* Each of these amounts represents less than 1% of the outstanding shares of our common stock as of March 9, 2009.

1The number of shares that each person named in this table has a right to acquire within 60 days of March 9, 2009 is as follows: Mr. Avery, 14,506 shares; Mr. Barrett, 20,506 shares; Mr. Coyne, 33,758 shares; Mr. Crawford, 114,478 shares; Mr. Cunningham, 65,759 shares; Mr. Dineen, 121,555 shares; Mr. Glass, 1,583,706 shares; Mr. Henderson, 73,938 shares; Mr. Johnson, 20,506 shares; Mr. Konen, 272,740 shares; Ms. Lachman, 20,506 shares; Mr. Mee, 17,506; Mr. Payne, 65,759 shares; Mr. Pittard, 65,759 shares; Mr. Stonecipher, 1,984,938 shares; and Mr. Tidwell, 18,446 shares. In addition, the shares listed above include restricted stock of which the following persons have sole voting power (and no investment power): Mr. Coyne, 10,702 shares; Mr. Crawford, 18,548 shares; Mr. Glass, 51,938 shares; and Mr. Konen, 10,583 shares. Mr. Konen's shares include 441 shares for his son for which he is a custodian. Mr. Stonecipher's shares include 381,499 shares held in a trust and 12,677 owned by his spouse. Finally, Mr. Stonecipher's shares include 24,974 shares that are held by the Stoneypeak Foundation of which Mr. Stonecipher is a trustee, and with respect to which, he does not have a pecuniary interest.

2LNC Stock Units are non-voting, non-transferable phantom stock units that track the economic performance of our common stock.

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GOVERNANCE OF THE COMPANY

Our Board of Directors consists of 12 members. Eleven directors are non-employees, or outside directors, and the Board has determined that all 11 are independent as discussed below. In July 2007, the Board elected independent director J. Patrick Barrett as non-executive chairman of the Board. Mr. Barrett is not an officer of LNC. Among his duties, Mr. Barrett presides at all meetings of the Board of Directors, acts as the key liaison between the Board and management and helps set the agendas for the Board and Board Committee meetings. As chairman, Mr. Barrett also has the authority to call special meetings of the Board. Mr. Barrett has announced his intention to retire from the Board on May 12, 2009 in accordance with our Corporate Governance Guidelines. The Board has elected William H. Cunningham to serve as non-executive Chairman of the Board effective upon Mr. Barrett's retirement.

Our Corporate Governance Guidelines

Listed below are what we believe are some, but not all, of the more significant aspects of our Corporate Governance Guidelines. A full text of our Corporate Governance Guidelines is available on our website at www.lincolnfinancial.com and in print to any shareholder who requests them by contacting our Corporate Secretary.

- A majority of our Board, including the nominees for director, must at all times be independent under the applicable New York Stock Exchange, or NYSE, listing standards as determined under the guidelines for determining the independence of directors. Director independence is discussed further below.
- The independent directors must meet in executive session at least once a year and may meet at such other times as they may desire. The outside directors meet in connection with each regularly scheduled Board meeting and at such other times as they may desire. J. Patrick Barrett, a director and our non-executive chairman, presides over the meeting(s) of independent directors and the outside directors. Mr. Cunningham, a director, who will serve as our non-executive chairman, after Mr. Barrett retires in May 2009 as discussed above, will assume this role.
- The Board has, among other Committees, an Audit Committee, Compensation Committee and Corporate Governance Committee and only independent directors may serve on each of these committees, and all of the directors serving on those Committees are independent under applicable NYSE listing standards and our Corporate Governance Guidelines.
- Outside directors are not permitted to serve on more than five boards of public companies in addition to our Board, and independent directors who are chief executive officers of publicly held companies may not serve on more than two boards of public companies in addition to our Board. Inside directors are not permitted to serve on more than two boards of public companies in addition to our Board.
- The written charters of the standing Committees of the Board are reviewed not less than annually. The charters of the Audit, Compensation and Corporate Governance Committees comply with the NYSE's listing standards. The charters are available on our website at www.lincolnfinancial.com and in print to any shareholder who requests them by contacting our Corporate Secretary.
- We have Corporate Governance Guidelines that likewise comply with the NYSE's listing standards. The Corporate Governance Guidelines are available on our website at www.lincolnfinancial.com and are also available in print to any shareholder who requests them by contacting our Corporate Secretary.
- We have a Code of Conduct that is available on our website at www.lincolnfinancial.com and is also available in print to any shareholder who requests it by contacting our Corporate Secretary. The Code of Conduct comprises our "code of ethics" for purposes of Item 406 of Regulation S-K under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and our "code of business conduct and ethics" for purposes of the NYSE listing standards. We intend to disclose amendments to or waivers from a required provision of the code by including such information on our website at www.lincolnfinancial.com.
- Committee chairs serve a minimum of three years and a maximum of six years, unless those limitations are shortened or extended by the Board.
- We have a mandatory retirement age of 72 for outside directors.
- The Board conducts a review of the performance of the Board and its Committees each year.

- The Corporate 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 Board conducts an annual CEO performance evaluation. The non-executive chairman of the Board conducts a meeting of the outside directors to discuss the evaluation and communicates the results to the CEO.

- The Board reviews the annual succession planning report from the CEO, including the position of CEO as well as other executive officers.
- The Board, Audit Committee, Compensation Committee, Corporate Governance Committee and Finance Committee each have authority to retain legal counsel or any other consultant or expert without notification to, or prior approval of, management.
- Directors are required to submit their resignation from the Board upon changing their occupational status, and the Corporate Governance Committee with input from the CEO makes a recommendation to the Board regarding acceptance of such resignation.
- Directors are required to achieve share ownership of three times their annual cash portion of the retainer within five years of election to the Board, and based on the December 31, 2008 closing price of our common stock of $18.84, our directors are in compliance with such requirements.
- We will pay the reasonable expenses for each director to attend at least one continuing education program per year.
- We have a director orientation program for new directors, and all directors are invited to attend orientation programs when they are offered.
- We will not make any personal loans or extensions of credit to directors or executive officers.
- The Corporate Governance Committee must re-evaluate the Corporate Governance Guidelines each year.

Director Independence

Our common stock is traded on the NYSE. NYSE listing standards and our Corporate Governance Guidelines require that a majority of our directors meet the criteria for independence as 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 us 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 us. These standards, which are part of our Corporate Governance Guidelines, are discussed below and can be found on our website at www.lincolnfinancial.com.

The Corporate Governance Committee and the Board have reviewed the independence of each Board member, including the nominees for director at the Annual Meeting, considering the standards set forth in our Corporate Governance Guidelines (which include the NYSE standards for independence). As a result of this review, the Board affirmatively determined that directors Avery, Barrett, Cunningham, Henderson, Johnson, Lachman, Mee, Payne, Pittard, Stonecipher and Tidwell are independent because they have none of the following material relationships with us (either directly or as a partner, shareholder or officer of an organization that has a material relationship with us):

- is or was an employee, or whose immediate family member is or was an executive officer, of us or our subsidiaries during the three years prior to the independence determination;

- has received, or whose immediate family member received, from us, during any 12-month period within the three years prior to the independence determination, more than $120,000 in direct compensation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

- (i) is, or an immediate family member is, a current partner of our external or internal auditor (to the extent the internal auditor is a third-party); (ii) is a current employee of such a firm; (iii) has an immediate family member who is a current employee of such a firm and who personally works on our audit; or (iv) was, or who has an immediate family member that was, within the three years prior to the independence determination (but is no longer) a partner or employee of such a firm and personally worked on our audit within that time;

- is or was employed, or whose immediate family member is or was employed, as an executive officer of another company where any of our present executives served at the same time on that company's compensation committee within the three years prior to the independence determination;

- is or was an executive officer or an employee, or whose immediate family member is or was an executive officer, of a company that makes payments to, or receives payments from, us for property or services in an amount which, in any single fiscal year, exceeds the greater of $1 million or 2% of such other company's consolidated gross revenues within the three years prior to the independence determination;

- is an executive officer of a not-for-profit organization to which we or the Lincoln Financial Foundation, Inc.'s annual discretionary contributions exceed the greater of $1 million or 2% of the organization's latest publicly available total annual revenues; and

- has any other material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us, including any contributions we made to a charitable organization of which the director serves as an executive officer).

The Board of Directors also has determined that the following relationships are not material and do not impair a director's independence:

- a director or a director's immediate family member's purchase or ownership of an insurance, annuity, mutual fund or other product from us, or use of our financial services, all on terms and conditions substantially similar to those generally available to other similarly situated third parties in arm's-length transactions and does not otherwise violate the criteria listed above;

- a director's membership in the same professional association, or the same social, fraternal or religious organization or club, as one of our executive officers or other directors;

- a director's current or prior attendance at the same educational institution as one of our executive officers or other directors;

- a director's service on the board of directors of another public company on which one of our executive officers or directors also serves as a director, except for prohibited compensation committee interlocks; and

- a director's employment by another public company whose independent registered public accounting firm is the same as ours.

In addition, a director who is also a member of our Audit Committee must meet the following additional requirements regarding independence as required by Rule 10A-3(b)(1)(ii) under the Exchange Act:

1. A director is not independent if he or she accepts, directly or indirectly, any consulting, advisory or other compensatory fee from us or any of our subsidiaries, other than the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with us or any of our subsidiaries (provided that such compensation is not contingent in any way on continued service).

2. A director is not independent if he or she is an "affiliated person" (as defined in Rule 10A-3(e)(1) under the Exchange Act) of us or any of our subsidiaries.

Finally, the Board determined that those directors who are members of the Audit, Corporate Governance and Compensation Committees are likewise independent of our management and us under our Corporate Governance Guidelines and the SEC and NYSE rules, as applicable.

In conducting its independence review discussed above, the Board considered, among other things, transactions and relationships between each outside director or any member of his or her immediate family and us or our subsidiaries and affiliates. In making these determinations, the Board considered that in the ordinary course of business, transactions occur between us and companies at which some of our directors are or have been employees or officers. In each case, the amount of transactions with these companies in each of the last three years did not reach the thresholds set forth in the categorical standards. Dr. Cunningham is a professor at and employee of The University of Texas with which we engage in ordinary course of business transactions, namely, providing a 403(b) investment product. Mr. Barrett is chairman of a company that supplies fuel to all airplanes at an airport in Syracuse, which our aircraft use on occasion. These transactions were on terms that are substantially equivalent to those prevailing at the time for comparable transactions, and none reached the threshold levels set forth in our categorical standards.

Under our categorical standards, discretionary contributions to not-for-profit organizations to which a director serves as an executive officer of the lesser of $1 million or 2% of the organization's latest publicly available total annual revenues will not impair the director's independence. None of the directors are executive officers of the not-for-profit organizations to which we or the Lincoln Financial Foundation, Inc. made contributions during 2008.

Qualifications and Director Nomination Process

The Corporate Governance Committee of the Board, which is composed solely of independent directors, 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. Our Corporate Governance Guidelines provide that the Board itself should be responsible, in fact as well as procedure, for selecting its own members.

The Corporate Governance Committee does not have any specific minimum qualifications that must be met by a nominee. However, its charter provides that "[I]n nominating candidates, the 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 Committee may consider candidates proposed by management, but is not required to do so."

The Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. The Corporate Governance 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 our 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 re-nomination does not wish to serve or if the Corporate Governance Committee decides not to re-nominate a given member, the Corporate Governance Committee identifies the desired skills and experience that a potential new nominee should possess. The Corporate Governance Committee also considers whether it is necessary or desirable that the nominee be considered independent under the NYSE listing standards, and, if so, whether the individual meets the standards for independence. The Corporate Governance Committee may, but is not required to, retain an outside firm to assist in the identification and evaluation of potential nominees.

The Corporate Governance 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 an understanding of marketing, finance, accounting, regulation and public policy, their international background, a commitment to our shared values, etc. – all in the context of an assessment of the perceived needs of the Board at a given point in time.

The Board has delegated the process of screening potential nominees who are not current directors to the Corporate Governance Committee with input from the CEO. In connection with the evaluation of a new nominee, the Corporate Governance Committee determines whether it should interview the nominee, and, if warranted, one or more members of the Corporate Governance Committee would interview the nominee. Upon completing the evaluation and the interview, the Corporate Governance Committee makes a recommendation to the Board as to whether to nominate the director nominee.

Although the Corporate 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 in accordance with the procedures set forth in Article I, Section 11 of our Bylaws, which is set forth in Exhibit 2 to this Proxy Statement and discussed beginning on page E-3 of this Proxy Statement under the heading "Shareholder Proposals." If the Corporate

Governance Committee determines that such a nominee should be considered as a director, it will recommend the nominee to the Board. The Board may accept or reject the proposed nominee. There are no differences in the manner in which the Corporate Governance Committee evaluates nominees for director based on whether the nominee is recommended by a shareholder.

Communications with Directors

The Board provides a process for interested persons to send communications to the Board or to the outside directors of the Board. Interested persons with information pertaining to any possible violation of our Code of Conduct, or concerns or complaints pertaining to our accounting, internal accounting controls or audit or other concerns are invited to communicate this information to the outside members of the Board of Directors at:

The Outside Directors
Lincoln National Corporation
150 N. Radnor Chester Road
Radnor, PA 19087
Attention: Office of the Corporate Secretary

All complaints and concerns will be received and processed by the Corporate Secretary. Relevant and appropriate complaints and concerns will be referred to our Board's non-executive Chairman of the Board. You may report your concerns anonymously and/or confidentially. If you choose to report your concerns anonymously, we will be unable to contact you in the event we require further information in the course of our investigation. If you choose to report your concerns confidentially, we cannot guarantee absolute confidentiality. In certain circumstances, it would be impossible to conduct a thorough investigation without revealing your identity. No retaliatory action will be taken against employees who raise any concern in good faith.

Director Attendance at 2008 Annual Meeting

The Board does not have a formal policy regarding attendance by Board members at our Annual Meeting of Shareholders, but directors are encouraged to attend the Annual Meeting of Shareholders. All of our directors attended the 2008 Annual Meeting of Shareholders.

THE BOARD OF DIRECTORS AND COMMITTEES

Our Board is currently composed of 12 members. The members of the Board, including Board nominees, their relevant term of office and certain biographical information are set forth below under "Item 1 – Election of Directors." Compensation of our directors is discussed below under "Compensation of Directors."

During 2008, the Board met 14 times. All directors attended 75% or more of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by committees on which he or she served.

The Board currently has five standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance Committee, the Finance Committee and the Committee on Corporate Action. The following table lists the Directors who currently serve on the Committees and the number of meetings held for each Committee during 2008. The Audit, Compensation, Corporate Governance and Finance Committees each conduct a self-evaluation of their respective committee's performance each year.

Current Committee Membership and Meetings Held During 2008
(C=Chair M=Member)

Name	Audit	Compensation	Corporate Governance	Finance	Corporate Action1
William J. Avery	M				
J. Patrick Barrett			M		
William H. Cunningham		C		M	
Dennis R. Glass					C
George W. Henderson, III	M			M	
Eric G. Johnson				C	
M. Leanne Lachman	C				
Michael F. Mee		M		M	
William P. Payne			C		
Patrick S. Pittard		M			
David A. Stonecipher				M	
Isaiah Tidwell	M		M		
Number of Meetings in 2008:	12	7	4	6	--

1The Committee on Corporate Action takes action by the unanimous written consent of the member of that Committee, and four such actions were taken in 2008.

The functions and responsibilities of the key standing committees of our Board are described below.

Audit Committee

The primary function of the Audit Committee is oversight. The principal functions of the Audit Committee include:

- assist the Board of Directors in its oversight of (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the independent auditor's qualifications and independence and (d) the performance of our general auditor and independent auditor;
- select, evaluate and replace the independent auditors, and approve all engagements of the independent auditors;
- review significant financial reporting issues and practices;
- discuss our annual consolidated financial statements and quarterly "management discussion and analysis of financial condition and results of operations" included in our SEC filings and annual report to shareholders, if applicable;
- inquire about significant risks and exposures, if any, and review and assess the steps taken to monitor and manage such risks;
- establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal auditing controls or auditing matters, and for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- consult with management before the appointment or replacement of the internal auditor; and
- prepare the report required to be prepared by the Audit Committee pursuant to the rules of the SEC for inclusion in our annual proxy statement.

The Board has determined that William J. Avery is an "audit committee financial expert" as defined under Item 401 of Regulation S-K under the Exchange Act. Mr. Avery is an independent director under applicable SEC rules, NYSE listing standards and our Corporate Governance Guidelines. The Audit Committee has authority to obtain advice and assistance from internal or external legal, accounting or other advisors. The Board has adopted a written charter for the Audit Committee, a copy of which is available on our website at www.lincolnfinancial.com.

More information concerning the Audit Committee, including the Audit Committee Report, is set forth below under "Ratification of the Appointment of the Independent Registered Public Accounting Firm" beginning on page 19.

Compensation Committee

The principal functions of the Compensation Committee include:

- establish, in consultation with senior management, our general compensation philosophy;
- review and confer on the selection and development of executive officers and key personnel;
- review and approve corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate the chief executive officer's performance in light of these goals and set the chief executive officer's compensation level based on this evaluation;
- review and recommend to the Board for approval candidates for chief executive officer;
- review and approve all compensation strategies, policies and programs that encompass total remuneration of our executive officers and key personnel;
- make recommendations to the Board regarding incentive compensation and equity-based plans, and approve all grants and awards under such plans to executive officers;
- approve employment and severance agreements for executive officers; and
- approve employee benefit and executive compensation plans and programs and changes to such plans and programs, if the present value cost of each plan or change to a plan will not exceed $20 million for the next five calendar years after their effectiveness.

A copy of the Compensation Committee Charter is available on our website at www.lincolnfinancial.com. The Compensation Committee has the authority to retain and terminate compensation consultants and to approve any compensation consultant's fees and terms of retention and to obtain advice and assistance from internal or external legal, accounting or other advisors. More information concerning the Compensation Committee, including the role of Towers Perrin, the compensation consultant retained by the Committee during 2008, and our executive officers in determining or recommending the amount or form of executive compensation is set forth under "Compensation Processes and Procedures" on page 29 below, and in the "Compensation Discussion & Analysis" beginning on page 30 below.

Corporate Governance Committee

The principal functions of the Corporate Governance Committee include:

- identify individuals qualified to become Board members;
- subject to our Bylaws, recommend to the Board nominees for director (including those recommended by shareholders in accordance with our Bylaws) and for Board Committees;
- take a leadership role in shaping our corporate governance and recommend to the Board the corporate governance principles applicable to us;
- develop and recommend to the Board standards for determining the independence of directors;
- recommend to the Board an overall compensation program for directors;
- make recommendations to the Board regarding the size of the Board and the size, structure and function of Board Committees;
- assist in the evaluation of the Board and be responsible for the evaluation of individual directors; and
- recommend to the Board such additional actions related to corporate governance as the Committee deems advisable.

The Corporate Governance Committee has the authority to retain and terminate search firms and to approve any search firm's fees and terms of retention and to obtain advice and assistance from internal or external legal, accounting or other advisors. A copy of the Corporate Governance Committee Charter is available on our website at www.lincolnfinancial.com.

Finance Committee

The principal functions of the Finance Committee include:

- review and provide guidance to senior management with respect to our annual three-year financial plan;

- review and provide guidance to senior management with respect to our capital structure, including reviewing and approving (within guidelines established by the Board) issuance of securities by us or any of our affiliates, reviewing and approving significant "off balance sheet" transactions and reviewing and recommending changes, if necessary, to our dividend and share repurchase strategies;

- review our overall credit quality and credit ratings strategy;
- review and provide guidance to senior management with respect to our reinsurance strategies;
- review and provide guidance to senior management with respect to proposed mergers, acquisitions, divestitures, joint ventures and other strategic investments;
- review the general account and approve our investment policies, strategies and guidelines;
- review our hedging program and the policies and procedures governing the use of financial instruments including derivative instruments; and
- review the adequacy of the funding of our qualified pension plans, including significant actuarial assumptions, investment policies and performance.

The Finance Committee has authority to obtain advice and assistance from internal or external legal, accounting or other advisors. A copy of the Finance Committee Charter is available on our website at www.lincolnfinancial.com.

Committee on Corporate Action

Within limits now or hereafter specified by the Board and, in some cases, the Finance Committee, the principal functions of the Committee on Corporate Action include:

- determine the pricing of the securities offered from our 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 underwriters, the underwriting discounts, commissions and reallowances relating thereto and the price at which such securities will be sold to the public);
- approve, as necessary, the underwriting agreement, security and other transaction documents relating to the offering and sale of the securities under our shelf registration statement; and
- elect certain classes of our officers as the Board may determine by resolution.

ITEM 1 - ELECTION OF DIRECTORS

Our Board is currently composed of 12 members and is divided into three classes. Each director is elected for a three-year term. J. Patrick Barrett has served as our non-executive chairman since 2007, and a director since 1990. Mr. Barrett has informed the Board that, pursuant to the retirement age policy set forth in our Corporate Governance Guidelines discussed in more detail at page 6, he would be retiring and resigning from the board on May 12, 2009. The Board wishes to acknowledge Mr. Barrett's outstanding contributions during his tenure. One vacancy will remain on the Board and in the class of Directors whose terms will expire at the 2011 Annual Meeting. The Corporate Governance Committee intends to conduct a thorough search for a nominee to fill the vacancy to the class of Directors to be elected at the 2011 Annual Meeting with the assistance of an independent search firm. Additional details regarding the search process, director qualifications and the director nomination process are discussed on page 9. The Board of Directors is authorized under our Bylaws to fill the vacancy in the class of directors or reduce the size of the Board without seeking shareholder approval.

Nominees For Director

Unless you direct otherwise on the proxy you complete, your proxy will be voted for the Board's nominees for terms expiring at the 2012 Annual Meeting or until their successors are duly elected and qualified, unless you specifically indicate on the proxy card that you are withholding authority to vote for one or more of those nominees. All of the nominees are current directors of LNC. 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 selected by the Board.

Nominees for a Term Expiring at the 2012 Annual Meeting

George W. Henderson, III
Director since 2006
Age 60

Principal Occupation, Business Experience and Public and Investment Company Directorships:
Retired Executive. Chairman and Chief Executive Officer of Burlington Industries, Inc., a manufacturer of textile products (1995 – 2003). Director of Bassett Furniture Industries, Inc.

Eric G. Johnson
Director since 1998
Age 58

Principal Occupation, Business Experience and Public and Investment Company Directorships:
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).

M. Leanne Lachman
Director since 1985
Age 66
Principal Occupation, Business Experience and Public and Investment Company Directorships:
President of Lachman Associates LLC, an independent real estate consultant and investment advisor (October 2003 – Present). Secretary of G.L. Realty Investors, Inc., a real estate investment company (April 2004 – Present). Director of Liberty Property Trust.

Isaiah Tidwell
Director since 2006
Age 64
Principal Occupation, Business Experience and Public and Investment Company Directorships:
Retired Executive. Executive Vice President and Georgia Wealth Management Director, Wachovia Bank, N.A., a diversified commercial banking organization (2001 – 2005). Director of Lance, Inc. and Ruddick Corporation.

The Board of Directors recommends a vote FOR each of the nominees.

Directors Continuing In Office

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

Continuing in Office for a Term Expiring at the 2010 Annual Meeting

William J. Avery
Director since 2002
Age 68

Principal Occupation, Business Experience and public and investment Company Directorships:
Retired Executive. Chairman of the Board and Chief Executive Officer of Crown Cork & Seal Company, Inc., a manufacturer of packaging products for consumer goods (1994 – 2001). Director of Rohm & Haas.

William H. Cunningham
Director since 2006
Age 65

Principal Occupation, Business Experience and public and investment Company Directorships:
Professor at The University of Texas at Austin (2000 – Present). Director of Hayes Lemmerz International, Inc., Hicks Acquisition Company I, Inc., Introgen Therapeutics, Inc., John Hancock Mutual Funds and Southwest Airlines Co.

William Porter Payne
Director since 2006
Age 61

Principal Occupation, Business Experience and public and investment Company Directorships:
Partner, Gleacher Partners LLC, an investment banking and asset management firm (2000 – Present). Director of Cousins Properties, Inc.

Patrick S. Pittard
Director since 2006
Age 63

Principal Occupation, Business Experience and public and investment Company Directorships:
Distinguished Executive in Residence at the Terry Business School, University of Georgia (2002 – Present). Chairman, President and Chief Executive Officer of Heidrick & Struggles International, Inc., a global provider of senior level executive search and leadership development services (1983 – 2002). Director of Artisan Funds and CBeyond, Inc.

Continuing in Office for a Term Expiring at the 2011 Annual Meeting

Dennis R. Glass
Director since 2006
Age 59

Principal Occupation, Business Experience and Public and Investment Company Directorships:
President and Chief Executive Officer of Lincoln National Corporation (July 2007 – Present). President and Chief Operating Officer of Lincoln National Corporation (April 2006 – July 2007). President and Chief Executive Officer of Jefferson-Pilot Corporation (March 2004- April 2006). President and Chief Operating Officer of Jefferson-Pilot Corporation (November 2001 – February 2004).

Michael F. Mee
Director since 2001
Age 66

Principal Occupation, Business Experience and Public and Investment Company Directorships:
Retired Executive. Executive Vice President and Chief Financial Officer of Bristol-Myers Squibb Company, a

pharmaceutical and related health care products company (March 1994 – April 2001). Director of Ferro Corporation.

David A. Stonecipher
Director since 2006
Age 68

Principal Occupation, Business Experience and Public and Investment Company Directorships:
Retired Executive. Non-executive Chairman of the Board of Jefferson-Pilot Corporation (March 2004 – April 2006). Director, Chairman of the Board, Chief Executive Officer of Jefferson-Pilot Corporation (March 1993 – February 2004).

COMPENSATION OF DIRECTORS

The Board of Directors adheres to the following guidelines in establishing outside director compensation:

- A substantial portion of each outside director's compensation is to be paid in shares of our common stock or stock units based on our common stock;
  - In order to avoid the appearance of employee-like tenure or compromised independence, our outside directors are generally not eligible for defined benefit pensions; and
- Outside directors are expected to own shares of our common stock, or stock units based on our common stock, at least equal in value to three times the cash portion of their annual retainer (3 x $86,000) within five years of first being elected (33% of vested options are counted toward this requirement).

Our outside directors receive an annual retainer of $172,000, excluding any fees received for holding the position of non-executive Chairman of the Board or a committee chair. Current total compensation consists of an annual retainer of $86,000 in cash, $43,000 in deferred stock units and $43,000 in stock options. Directors may also elect to defer the cash component of their annual retainer into various "phantom" investment options, including the Lincoln National Corporation stock unit account option, available under the Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors. The investment options are the same as those offered under our 401(k) plan for employees. Amounts notionally invested into "phantom" investment options are credited with earnings or losses as if the deferred amounts had been actually invested in either our common stock (payable only in stock), or in any of the available investment options. All amounts deferred under the Directors' Deferred Compensation Plan are payable only upon the Non-Employee Director's retirement or resignation from the Board.

In addition, our non-executive Chairman of the Board receives an additional $200,000 payable in deferred stock units. Committee chairs receive an annual retainer of $10,000, except the chair of the Audit Committee. The chair of the Audit Committee receives an annual retainer of $20,000, and each other Audit Committee member receives an annual retainer fee of $5,000. No Board or Committee meeting fees are paid for regularly scheduled meetings.

Mr. Stonecipher receives non-qualified retirement payments in the form of a monthly life annuity of $72,705 with a 10-year guaranteed period and life insurance coverage of $850,000 under his prior employment agreement with Jefferson-Pilot, which was filed as Exhibit 10(i) to the Jefferson-Pilot Form 10-K for the year ended December 31, 2002.

The Corporate Governance Committee has discretion to recommend to the Board additional compensation ($1,100 per meeting) for meetings in addition to the regularly scheduled Board or Committee meetings. Finally, outside directors who are directors of Lincoln Life & Annuity Company of New York, ("LLANY"), our indirect, wholly owned subsidiary, receive an annual retainer of $15,000 and $1,100 for each Board and Committee meeting that they attend. For 2008, those outside directors of LLANY, who received such fees, were Mr. Barrett, Mr. Henderson, Ms. Lachman and Mr. Pittard.

We also provide 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. A Lincoln Financial Network financial planner must provide the financial planning services to be eligible for reimbursement. We also allow non-employee directors to participate in certain of our health and welfare benefits including our self-insured medical and dental plans as well as life insurance and accidental death and dismemberment coverages. The participating non-employee director is responsible for all of the premiums for the coverage. Finally, directors are eligible to participate in the Lincoln Financial Foundation, Inc. matching charitable gift program, which matches up to a maximum annual contribution of $10,000 to colleges and universities.

The table below contains information about the compensation paid to outside directors during the fiscal year ended December 31, 2008.

COMPENSATION OF DIRECTORS

Name*	Fees Earned or Paid in Cash1 ($)	Stock Awards2 ($)	Option Awards3 ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
William J. Avery	91,000	43,000	54,670	--	10,2974	162,671
J. Patrick Barrett	88,700	243,000	54,670	--	--	289,261
William H. Cunningham	96,000	43,000	54,670	--	10,0005	178,911
George W. Henderson, III	109,300	43,000	54,670	--	--	183,351
Eric G. Johnson	96,000	43,000	54,670	--	--	168,852
M. Leanne Lachman	125,400	43,000	54,670	--	8,500	207,522
Michael F. Mee	86,000	43,000	54,670	--	--	163,927
William Porter Payne	96,000	43,000	54,670	--	--	168,908
Patrick S. Pittard	105,400	43,000	54,670	--	10,2974	180,484
David A. Stonecipher	86,000	43,000	38,643	--	10,0005	158,726
Isaiah Tidwell	91,000	43,000	54,670	--	9,0005	173,501

* Mr. Glass, an employee-director, does not receive any director compensation.

1. As described above, $43,000 of the annual retainer of $172,000 in 2008 was paid in deferred stock units under the Deferred Compensation Plan for Non-Employee Directors, which are reported in the Stock Awards column. Mr. Barrett received an additional $200,000 in deferred stock units for serving as non-executive Chairman of the Board. The outside directors could elect to defer additional retainer and fees in the Deferred Compensation Plan. In 2008, directors Barrett, Johnson, Mee and Payne elected to defer 100% of their cash fees. In 2008, Mr. Henderson elected to defer 50% and Mr. Tidwell elected to defer 80% of their respective cash fees. The fees shown also include any fees that an outside director was paid or earned for service on the Board of Lincoln Life & Annuity Company of New York, our indirect, wholly owned subsidiary.

2. Because these deferred stock units are fully vested, the full grant date fair value is expensed immediately. Stock awards consist of the deferred stock units reported in the Stock Awards column above and phantom units awarded under the Directors' Value Sharing Plan, which was terminated as of July 1, 2004 and include accrued dividend equivalents, which are automatically deemed reinvested in additional phantom units of our common stock. At December 31, 2008, stock units beneficially owned by the directors were: Mr. Avery, 14,929; Mr. Barrett, 38,633; Mr. Cunningham, 16,630; Mr. Henderson, 25,131; Mr. Johnson, 24,323; Ms. Lachman, 33,884; Mr. Mee, 18,045; Mr. Payne, 13,123; Mr. Pittard, 15,010; Mr. Stonecipher, 1,302; and Mr. Tidwell, 5,832.

3. Represents the proportionate amount of the total fair value of option awards that we recognized as an expense in 2008 for financial accounting purposes, disregarding for this purpose the estimate of forfeitures related to service-based vesting conditions. The fair values of: (a) the option awards set forth in the table below and (b) the option awards amounts expensed in 2008 as set forth above, were all determined in accordance with Financial Accounting Standards Board

Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (FAS 123(R)). The assumptions made in calculating the expense of stock and option awards with respect to the year ended December 31, 2008 are set forth in Note 20 of the Notes to the Consolidated Financial Statements, included in Item 8 of the Form 10-K for the year ended December 31, 2008.

Name	Grant Date Fair Value of Option Awards Granted in 2008	Number of Shares Underlying Options Outstanding at December 31, 2008	Vested	Unvested
Avery	43,002	14,506	9,007	5,499
Barrett	43,002	20,506	15,007	5,499
Cunningham	43,002	73,938	68,439	5,499
Henderson	43,002	73,938	68,439	5,499
Johnson	43,002	20,506	15,007	5,499
Lachman	43,002	20,506	15,007	5,499
Mee	43,002	17,506	12,007	5,499
Payne	43,002	73,938	68,439	5,499
Pittard	43,002	73,938	68,439	5,499
Stonecipher	43,002	1,984,938	1,979,439	5,499
Tidwell	43,002	18,446	12,947	5,499

The options held by Messrs. Cunningham, Henderson, Payne, Pittard, Stonecipher and Tidwell include former options for Jefferson-Pilot Corporation common stock.

4. These amounts include: the provision of financial planning services with a Lincoln Financial Network advisor with an aggregate incremental cost to us of $10,000 for both Mr. Avery and Mr. Pittard and welcome items in connection with the annual board retreat.

5. Directors are eligible to participate in the Lincoln Financial Foundation, Inc. matching charitable gift program, which matches up to a maximum annual contribution of $10,000 to various non-profit entities. These amounts reflect matching contributions.

ITEM 2 - RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On February 23, 2009, our Audit Committee appointed Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2009. We have engaged this firm and its predecessors in this capacity continuously since 1968. Although not required, we request that you ratify this appointment. If you do not ratify this appointment, the Audit Committee may reconsider its appointment. Even if you do ratify this appointment, the Audit Committee is empowered to terminate Ernst & Young LLP and select and retain another independent registered public accounting firm at any time during the year.

Representatives of Ernst & Young LLP will be present at the Annual Meeting. They will be given the opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions relating to the audit of our audited consolidated financial statements for the year ended December 31, 2008.

The Board of Directors recommends a vote FOR the ratification of Ernst & Young LLP as our independent registered public accounting firm for 2009.

Independent Registered Public Accounting Firm
Fees and Services

Below are fees that were incurred by Ernst & Young LLP, our independent registered public accounting firm, for fiscal years 2008 and 2007 for professional services rendered as well as the related percentage of total fees that each category comprises.

	Fiscal Year Ended - December 31, 2008	% of Total Fees	Fiscal Year Ended - December 31, 2007	% of Total Fees
Audit Fees	$ 8,145,020	79.6	$8,489,300	81.2
Audit-Related Fees	2,091,859	20.4	1,961,133	18.8
Tax Fees	--	--	--	--
All Other Fees	--	--	--	--
TOTAL FEES:	$10,236,879	100	$10,450,433	100

Audit Fees

Fees for audit services include fees associated with the annual audit, the reviews of our interim financial statements included in quarterly reports on Form 10-Q, accounting consultations directly associated with the audit, and services normally provided in connection with statutory and regulatory filings.

Audit-Related Fees

Audit-related services principally include employee benefit plan audits, service auditor reports on internal controls, due diligence procedures in connection with acquisitions and dispositions, reviews of registration statements and prospectuses and accounting consultations not directly associated with the audit or quarterly reviews.

Tax Fees

Tax fees include fee for tax compliance, tax advice, and tax planning services. There were no fees in this category for either the fiscal year ended 2008 or 2007.

All Other Fees

There were no fees in this category for either the fiscal year ended 2008 or 2007.

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 3 hereto. During the years ended December 31, 2008 and December 31, 2007, all services provided by Ernst & Young LLP were pre-approved by the Audit Committee in accordance with this policy.

Audit Committee Report

Management has primary responsibility for preparing Lincoln National Corporation's financial statements and establishing financial reporting systems and internal controls. Management also is responsible for reporting on the effectiveness of the Corporation's internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the Corporation's consolidated financial statements and issuing a report on these financial statements. The independent registered public accounting firm is also responsible for issuing an attestation report on the Corporation's internal control over financial reporting.

In this context, the Audit Committee has reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2008. The Audit Committee has also discussed with the Corporation's independent registered public accounting firm the 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. Additionally, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence.

Based upon the review and discussions referred to in this report, the Audit Committee recommended to the Board that the audited consolidated financial statements for the fiscal year ended December 31, 2008 be included in the Corporation's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for filing with the SEC.

The Audit Committee

William J. Avery
George W. Henderson, III
M. Leanne Lachman, Chair
Isaiah Tidwell

ITEM 3 - APPROVAL OF THE LINCOLN NATIONAL CORPORATION 2009 AMENDED AND RESTATED INCENTIVE COMPENSATION PLAN

On February 24, 2009, our Board of Directors authorized the Compensation Committee of the Board of Directors to approve an amendment and restatement of the Amended and Restated Lincoln National Corporation Incentive Compensation Plan. On March 30, 2009, the Compensation Committee, or the Committee, approved the 2009 Amended and Restated Incentive Compensation Plan, subject to the approval of shareholders at the Annual Meeting. The 2009 Amended and Restated Incentive Compensation Plan is referred to below as the 2009 ICP, or the 2009 Plan. The plan as last restated in 2007, and amended thereafter in 2007 and 2008, is referred to below as the Amended and Restated ICP.

The purpose of the amendment and restatement was primarily to increase the total number of shares of common stock available for issuance under the 2009 Plan by 6,400,000 and to adjust the ratio at which shares of stock that may be issued in payment of awards are counted against the remaining awards. Additionally, clarifying changes have been made to the 2009 Plan which affect the business criteria that we use to set performance targets, the types of awards that may be granted and the requirement for shareholder approval for the repricing of stock options or stock appreciation rights ("SARs") under the 2009 ICP. We are asking shareholders to approve the amendment and restatement so that we may continue to grant equity awards to attract and retain key employees and to tie our key employees' interests with those of shareholders. Also, by approving the amendment and restatement, shareholders will be deemed to have approved the changes which amend and clarify certain provisions of the Amended and Restated ICP.

Purpose

Our Board of Directors believes that attracting and retaining key employees is essential to our growth and success. In addition, our Board believes that our long-term success is enhanced by a competitive and comprehensive compensation program, which may include tailored incentives designed to motivate and reward such persons for outstanding service, including awards that link compensation to applicable measures of our performance and the creation of shareholder value. Under the 2009 Plan, we are able to grant awards that enable us to attract and retain key employees and enable such persons to acquire and/or increase their proprietary interest in us and thereby align their interests with the interests of our shareholders.

The primary changes to the Amended and Restated ICP are to increase the total number of shares of common stock available for issuance under the 2009 Plan by 6,400,000 shares to 44,126,512 and to adjust the ratio at which shares of stock that may be issued in payment of awards are counted against the remaining awards. Prior to this change, under the Amended and Restated ICP, the total number of shares of our common stock reserved and available for delivery to participants in connection with Awards (as defined below), including shares relating to awards previously granted, was 37,726,512. As of December 31, 2008, 2,765,963, of these shares remained available for issuance. Note, in general, that the shares remaining under the Amended and Restated ICP at December 31, 2008 will fluctuate as new Awards are granted and as outstanding Awards expire or are cancelled or forfeited without delivery of the shares underlying an award to a recipient. For a further discussion of share counting under the Amended and Restated ICP and the 2009 Plan, see "Shares Subject to the 2009 ICP; Annual Per-Person Limitations" below. If the amendment and restatement is not approved, the Amended and Restated ICP will continue with the remaining shares available for issuance but we believe this amount will be insufficient to allow us to attract and retain key talent.

Our incentive compensation programs are currently paid out upon the Committee's certification of the achievement of pre-established performance goals that meet the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, for "performance based" compensation. For further information regarding 2008 incentive compensation, see the "Compensation Discussion and Analysis" beginning on page 30 of this proxy statement.

Additionally, we are making clarify changes to the business criteria that we use to set performance targets and the types of awards that may be granted under the 2009 Plan. We are also clarifying that the current requirement for shareholder approval for the repricing of stock options or SARs also includes any cancellation of outstanding stock options or SARs in exchange for cash. Accordingly, the 2009 Plan is designed to accomplish these objectives.

The following is a brief description of the material features of the 2009 Plan. This description is qualified in its entirety by reference to the full text of the 2009 Plan, which is attached hereto as Exhibit 4.

Types of Awards. The terms of the 2009 Plan provide for grants of stock options, SARs, restricted stock, restricted stock units, deferred stock units, other stock-related awards, and performance or annual incentive awards that may be settled in cash, stock, or other property ("Awards").

Shares Subject to the 2009 ICP; Annual Per-Person Limitations. As stated above, under the Amended and Restated ICP, the total number of shares of our common stock reserved and available for delivery to participants in connection with Awards is 37,726,512. However, 2,765,963 shares were available under the Amended and Restated ICP as of December 31, 2008. Shares that may be issued in payment of Awards, other than Options and SARs, that were granted on or after May 12, 2005 and prior to May 14, 2009, shall be counted against the remaining shares at a ratio of 3.25-to-1. On or after May 14, 2009, shares that may be issued in payment of Awards, other than Options and SARs under the 2009 Plan if approved by the shareholders, will be counted against the remaining shares at a ratio of 1.63-to-1. The total number of shares of common stock with respect to which incentive stock options ("ISOs"), none of which are currently outstanding, may be granted shall not exceed 2,000,000. As stated above, the shares available for issuance under the 2009 Plan will vary at any point in time due to new Award grants and expirations, forfeitures and cancellations of outstanding Awards as discussed in the following paragraph. Any shares of common stock delivered under the 2009 Plan shall consist of authorized and unissued shares.

The 2009 Plan contains rules to permit all awards to be properly counted and not counted twice. These rules will apply to shares previously authorized under any other plan at the time they become subject to the 2009 Plan. Forfeited, terminated or expired awards of shares, as well as awards settled in cash without issuing any shares, will become available for future awards using the same share counting formula described above depending on their date of grant. With respect to stock settled SARS and options, the full issuance of shares to settle such Awards will count against shares available under the 2009 Plan, that is at a ratio of 1-to-1.

In addition, the 2009 Plan imposes individual limitations on the amount of certain Awards in order to comply with Section 162(m) of the Code. Under these limitations, during any fiscal year the number of options, SARs, shares of restricted stock, units of deferred stock, shares of common stock issued as a bonus or in lieu of other obligations, and other stock-based Awards granted to any one participant shall not exceed 2,000,000 shares for each type of such Award, subject to adjustment in certain circumstances. The maximum amount that may be earned as an annual incentive award or other cash Award (payable currently or on a deferred basis) in any fiscal year by any one participant is $8,000,000, and the maximum amount that may be earned as a performance award or other cash Award (payable currently or on a deferred basis) in respect of a performance period by any one participant is $8,000,000.

The Committee is authorized to adjust the number and kind of shares subject to the aggregate share limitations and annual limitations under the 2009 Plan and subject to outstanding Awards (including adjustments to exercise prices and number of shares of options and other affected terms of Awards) in the event that a dividend or other distribution (whether in cash, shares, or other property), recapitalization, forward or reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase, or share exchange, or other similar corporate transaction or event affects the common stock so that an adjustment is appropriate. The Committee is also authorized to adjust performance conditions and other terms of Awards in response to these kinds of events or in response to changes in applicable laws, regulations, or accounting principles.

Eligibility. Our executive officers and other officers and employees, agents and brokers, and those of our subsidiaries, including any such person who may also be one of our directors, are eligible to be granted Awards under the 2009 Plan. It is anticipated that approximately 1,000 persons would be eligible to receive Awards under the 2009 Plan.

Administration. The 2009 Plan will be administered by the Committee. Subject to the terms and conditions of the 2009 Plan, the Committee is authorized to interpret the provisions of the 2009 Plan, select participants, determine the type and number of Awards to be granted and the number of shares of common stock to which Awards will relate, specify times at which Awards will be exercisable or settleable (including performance conditions that may be required as a condition thereof), set other terms and conditions of such Awards, prescribe forms of Award agreements, adopt, amend and rescind rules and regulations relating to the 2009 Plan, and make all other determinations that may be necessary or advisable for the administration of the 2009 Plan. The Committee may, in its discretion, convert any Award or the value of any Award under the 2009 Plan, subject to applicable laws and regulations, into Deferred Stock Units which will be administered under our plans relating to deferred compensation. The 2009 Plan provides that Committee members shall not be personally liable, and shall be fully indemnified, in connection with any action, determination, or interpretation taken or made in good faith under the 2009 Plan.

Stock Options and SARs. The Committee is authorized to grant stock options, including both ISOs, that can result in potentially favorable tax treatment to the participant, and non-qualified stock options (i.e., options not qualifying as ISOs), and SARs entitling the participant to receive the excess of the fair market value of a share of common stock on the date of exercise over the grant price of the SAR. The exercise price per share subject to an option and the grant price of a SAR is determined by the Committee, but must not be less than the fair market value of a share of common stock on the date of grant. Under the 2009 Plan, unless otherwise determined by the Committee, the fair market value of common stock is the closing price of a share of common stock, as quoted on the composite transactions table on the NYSE, on the date of grant. On March 9, 2009, the closing price of our common stock was $5.01 per share.

The maximum term of each option or SAR, the times at which each option or SAR will be exercisable, and provisions requiring forfeiture of unexercised options or SARs at or following termination of employment generally are fixed by the Committee, except no option or SAR may have a term exceeding ten years. Options may be exercised by payment of the exercise price in cash, common stock or outstanding Awards having a fair market value equal to the exercise price, as the Committee may determine from time to time. Methods of exercise and settlement and other terms of the SARs are determined by the Committee. To date, we have only granted SARs settleable exclusively in cash. The Committee may include a provision in an option permitting the grant of a new option when payment of the exercise price of an option is made in shares of common stock. However, as discussed below, the exercise price of an option may not be reduced (except as a result of a change in our capitalization) without shareholder approval. See “Other Terms of Awards; No Repricing,” below.

Restricted Stock, Restricted Stock Units and Deferred Stock Units. The Committee is authorized to grant restricted stock, restricted stock units and deferred stock units. Restricted stock is a grant of common stock which may not be sold or disposed of, and which may be forfeited in the event of certain terminations of employment and/or failure to meet certain performance requirements, prior to the end of a restricted period specified by the Committee. A participant granted restricted stock generally has all of the rights of a shareholder, including the right to vote the shares and to receive dividends thereon, unless otherwise determined by the Committee. A restricted stock unit, or RSU, represents a phantom share of our common stock that does not include the right to vote the shares or to receive dividends thereon. An Award of deferred stock units is credited to a bookkeeping reserve account in accordance with the terms of the Company’s plans relating to Deferred Compensation. Such an Award confers upon a participant the right to receive shares at the end of a specified deferral period, subject to possible forfeiture of the Award in the event of certain terminations of employment and/or failure to meet certain performance requirements prior to the end of a specified restricted period (which restricted period need not extend for the entire duration of the deferral period). Prior to settlement, an Award of RSUs or deferred stock units carries no voting or dividend rights or other rights associated with share ownership, although dividend equivalents may be granted, which are paid out only upon settlement of the award.

Bonus Stock and Awards in Lieu of Cash Obligations. The Committee is authorized to grant shares as a bonus free of restrictions, or to grant shares or other Awards in lieu of obligations to pay cash under other plans or compensatory arrangements, subject to such terms as the Committee may specify.

Other Stock-Based Awards. The 2009 Plan authorizes the Committee to grant Awards that are denominated or payable in, valued by reference to, or otherwise based on or related to shares. Such Awards might include convertible or exchangeable debt securities, other rights convertible or exchangeable into shares, purchase rights for shares, Awards with value and payment contingent upon our performance or any other factors designated by the Committee, and Awards valued by reference to the book value of shares or the value of securities of or the performance of specified subsidiaries. The Committee determines the terms and conditions of such Awards, including consideration to be paid to exercise Awards in the nature of purchase rights, the period during which Awards will be outstanding, and forfeiture conditions and restrictions on Awards.

Performance Awards, Including Annual Incentive Awards. The right of a participant to exercise or receive a grant or settlement of an Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee. In addition, the 2009 Plan authorizes specific annual incentive awards, which represent a conditional right to receive cash, shares or other Awards upon achievement of pre-established performance goals during a specified one-year period. Performance awards and annual incentive awards granted to persons the Committee expects will, for the year in which a deduction arises, be among the Named Executive Officers, will, if so intended by the Committee, be subject to provisions that should qualify such Awards as "performance-based compensation" not subject to the limitation on tax deductibility by us under Code Section 162(m).

The performance goals to be achieved as a condition of payment or settlement of a performance award or annual incentive award will consist of (i) one or more business criteria for the Company, as defined by the Committee, on a consolidated basis, and/or for specified subsidiaries or business units of the Company and (ii) a targeted level or levels of performance with respect to each such business criterion. In the case of performance awards intended to meet the requirements of Code Section 162(m), the business criteria used must be one of those specified in the 2009 Plan, although for other participants the Committee may specify any other criteria. The business criteria specified in the 2009 Plan are, as defined by the Committee: (1) earnings (total or per share); (2) revenues or growth in revenues; (3) cash flow or cash flow return on investment; (4) assets, return on assets, growth in assets, return on investment, capital or return on capital, return on equity, or shareholder equity (total or per share); (5) economic value added or insurance-imbedded value added; (6) operating margin; (7) net income or growth in net income (total or per share), pretax earnings or growth in pretax earnings (total or per share), pretax earnings before interest, depreciation and amortization, pretax operating earnings after interest expense and before incentives, and extraordinary or special items; (8) operating earnings or income from operations; (9) statutory income; (10) total shareholder return; (11) profit margins; (12) premiums and fees, or growth in premiums and fees, including service fees; (13) book value; (14) membership and growth in membership; (15) market share or change in market share; (16) stock price or change in stock price; (17) market capitalization, change in market capitalization, or return on market value; (18) economic value added or market value added; (19) cash flow or change in cash flow; (20) expense ratios, expense savings, budgets, product cost reduction through advanced technology, or other expense management measures; (21) productivity ratios or other measures of operating efficiency or effectiveness; (22) risk based capital ratio; (23) ratio of claims or loss costs to revenues; (24) satisfaction measures: customer, provider, or employee; (25) implementation or completion of critical projects or processes; (26) product development, product release schedules, new product innovation, brand recognition/acceptance; (27) any of the above goals as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of comparator companies; and (28) any criteria comparable to those listed above, including metrics designed to measure progress toward achieving the company's strategic intent of becoming the retirement income security company of choice for its clients, that shall be approved by the Committee.

In granting annual incentive or performance awards, the Committee may establish unfunded award "pools," the amounts of which will be based upon the achievement of a performance goal or goals using one or more of the business criteria described in the preceding paragraph. During the first 90 days of a fiscal year or performance period, the Committee will determine who will potentially receive annual incentive or performance awards for that fiscal year or performance period, either out of the pool or otherwise. After the end of each fiscal year or performance period, the Committee will determine the amount, if any, of the pool, the maximum amount of potential annual incentive or performance awards payable to each participant in the pool, and the amount of any potential annual incentive or performance award otherwise payable to a participant. The Committee may, in its discretion, determine that the amount payable as an annual incentive or performance award will be increased or reduced from the amount of any potential Award, but may not exercise discretion to increase any such amount intended to qualify as performance-based compensation under Code Section 162(m).

Subject to the requirements of the 2009 Plan, the Committee will determine other performance award and annual incentive award terms, including the required levels of performance with respect to the business criteria, the corresponding amounts payable upon achievement of such levels of performance, termination and forfeiture provisions, and the form of settlement. Because of the discretionary nature of the awards that may be made under the 2009 Plan, the benefits available under the 2009 Plan are not readily determinable. However, the Awards that may be made under the 2009 Plan are subject to the limitations discussed above under "Shares Subject to the ICP: Annual Per-Person Limitations."

Other Terms of Awards; No Repricing. In general, Awards may be settled in the form of cash, common stock, other Awards, or other property, in the discretion of the Committee. The Committee may require or permit participants to defer the settlement of all or part of an Award in accordance with such terms and conditions as the Committee may establish, including payment or crediting of interest or dividend equivalents on deferred amounts, and the crediting of earnings, gains, and losses based on deemed investment of deferred amounts in specified investment vehicles. The Committee is authorized to place cash, shares, or other property in trusts or make other arrangements to provide for payment of our obligations under the 2009 Plan. The Committee may condition any payment relating to an Award on the withholding of taxes and may provide that a portion of any shares or other property to be distributed will be withheld (or previously acquired shares or other property surrendered by the participant) to satisfy withholding and other tax obligations. Awards granted under the 2009 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 participant's death, except that the Committee may, in its discretion, permit transfers for estate planning or other purposes.

Awards under the 2009 Plan are generally granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise), except to the extent required by law. The Committee may, however, grant Awards in exchange for other Awards under the 2009 Plan, awards under our other plans, or other rights to payment from us, and may grant Awards in addition to and in tandem with such other Awards, awards, or rights as well.

Unless the Award agreement specifies otherwise, the Committee may cancel or rescind Awards if the participant fails to comply with certain noncompetition, confidentiality or intellectual property covenants. For instance, Awards may be canceled or rescinded if the participant engages in competitive activity while employed by us or within a specified period following termination of employment. We may, in our discretion, in any individual case provide for waiver in whole or in part of compliance with the noncompetition, confidentiality or intellectual property covenants.

Notwithstanding any other provision of the 2009 Plan, no option that has been granted under the 2009 Plan or the Amended and Restated ICP may be repriced, replaced or regranted through cancellation, including in exchange for cash, or otherwise modified without shareholder approval (except in connection with adjustments permitted under the 2009 Plan), if the effect would be to reduce the exercise price for the shares underlying the option.

Acceleration of Vesting. The Committee may, in its discretion, accelerate the exercisability, the lapsing of restrictions, or the expiration of deferral or vesting periods of any Award, and such accelerated exercisability, lapse, expiration and vesting will occur automatically in the case of a "change of control" of us, except to the extent otherwise determined by the Committee at the date of grant. The definition of a "change of control" as used in the 2009 Plan is shown in the Appendix to Exhibit 4 beginning at page E-21. In addition, the Committee may provide that the performance goals relating to any performance-based award will be deemed to have been met upon the occurrence of any change of control. Upon the occurrence of a change of control, except to the extent otherwise determined by the Committee at the date of grant, options will become fully vested and exercisable and restrictions on restricted stock and deferred stock units will lapse. "Change of Control" is defined to include a variety of events, including the acquisition by certain individuals or entities of twenty percent or more of our outstanding common stock, significant changes in our board of directors, certain reorganizations, mergers and consolidations involving us, and the sale or disposition of all or substantially all of our consolidated assets.

Amendment and Termination of the Plan. The Board of Directors, or the Committee acting pursuant to authority delegated to it by the Board, may amend, alter, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards without further shareholder approval, except shareholder approval must be obtained for any amendment or alteration if required by law or regulation or under the rules of any stock exchange or automated quotation system on which the shares are then listed or quoted. Shareholder approval will not be deemed to be required under laws or regulations, such as those relating to ISOs, that condition favorable treatment of participants on such approval, although the Board may, in its discretion, seek shareholder approval in any circumstance in which it deems such approval advisable. Thus, shareholder approval will not necessarily be required for amendments that might increase the cost of the 2009 Plan or broaden eligibility. Unless earlier terminated by the Board, the 2009 Plan will terminate at such time as no shares remain available for issuance under the 2009 Plan, and we have no further rights or obligations with respect to outstanding Awards under the 2009 Plan.

Because the Compensation Committee has discretion to determine the amount and types of awards to be granted under the 2009 Plan, all of the benefits that will be received in the future by participants are not readily determinable.

The table below shows information as of December 31, 2008 regarding securities authorized for issuance under all of our equity compensation plans.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders(4)	10,202,606 (1, 2)	$53.29	3,652,988 (4)
Equity compensation plans not approved by shareholders	--	N/A	--
Total	10,202,606	$53.29(3)	3,652,988

1. This amount excludes outstanding stock options assumed in connection with our acquisition of Jefferson Pilot Corporation (the "JP Plans") as shown below for the following plans, under which no new awards may be granted:

- 6,071,882 shares to be issued upon outstanding options as of December 31, 2008 under the Jefferson-Pilot Corporation Long Term Stock Incentive Plan with a weighted average exercise price of $44.44
- 402,532 shares to be issued upon outstanding options as of December 31, 2008 under the Jefferson-Pilot Corporation Non-Employee Directors Stock Option Plans (for 1995 and 2004) with a weighted average exercise price of $43.22

2. This amount includes the following:

- 5,278,528 outstanding options.
- 3,140,034 represent outstanding long-term incentive awards, of which 2,462,980 represent options with performance conditions and 677,054 represent the number of performance shares based on the maximum amounts potentially payable under the awards in stock options and shares (including potential dividend equivalents). The long-term incentive awards have not been earned as of December 31, 2008. The number of options and shares, if any, to be issued pursuant to such awards will be determined based upon our, and in some cases, our subsidiaries performance, over the applicable three-year performance period (target amounts payable are set forth in Note 20 of the Notes to Consolidated Financial Statements, included in Item 8 of the Form 10-K for the year ended December 31, 2008). Since the shares that may be received in payment of the awards have no exercise price, they are not included in weighted-average exercise price calculation in column (b). The long-term incentive awards are all issued under our Amended and Restated Incentive Compensation Plan ("ICP").
- 203,448 outstanding restricted stock units.

• 1,580,596 outstanding deferred stock units, which are not included in Note 20 of the Notes to the Consolidated Financial Statements, included in Item 8 of the Form 10-K for the year ended December 31, 2008. The below shows the number of deferred stock units that have been granted during the years ended December 31, 2008, 2007 and 2006.

Plan Name	2008	2007	2006
Amended and Restated ICP	407,301	68,896	79,981
Lincoln National Corporation Deferred Compensation Plan for Non-Employee Directors	25,224	21,942	21,306

3. The total outstanding options, including those with service and performance conditions, and including options under the JP Plans, are 14,215,922 which have a weighted average exercise price of 49.22 and a weighted average remaining contractual term of 5.25 years.

4. Includes up to 2,765,963 securities available for issuance in connection with restricted stock, restricted stock units, performance stock units, deferred stock and deferred stock unit awards under the Amended and Restated ICP, and 409,441 under the non-employee director option plan. Shares that may be issued in payment of awards, other than options and stock appreciation rights, reduce the number of securities remaining available for future issuance under equity compensation plans at a ratio of 3.25-to-1. Also includes up to 477,584 securities available for issuance in connection with deferred stock units under the Deferred Compensation Plan for Non-Employee Directors. This amount does not include 129,877 restricted stock

units for under the Delaware Investments US, Inc. Incentive Compensation Plan. The Lincoln National Corporation 1993 Stock Plan for Non-Employee Directors will only issue shares for currently outstanding awards, and no new awards may be granted under this plan.

Federal Income Tax Implications of the Plan. The following is a brief description of the federal income tax consequences generally arising with respect to Awards under the 2009 Plan.

The grant of an option or SAR will create no tax consequences for the participant or us. A participant will not recognize taxable income upon exercising an ISO (except that the alternative minimum tax may apply). Upon exercising an option other than an ISO, the participant must generally recognize ordinary income equal to the difference between the exercise price and Fair Market Value of the freely transferable and nonforfeitable shares acquired on the date of exercise. Upon exercising a SAR, the participant must generally recognize ordinary income equal to the cash or the fair market value of the freely transferable and nonforfeitable shares received.

Upon a disposition of shares acquired upon exercise of an ISO before the end of the applicable ISO holding periods, the participant must generally recognize ordinary income equal to the lesser of (i) the fair market value of the shares at the date of exercise of the ISO minus the exercise price, or (ii) the amount realized upon the disposition of the ISO shares minus the exercise price. Otherwise, a participant's disposition of shares acquired upon the exercise of an option (including an ISO for which the ISO holding periods are met) or SAR generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax basis in such shares (the tax basis generally being the exercise price plus any amount previously recognized as ordinary income in connection with the exercise of the option or SAR).

We will generally be entitled to a tax deduction equal to the amount recognized as ordinary income by the participant in connection with an option or SAR. We are generally not entitled to a tax deduction relating to amounts that represent a capital gain to a participant. Accordingly, we will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the ISO holding periods prior to disposition of the shares.

With respect to Awards granted under the 2009 Plan that result in the payment or issuance of cash or shares or other property that is either not restricted as to transferability or not subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income equal to the cash or the fair market value of shares or other property received. Thus, deferral of the time of payment or issuance will generally result in the deferral of the time the participant will be liable for income taxes with respect to such payment or issuance. We will generally be entitled to a deduction in an amount equal to the ordinary income recognized by the participant.

With respect to Awards involving the issuance of shares or other property that is restricted as to transferability and subject to a substantial risk of forfeiture, the participant must generally recognize ordinary income equal to the fair market value of the shares or other property received at the first time the shares or other property becomes transferable or is not subject to a substantial risk of forfeiture, whichever occurs earlier. A participant may elect to be taxed at the time of receipt of shares or other property rather than upon lapse of restrictions on transferability or substantial risk of forfeiture, but if the participant subsequently forfeits such shares or property, the participant would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he previously paid tax. The participant must file such election with the Internal Revenue Service within 30 days of the receipt of the shares or other property. We will generally be entitled to a deduction in an amount equal to the ordinary income recognized by the participant.

Awards that are granted, accelerated or enhanced upon the occurrence of a change of control may give rise, in whole or in part, to "excess parachute payments" within the meaning of Code Section 280G and, to such extent, will be non-deductible by us and subject to a 20% excise tax payable by the participant.

The foregoing summary of the federal income tax consequences in respect of the Amended and Restated Plan is for general information only. Interested parties should consult their own advisors as to specific tax consequences, including the application and effect of foreign, state and local tax laws.

The Board of Directors recommends a vote FOR the amendment to the 2009 Amended and Restated Amended Compensation Plan.

ITEM 4 - SHAREHOLDER PROPOSAL REGARDING ELECTION OF DIRECTORS BY MAJORITY VOTE

The United Brotherhood of Carpenters Pension Fund, 101 Constitution Avenue, N.W., Washington, D.C. 20001, beneficial owner of approximately 4,170 shares, has notified us that it intends to present the following proposal at the annual meeting. We are not responsible for the contents of the proposal or the supporting statement set forth below.

Director Election Majority Vote Standard Proposal

Resolved: That the shareholders of Lincoln National Corporation ("Company") hereby request that the Board of Directors initiate the appropriate process to amend the Company's articles of incorporation to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats.

Statement of Support: In order to provide shareholders a meaningful role in director elections, the Company's director election vote standard should be changed to a majority vote standard. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be elected. The standard is particularly well-suited for the vast majority of director elections in which only board nominated candidates are on a ballot. We believe that a majority vote standard in board elections would establish a challenging vote standard for board nominees and improve the performance of individual directors and entire boards. The Company presently uses a plurality vote standard in all director elections. Under the plurality standard, a board nominee can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are "withheld" from the nominee.

In response to strong shareholder support for a majority vote standard, a strong majority of the nation's leading companies, including Intel, General Electric, Motorola, Hewlett Packard, Morgan Stanley, Home Depot, Gannett, Marathon Oil, and Pfizer, have adopted a majority vote standard in company bylaws or articles of incorporation. Additionally, these companies have adopted director resignation policies in their bylaws or corporate governance policies to address post-election issues related to the status of director nominees that fail to win election. Other companies have responded only partially to the call for change by simply adopting post election director resignation policies that set procedures for addressing the status of director nominees that receive more "withhold" votes than "for" votes. At the time of this proposal submission, our Company and its board have not taken either action.

We believe that a post election director resignation policy without a majority vote standard in company governance documents is an inadequate reform. The critical first step in establishing a meaningful majority vote policy is the adoption of a majority vote standard. With a majority vote standard in place, the board can then take action to develop a post election procedure to address the status of directors that fail to win election. A majority vote standard combined with a post election director resignation policy would establish a meaningful right for shareholders to elect directors, and reserve for the board an important post election role in determining the continued status of an unelected director. We urge the Board to initiate the process to establish a majority vote standard in the Company's governance documents.

Statement in Opposition to the Majority Vote Proposal

The Board has reviewed this proposal and recommends a vote against it. The Board agrees that shareholders should have a meaningful role in the director election process. However, under current law, majority voting creates legal and practical complications that make its adoption inadvisable.

The system of plurality voting, which the proponent seeks to replace, has long been the accepted system among U.S. public companies and is the default system under Indiana corporate law. The rules governing plurality voting are well understood. In addition, it is important to note that our directors have consistently received broad shareholder support—typically over 90 percent of the votes cast over the last five years. The proposal suggests that our directors have received a substantial number of "withhold" votes. This clearly is not the case.

The majority vote system suggested by the proponent is simple in concept, but in practice it raises complications under current law. A "failed election"—an uncontested election where a director nominee does not achieve a majority of the votes cast—could create a variety of outcomes that would frustrate the goal of providing shareholders a greater voice.

Under Indiana law and our restated articles of incorporation, a director whose term expires continues to serve as a "holdover director" until his or her successor is elected and qualified. Thus, if the unsuccessful candidate in a failed election is an incumbent, he or she would continue to serve as a director, until at least the next annual meeting, and perhaps until the end of the next three-year term despite the failed election. If the candidate is not an incumbent, the director position would become vacant and could be filled by the directors acting alone—thus effectively bypassing the election process entirely for a three-year term. We do not believe such a result furthers shareholder democracy. Furthermore, combining a majority vote standard with a post-election director resignation policy may create a large number of immediate board vacancies, resulting in unintended consequences such as:

- inadvertently triggering "change-in-control" provisions in various compensation plans and third-party agreements;
- giving undue influence to special-interest voters who use director votes to forward their particular agenda; or
- facilitating opportunistic hostile takeover bids.

Moreover, the Board believes that we already have a strong corporate governance process designed to identify and propose director nominees who will serve the best interests of the shareholders. Director nominees are evaluated and recommended for election by the Corporate Governance Committee, which is comprised solely of independent directors. In recommending nominees, the committee considers a variety of factors. We have also published in this Proxy Statement and on our website, at www.lincolnfinancial.com, information on how stockholders and other interested parties can communicate their views on potential nominees or other matters with the Board. Thus, the Board believes that current Board policies provide an appropriate mechanism for electing an effective Board of Directors committed to delivering long-term stockholder value. Additionally, since our stockholders have a history of electing highly qualified, independent directors under our current election process, we believe a change to a majority voting requirement is not necessary to improve our corporate governance process.

The Board of Directors recommends that you vote AGAINST this proposal.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, certain officers and beneficial owners of greater than 10% of our equity securities to file reports of holdings and transactions with the SEC and the NYSE. Based on written representations that we have received from our officers subject to Section 16 and directors, and a review of the reports filed with respect to transactions that occurred during 2008, we believe that each of our directors and officers subject to Section 16 met all applicable filing requirements, except for former executive officer, Elizabeth L. Reeves, who made one late filing disclosing two transactions.

COMPENSATION PROCESSES AND PROCEDURES

The Compensation Committee of the Board of Directors has primary authority for considering and determining executive compensation, while the Corporate Governance Committee reviews and recommends to the Board of Directors the overall compensation program for our outside directors. For a description of the principal functions of the Compensation Committee, see "The Board of Directors and Committees – Compensation Committee" on pages 11-12.

Although there is nothing in its charter preventing the Compensation Committee from delegating its authority on executive compensation matters to members of management, the Committee has not delegated its authority. The Compensation Committee has delegated to the Chair of the Committee the authority to approve changes to executive officer compensation, subject to the Committee's review and ratification. This was done primarily to facilitate changes in compensation, if and as necessary, between Compensation Committee meetings usually in connection with a promotion or new hire.

The Compensation Committee engaged Towers Perrin in 2008 as its compensation consultant. At the Committee's request, Towers Perrin provides the Compensation Committee with market data and information on trends in executive compensation, such as the use of various forms of equity and the prevalence of different types of compensation vehicles. Our CEO and head of human resources make recommendations to the Compensation Committee with respect to the base salary, target annual incentive awards and target long-term incentive awards for each of the executive officers, except for our CEO. For a further discussion on the roles of our CEO and our head of human resources, as well as Towers Perrin, in compensation decisions during 2008, see the "Compensation Discussion & Analysis" immediately below.

The Compensation Committee normally approves the vesting of incentive awards at its first regularly scheduled meeting of the calendar year (usually in late February or early March). During this meeting, the Committee reviews financial data provided by management reporting the results for the various performance measures previously established for the just-completed annual and long-term performance cycles. The Committee certifies the achievement—or not—of the performance measures and approves the vesting of awards, as appropriate. Mr. Crawford, our Chief Financial Officer, provides the Committee with management's recommendations for the targets for the upcoming performance cycle.

The Compensation Committee generally grants equity awards to our executive officers once a year at its first regularly scheduled meeting of the calendar year (usually in February or March). However, the Compensation Committee may also grant equity awards at other regularly scheduled meetings, or if circumstances require, the Committee or Board may grant equity awards at special meetings or by taking action through unanimous written consent. The Board of Directors also has the same authority to grant equity awards. For more information on our equity grant procedures, see the "Compensation Discussion & Analysis—Equity Grant Procedures" below.

Under its charter, the Corporate Governance Committee reviews and recommends to the Board of Directors the overall compensation program for directors, including retainer, meeting fees, perquisites, deferred compensation, stock option plans or other incentive or retirement plans, and medical and life insurance coverage, but the Board of Directors retains the authority to approve the compensation program. Towers Perrin provides the Corporate Governance Committee with market data and information on trends in directors' compensation, which the Committee uses in reviewing and setting director compensation.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

Introduction

This Compensation Discussion & Analysis, or CD&A, provides our analysis of our compensation programs primarily as they apply to those executive officers named in the compensation tables (the "NEOs"), beginning on page 48 of this proxy statement. As required by the rules of the Securities and Exchange Commission, the compensation tables disclose cash compensation earned by the NEOs in 2008 as well as equity awards granted, stock options exercised and performance awards earned and/or paid out in 2008.

This CD&A provides a discussion and analysis of the various actions taken in 2008 with respect to the annual base salaries of our executives, any changes made to their retirement benefits, (including the termination of an evergreen provision in our Chief Executive Officer's, or CEO's, employment agreement relating to his retirement benefits) and any special bonuses or retention awards granted. This CD&A also provides a discussion and analysis of the short and long-term incentive programs for the following performance periods:

- the 2006-2008 performance period for long-term incentive awards earned on December 31, 2008 and paid in early 2009;
- the 2008 performance period for annual incentive awards earned on December 31, 2008 and paid in early 2009; and
- the 2008-2010 performance period for long-term incentive awards granted in 2008.

We also discuss various actions taken with respect to executive salaries during 2008.

You should read the CD&A in conjunction with the compensation tables on pages 48-68.

Overview of Executive Compensation

During 2008, the capital markets experienced extreme volatility that affected both equity market returns and interest rates. In addition, credit spreads widened across asset classes and reduced liquidity across credit markets. October 2008 marked the worst equity market returns in 21 years. The price of our common stock declined during the fourth quarter of 2008 to close at $18.84 on December 31, 2008, down from $42.81 on September 30, 2008, and during that time it closed at a low of $4.76. The National Bureau of Economic Research, a panel of economists charged with officially designating business cycles, announced that a U.S. recession had begun in December 2007, and many analysts expect the downturn to last through the first half of 2009. In face of these capital market challenges, we continue to focus on building our businesses through these difficult market conditions and beyond by developing and introducing high quality products, expanding distribution in new and existing key accounts and channels and targeting market segments that have high growth potential while maintaining a disciplined approach to managing our expenses. In light of the market impact on our earnings, the Compensation Committee evaluated our fundamental guiding principles in the executive compensation area - to challenge those principles and to ask whether they still worked, were still meaningful, and were still the right principles to guide us through these difficult times.

We have concluded that our guiding principles are still sound. We still believe that attracting and retaining key executives is essential to our continued growth and strong performance. We continue to pursue our goal of building a performance culture of "A" players, recognizing that talent drives performance. We will continue to design our executive compensation programs in a way that will position us to attract and retain the most talented individuals in the financial services industry by offering competitive compensation packages that reward exceptional individual and company performance.

Our compensation practices are based on the following fundamental guiding principles:

- a "pay for performance" culture creating a strong nexus between levels of executive compensation and our long-term and short-term financial performance;
- competitive compensation targeted in general to "median" based on comparable market data, and payment of above median incentive compensation only for above-average performance;
- performance measures and goals which balance risk and reward and create the proper incentives for our NEOs to achieve our overall business strategy; and
- appropriate share ownership requirements and equity programs resulting in the alignment of our NEOs' financial interests with those of our shareholders.

Our 2008 long-term and short-term incentive programs were designed to reward above-average financial performance with above-average compensation. Conversely, our incentive programs were designed to reward average financial performance with below-average compensation, and below-average performance with, in some cases, no payout at all. In each case, more than two-thirds of the total compensation awarded to our named executive officers, or NEOs, in 2008 included a significant amount of at-risk compensation to be earned only if performance objectives were achieved (see chart on page 48 below for a list of the named executive officers). We believe that allocating the largest portion of executive compensation to incentive compensation helps to properly align the financial interests of our NEOs with those of our shareholders by putting executive pay at risk based on our sustained success.

Our compensation programs are also designed to be easily communicated to and understood by both our executives and shareholders. We put a strong emphasis on "line of sight" factors. It is important to us and to our executives for performance to be measurable and for compensation to be paid based on criteria that both executives and shareholders can reasonably identify, and, in the case of our executives, influence and affect.

In general, we aim to pay total compensation at median to our executives as compared to the compensation paid to executives in similar positions in similarly sized insurance-based, financial services, investment management companies, or the general industry, as applicable. For all of our NEOs except for Mr. Coyne, we used market data drawn from the following companies included in the 2007 Diversified Insurance Study of Executive Compensation:

· AEGON USA	· Met Life
· Aetna	· Mutual of Omaha
· AFLAC	· Nationwide
· AIG	· New York Life
· Allianz (Life USA)	· Northwest Mutual
· Allstate	· Pacific Life
· American United Life	· Phoenix Companies
· AXA Equitable	· Principal Financial
· CIGNA	· Prudential Financial
· Genworth Financial	· Securian Financial
· Guardian Life	· Sun Life Financial
· Hartford Financial Services	· Thrivent Financial
· ING	· TIAA-CREF
· John Hancock	· Unum Group
· Massachusetts Mutual	· USAA

For Mr. Coyne, the President of Lincoln National Investment Company and Delaware Management Holdings, Inc., which had assets under management of approximately $160 billion for 2008, we reviewed compensation data for executives in similar positions who work in certain investment entities participating in the 2007 McLagan Partners' Investment Management Survey. We specifically looked at compensation data for investment entities with between $35 billion and $100 billion in assets under management as well as data for investment entities with over $100 billion in assets under management. We then took an average of the data generated by those samples. For a list of these companies, refer to Exhibit 5. In addition, for Robert W. Dineen, the President of Lincoln Financial Network we used compensation data drawn from the following companies:

· The Capital Group Companies, Inc.	· Neuberger Berman, LLC
· Eagle Asset Management, Inc. (Raymond James)	· Oppenheimer Funds, Inc.
· Fidelity Investments	· The Vanguard Group, Inc.
· Fisher Investments	· William Blair & Company, L.L.C.
· MFC Private Wealth Management	

While we generally aim to target compensation to the market median as determined from the above-named sources of market data, in some cases, we may target above-median compensation. Specifically, in 2008, we targeted above-median compensation to Mr. Dineen and to Mr. Konen.

We may also award cash or equity-based bonuses to our executives for a variety of reasons: for exemplary individual performance, for mid-year promotions, as a retention tool, or in recognition of significant challenges or difficult projects we have asked them to accept.

At its May 2008 meeting, our Compensation Committee granted Robert W. Dineen a discretionary leadership bonus. Approximately 2/3 of the bonus, or $234,500, was granted in the form of restricted units of our common stock, and $116,667 was paid in cash. The purpose of the leadership bonus was to reward Mr. Dineen for the significant contributions he made to us during the past year and to provide additional incentive for him to stay and see us through the challenges of the next two years. The restricted stock units will vest ratably over the next two years, with one-half vesting on the first anniversary of grant date, May 7, 2009, and the other half vesting on May 7, 2010. The cash was paid out in an immediate lump sum payment.

At its November 2008 meeting, the Compensation Committee approved a discretionary cash retention award for Frederick W. Crawford, our Chief Financial Officer, or CFO. Our CEO recommended the retention award for Mr. Crawford because of his talent, expertise and leadership during the current financial crisis are considered critical to our future success. The retention award was equal to Mr. Crawford's annual base salary, $510,000, and will be paid to him in cash if he remains in his current position as CFO until at least until January 1, 2010.

The awards discussed above are set forth in the "Grants of Plan-Based Awards" table on page 50.

Elements of Compensation

Our executives receive four standard types of compensation: base salary, annual incentive program or "AIP" awards, long-term incentive or "LTI" awards, and retirement and health and welfare benefits. In general, the fixed or certain elements of compensation—base salary and benefits—make up the smallest percentage of total annual executive compensation, while the largest component of total executive compensation—incentive awards—fluctuates in value and is "at risk" based on corporate performance and the performance of our business segments. This allocation of compensation supports our foundational "pay for performance" philosophy. Annual decisions setting the level of base salary, and AIP or LTI targets are always made in consideration of the total direct compensation picture and the interaction of all three elements. Mid-year adjustments to base salary will generally not affect AIP or LTI targets for our NEOs (which are set each year in late February or early March) for the year in which the adjustment was made.   We perform periodic reviews of the level of retirement and health and welfare benefits paid to our executives to determine whether our benefits continue to be competitive and consistent and supportive of our talent and business strategies. The last in-depth review of these benefits was performed in 2007, and resulted in the termination or "freeze" of the qualified and non-qualified defined benefit programs covering our executives, and the re-design of our qualified and non-qualified defined contribution plans and retiree health programs.

Base Salary

We pay competitive base salaries in order to draw key executive talent to the company and to retain this talent. At the request of the Compensation Committee, for each executive officer including each NEO, Towers Perrin identified comparable executive roles with similar responsibilities and scope in organizations of similar size and type, using the companies identified from the Diversified Insurance Study and/or specific data provided by management from the McLagan Partners' Survey, as discussed above. Understanding that there is no perfect match between the roles played by our executives and the executives in the peer companies we have identified, we may consider multiple sources of market data for this purpose. We do not take a formulaic approach to determining the base salaries of our executives. The market data gathered in this manner is only the point of departure in a discussion that considers a number of factors, including a subjective review of each executive's individual performance during the prior year, relevant experience, the significance of each NEO's role to our business strategy and their particular short and long-term challenges.

With two exceptions, all of our NEOs were paid an annual base salary for 2008 that was approximately at median or the "market rate" for their positions, as determined by the above analysis. We may pay above-median compensation in cases where we have moved an executive officer from a leadership role in one business segment to a leadership role in another business. We may do this for a variety of reasons, including organizational considerations, or the need for specific expertise in the task of building a new business or improving an existing one. In such cases, the compensation of the executive officer we have moved may reflect median market compensation for their former position, but may be above median compensation for their new position. We may also pay higher than median compensation to executive officers whom we have recruited from other industries with higher median compensation.

Mr. Dineen's base salary for 2008 was paid above-median. At the time we recruited Mr. Dineen, he was being paid a base salary that was higher than the median market rate in effect – then or now – for his current position. The decision to recruit Mr. Dineen, and to continue paying him a base salary targeted to the market 75th percentile reflects the importance of Lincoln Financial Network to our long-term business strategy.

Mr. Konen was also paid above-median base salary for a portion of 2008. Up through the change in his roles and responsibilities as described below, Mr. Konen was paid a base salary targeted to the market 75th percentile for his position. In July 2008 we announced the realignment of our Employer Markets and Individual Markets businesses into two new divisions: Retirement Solutions and Insurance Solutions. As a result, Mr. Konen was named President, Insurance Solutions, which combined our Individual Life and Group Protection business segments under his leadership. In a change that increased his duties and responsibilities, Mr. Konen also became the interim president, and subsequently in 2009 was named president of Retirement Solutions, which includes our Annuities and Defined Contribution segments. At its August 2008 meeting, our Compensation Committee reviewed market data and compensation data for Mr. Konen, and based on his new role and increased responsibilities, approved increases to various elements of his compensation. The change to Mr. Konen's annual base salary – an increase from $490,000 to $517,500 – took effect on August 6, 2008. This reflects the importance of the various Insurance Solutions products to our long-range strategy for success, and the key role that Mr. Konen will play in the development of those businesses.

The Committee also approved changes to Mr. Konen's annual incentive award target – from 100% to 130% – and to his long-term incentive award target – from 270% to 338.7% – with both of these changes being effective beginning in 2009. With the addition of roles and responsibilities after the July 2008 restructuring, Mr. Konen was paid a rate of annual base salary at the market median.

Annual base salary for all of our senior officers, including our NEOs, was set in November of 2007 using the surveys described above. After a review of this data and individual performance factors, and based on recommendations from the head of human resources and the CEO, the Committee approved increases in the 2008 annual base salary levels for our NEOs, except for Dennis R. Glass, which took effect January 1, 2008.

As a result of these increases Mr. Crawford's salary increased from \$500,000 to \$510,000, Mr. Coyne's salary increased from \$450,000 to \$470,000, and Mr. Konen's salary increased from \$445,000 to \$490,000, and then to \$517,500 as described above. Mr. Dineen's salary was initially increased from \$400,000 to \$414,000, and then later increased to \$420,000, in particular recognition of his superior performance in 2007.

Each NEO's 2008 base salary is set forth in the Summary Compensation Table on page 48.

2008 Incentive Awards

Consistent with our past practice, during 2008, our NEOs participated in two incentive award programs: an annual cash incentive award program, referred to above as the "AIP," and a long-term incentive award program, referred to as the "LTI." For most NEOs, the LTI program consisted of a combination of stock options and long-term performance awards. All of our NEOs, including Mr. Coyne, received 50% of their LTI targets in the form of options to purchase shares of our common stock. In pervious years, Mr. Coyne had instead received options to purchase shares of Delaware Investments U.S., Inc. common stock under the Delaware Management Holdings, Inc. Incentive Compensation Plan or "Delaware ICP" (formerly the Delaware Investments U.S. Stock Option Plan). However, while Messrs. Glass, Crawford, Dineen and Konen received 50% of their LTI target in grants of performance shares settleable in shares of our common stock, Mr. Coyne received only 16.5% of his LTI target in the form of such performance shares. The remaining 33.5% of his 2008 LTI target was granted in the form of restricted units of Delaware Investments U.S., Inc. common stock under the Delaware ICP.

For each NEO except for our CEO, management (our CEO and the head of human resources) reviewed the relevant market data (compensation data from the sources listed above) provided by outside sources, including the Committee's compensation consultant. Management and the Committee also discussed each executive's unique skills, experience and past performance, future challenges, organizational considerations, and the general industry within which the executive's business competes. Then the head of human resources and the CEO together recommended the 2008 targets for AIP and LTI to the Committee for approval. There is no formula used to set incentive compensation targets—the judgment of the CEO and head of human resources is a key element to the process. The Committee considered management's recommendation, the opinion of its compensation consultant, Towers Perrin, the available market data, and all elements of total targeted direct compensation (base salary, AIP targets and LTI targets) when setting 2008 incentive award targets. After considering all of this information, the Committee approved the 2008 AIP and LTI compensation targets for our NEOs.

To determine the appropriate AIP and LTI compensation targets for our CEO, the head of human resources met with Towers Perrin and the members of the Compensation Committee to review the relevant market data specific to the chief executive officer position from the companies previously identified in the Diversified Insurance Survey of Executive Compensation. Based on a review of these materials and consideration of Mr. Glass's performance record and the opinion of Towers Perrin, the Committee established and approved Mr.Glass's 2008 AIP and LTI compensation targets also in February 2008.

Similar to base salary, incentive compensation for executive positions was generally targeted to the market median for comparable positions in the companies identified above (from the relevant survey/study). However, incentive compensation for two of our NEOs in 2008—Messrs. Dineen and Konen—was targeted at above the market median for the same reasons discussed above with respect to their base salaries. In addition, the Compensation Committee increased Mr. Konen's target under the annual incentive program, or AIP from 110% to 136% of base salary, and his target under the long-term incentive award program, or LTI from 270% to 338.7%, each of which is effective beginning in 2009 to reflect the increase in his roles and responsibilities resulting from our realignment of business units in July 2008.

For all of our executive officers, the percentage of total direct compensation that is awarded in the form of incentive compensation exceeds the percentage of compensation granted as base salary. Specifically, for our NEOs, the following table shows the relationship between the different forms of targeted direct compensation: annual base salary, and "at-risk" compensation: AIP and LTI.

NEOs	Base Salary*	2008 AIP*	2008 LTI*
Dennis R. Glass, President and CEO	12.5%	25%	62.5%
Frederick J. Crawford, CFO of LNC	20.4%	22.4%	57.2%
Patrick P. Coyne, President, Lincoln National Investment Companies, Inc. and Delaware Management Holdings, Inc.	12.4%	45.9%	41.7%
Robert N. Dineen President, Lincoln Financial Network	14.5%	37.8%	47.7%
Mark E. Konen, President, Insurance Solutions	21.8%	22.6%	55.6%

* The percentages above are calculated solely to illustrate the allocation of total direct executive compensation among three elements of compensation: annual base salary, AIP, and LTI. The percentages provided in the chart above are based on compensation as of December 31, 2008, and are not calculated pursuant to the methodology used for the Summary Compensation Table.

The 2008 Annual Incentive Awards

The AIP is generally paid in cash. However, any NEO who has failed to meet the applicable share ownership requirements (the share ownership requirements for our executives are described in more detail below) may receive some or all of their AIP award in shares of our common stock. All of our NEOs met their share ownership requirements for 2008 and received their AIP payouts in cash.

The Committee approved the performance measures for the 2008 AIP in February 2008 and certified the performance results for the 2008 AIP in February 2009. The Compensation Committee approved income from operations per share, growth in gross deposits and sales and merger-related cost savings as the corporate 2008 AIP performance measures. All AIP performance measures were linked to our one-year financial plan, with the intention of aligning our overall financial targets with our executive's annual incentive plan goals and targets. In order to drive performance appropriately, each AIP goal at maximum exceeded the target for such performance measures in our financial plan.

- Income from Operations per Diluted Share — We believe that this measure is a significant valuation tool used by stock analysts in the financial services industry and also reflects the success of actions that management has taken during the applicable period to increase shareholder value.

- Growth in Gross Deposits and Sales — In our business, deposits and sales in the short-term do not have a significant impact on income from operations per share, but over time and at a compounded growth rate, they create value through building the in-force contribution to earnings and returns. We believe that distribution strength (depth and breadth) is among the more important drivers of valuation, and deposits and sales are a good way to measure the value of the distribution franchise and overall product competitiveness. In the tables below, this includes the Individual Markets Life Sales, Individual Markets Annuities Gross Deposits, Employer Markets Gross Deposits and Sales, and Delaware Retail Sales and Institutional Inflows, as well as specific line of business sales and gross deposits measures for certain NEOs.

- Merger-Related Cost Savings — Management established a three-year merger-related savings target of $180 million originally and revised to $200 million, as one of the key assumptions in establishing the success of our integration of Jefferson-Pilot after our April 2006 merger. Therefore, the Committee set a merger-related cost savings goal for the year 2008 to reinforce the critical importance of achieving the merger's strategic intent.

For our corporate NEOs, Messrs. Glass and Crawford, the above measures represented 100% of their AIP established for 2008. For Messrs. Coyne, Dineen and Konen, corporate measures represented 40% of their AIP, while line of business specific performance measures represented 60%.

For 2008 annual incentive compensation and consistent with the definition used to report segment income from operations at the time that the AIP targets were established, "Income from Operations" was defined as net income in accordance with generally accepted accounting principles, but excluding the following items:

- Realized gain (loss) – defined as gains and losses on investments and derivative investments (including reinsurance embedded derivative, net of the corresponding trading securities), losses from impairments of long-lived assets (including goodwill and other intangibles), gain and loss on the sale of subsidiaries, businesses, and other long-lived assets;

- FAS 113 reserve development and the related amortization on subsidiaries, businesses and other long-lived assets sold through indemnity reinsurance;

- Loss on early retirement of indebtedness;

- Initial effect of the adoption of new accounting principles (such as the adoption of Statement of Financial Accounting Standard No.157, "Fair value Measurements" effective January 1, 2008 and other accounting principles that become effective during the performance period); and

- Discontinued Operations – both the income in the period and the gain or loss on disposition (U.S. GAAP requires that when a business meets the criteria for being classified as Discontinued Operations, all prior periods must be restated).

In addition, the Compensation Committee decided to exclude the following items from Income from Operations because it believed that these items were generally attributable to factors largely unrelated to an individual's performance:

- Expenses related to acquisitions, mergers, divestitures, integration and restructuring activities, including restructuring charges, and losses associated with changes to employee benefit plans;

- Reductions in earnings in the performance period from those in the base year as a result of the on-going impact of a change in accounting principle;

- Reduction in earnings from changes in the hedging program or an increase in fair value of the embedded derivative liability in excess of the change in fair value of the related hedging instruments (excluding the cost of the hedging program) related to the variable annuity living benefits;

- Losses and expenses resulting from claims, damages, judgments, liabilities and settlements arising from legal and regulatory proceedings in excess of $10 million; and

- Increases in our effective tax rate due to changes in the computation of the separate account dividends received deduction under the federal income tax law, and increases to the corporate tax rate from the rate in effect at the beginning of the performance period due to legislative changes.

If the Compensation Committee found that any of these factors were reflective of individual performance, it could have, in its discretion, included—rather than excluded—any of the five items listed above in the definition of Income from Operations, or made any other adjustments to the definitions of Income from Operations, if the net effect of such discretionary adjustments would be to reduce award payouts.

Beginning with the quarter ended June 30, 2008, we changed our definition of income from operations to better reflect the underlying economics of our variable and indexed annuities that employ derivative instruments to hedge policy benefits and the manner in which management evaluates that business. This change in definition is further explained beginning at page 240 of our Annual Report to Shareholders. As a result of the restrictions of Section 162(m) of the Internal Revenue Code of 1986, as amended, which is discussed further below on page 46, the Compensation Committee did not change the definition of income from operations from that used with respect to the 2008 AIP and 2008-2010 LTI performance award cycle discussed below.

In setting the goals to be achieved with respect to each of the 2008 AIP performance measures, both management and the Compensation Committee intended the target levels to present a challenge for our NEOs, and therefore to create a strong incentive for growth. Accordingly, the Committee approved the maximum goals for our 2008 AIP performance measures at a level that exceeded our internal financial plan. The corporate income from operations per share performance measure was set after consideration of a number of factors, including peer group performance and our financial plan. The sales growth component of AIP in each case was based on our financial plan which includes above-industry average growth rates, and reflects management's assessment of the level of growth needed to gain market share. The goal for merger savings was based upon the savings in 2008 that would result in achievement of a savings target (in millions) by the third anniversary date of the merger.

Our 2008 financial results were disappointing—both for our executives and for our shareholders. The Committee certified the performance results for the 2008 AIP in February 2009. Each NEO's actual 2008 AIP payout amount is set forth in the Summary Compensation Table on page 48. The chart below sets forth the various performance measures approved for the 2008 AIP that applied to our corporate NEOs (Mr. Glass and Mr. Crawford), as well as the relative weighting of each performance measure, the goals set for each measure, and the actual performance results for each measure. The aggregated, weighted performance results for our corporate executives as a whole for the 2008 AIP was 40.0% of target.

($ amount in millions, except per share amounts)

2008 AIP Performance Measures for: Dennis R. Glass and Frederick J. Crawford	Relative Weight	Goal at Minimum	Goal at Target	Goal at Maximum	Actual Performance Results	Payout as a Percentage of Target
Income from Operations per Diluted Share	50%	$5.71	$6.01	$6.31	$3.51	0%
Individual Markets Life Sales	7.5%	$780	$821	$862	$656.6	0%
Individual Markets Annuities Gross Deposits	7.5%	$14,650	$15,100	$16,000	$11,729	0%
Employer Markets Gross Deposits and Sales	7.5%	$7,034	$7,404	$7,774	$5,947.4	0%
Delaware Retail Sales and Institutional Inflows	7.5%	$17,300	$18,794	$20,053	$13,592	0%
Merger-Related Cost Savings (2008 realized savings)	20%	$161.5	$179.4	$197.3	$212.6	200%

For Mr. Coyne, corporate performance measures represented 40% of his 2008 AIP award, with the remaining 60% made up of line-of-business analogs for these measures. Mr. Coyne's line of business analogs included two performance measures (retail and institutional investment performance) because of the importance of fund and institutional account investment performance to our ability to attract new investment management sales, retain existing assets and improve net flows. The retail investment performance measure is based on the percentage of Delaware retail funds that beat their Lipper peer group's average performance over the one-, three-, five- and ten-year periods. For example, as shown in the chart below, during 2008, 67.5% of our Delaware retail funds beat their Lipper peer group's five-year average performance. The institutional investment performance measure is based on the returns of the eight largest Delaware institutional performance composites that were created in accordance with Global Investment Performance Standards. The performance of each of the composites is compared to the applicable investment benchmark over the one-, three- and five-year periods. In general, an institutional composite is made up of the return of all client assets in a given investment style over the periods measured. An illustration of this type of comparison would be as follows: the largest institutional composite is the large cap growth composite for which the performance of the