

MANULIFE FINANCIAL CORP  
Form 6-K  
February 21, 2017

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 6-K

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REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934

For the month of February 2017

Commission File Number: 1-14942

MANULIFE FINANCIAL CORPORATION

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(Translation of registrant's name into English)

200 Bloor Street East,  
North Tower 10  
Toronto, Ontario, Canada M4W 1E5  
(416) 926-3000

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(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-  
\_\_\_\_\_.

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DOCUMENTS FILED AS PART OF THIS FORM 6-K

The following documents, filed as exhibits to this Form 6-K, are incorporated by reference as part of this Form 6-K:

Exhibit Description of Exhibit

99.1 News release dated February 21, 2017

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MANULIFE FINANCIAL CORPORATION

By: /s/ Kay Song  
Name: Kay Song  
Title: Assistant Corporate Secretary

Date: February 21, 2017

EXHIBIT INDEX

Exhibit Description of Exhibit

99.1 News release dated February 21, 2017

SIZE="1">This amount represents 50% of the 2015 LTIP award made up of PSUs that may convert into RSUs, within a range of 0-200%, following the three-year performance period and, to the extent earned, will vest on March 13, 2018.

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The remaining 50% of the 2015 LTIP award that completed the one-year performance cycle was not earned based on Company performance. The values under this portion of the grant are \$0 for each of the NEOs, and therefore are not reflected in the table above. The original PSUs granted, but not earned, were 7,996 units for Mr. Aylward; 1,421 units for Mr. Angerthal; 1,421 units for Mr. Mandinach; 1,421 units for Mr. Waltman; and 621 units for Mr. Flynn.

- (5) This amount represents 50% of the 2016 LTIP award made up of RSUs and will vest on March 15, 2019.
- (6) This amount represents 25% of the 2016 LTIP award made up of PSUs that may convert into RSUs, within a range of 0-200%, following the three-year performance period and, to the extent earned, will vest on March 15, 2019. The remaining 25% of the 2016 LTIP award that completed the one-year performance cycle was not earned based on Company performance. The values under this portion of the grant are \$0 for each of the NEOs, and therefore are not reflected in the table above. The original PSUs granted, but not earned, were 7,343 units for Mr. Aylward; 1,305 units for Mr. Angerthal; 1,305 units for Mr. Mandinach; 1,305 units for Mr. Waltman; and 571 units for Mr. Flynn.
- (7) This amount represents the number of RSUs awarded to Mr. Mandinach in 2014 as part of his hiring agreement. This award will vest on May 19, 2017.
- (8) This amount represents the number of RSUs awarded to Mr. Mandinach in 2015 as part of his hiring agreement. This award ratably vests one-third each year on May 18, 2016, May 18, 2017 and May 18, 2018.

**Option Exercises and Stock Vested in Fiscal Year 2016**

The table below sets forth the number of shares acquired and the value realized upon the exercise of stock options and the vesting of stock awards during 2016 by each of our NEOs.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting	Value Realized on Vesting (\$)
(a)	(b)	(c)	(d)	(e) (1)
George R. Aylward	9,082	436,935	6,821	522,489
Michael A. Angerthal			2,045	156,647
Barry M. Mandinach			1,135	90,312
Francis G. Waltman			1,363	104,406
Mark S. Flynn			1,022	78,285

- (1) The value realized on vesting is computed by multiplying the number of RSUs that vested by the closing price of our common stock on the vesting date.

**Non-Qualified Deferred Compensation in Fiscal Year 2016**

The following table reflects each NEO's 2016 compensation deferrals, Company contributions, earnings, withdrawal activity, and aggregate balance as of December 31, 2016 under the Company's Non-Qualified Excess Investment Plan (the "Excess Plan").

Name	Executive	Registrant	Aggregate	Aggregate	Aggregate
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(a)	Contributions in Last FY (\$ (b) (1))	Contributions in Last FY (\$ (c) (2))	Earnings in Last FY (\$ (d))	Withdrawals/ Distributions (\$ (e))	Balance at Last FYE (\$ (f))
George R. Aylward			7,660		94,377
Michael A. Angerthal					
Barry M. Mandinach					
Francis G. Waltman					
Mark S. Flynn					

(1) There were no voluntary deferrals of salary in 2016.

(2) There were no Company contributions to the Excess Plan in 2016.

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***The Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan***

The Company maintains the Excess Plan to provide eligible employees with the opportunity to save for retirement and defer tax payments.

Under the Excess Plan, a participant may elect to defer up to 60% of his or her compensation, which is defined under the plan as the portion of a participant's base salary that exceeds the dollar limit under Code Section 401(a)(17). Amounts deferred under the Excess Plan are credited to a participant's deferral account and are deemed invested in the available investment funds selected by the participant. Deferrals are credited to the selected funds based on the market price for such funds on the date such compensation would otherwise have been paid. Matching contributions, if any, are deemed invested in the same funds in which the underlying deferrals are invested. There are no above-market, preferred, or guaranteed returns in the Excess Plan. Participants can change their investment choices at any time.

Distributions will be made, or commence, on the 15<sup>th</sup> day of the month following the participant's sixth month of separation from service, either in a lump sum payment or in annual installment payments over a period of two to ten years, as elected by the participant prior to the year in which the services giving rise to the deferrals are rendered.

**Termination Payments and Change-in-Control Arrangements**

Each of our current NEOs participates in the Company's Executive Severance Allowance Plan (the Severance Plan). The Company also has a Change-in-Control Agreement with our CEO, Mr. Aylward. In addition, under the Company's equity award agreement, the vesting of awards may accelerate under specified conditions. These arrangements are described below. No incremental benefits would be provided under these arrangements in the event of termination by the Company for cause or a voluntary termination by the named executive officer without good reason.

***Executive Severance Allowance Plan***

Receipt of benefits under the Executive Severance Allowance Plan are conditioned on a number of factors, including covenants within the terms of that plan and the signing of a Severance Agreement and Release containing additional covenants and a release of claims against the Company. The Severance Plan conditions receipt of benefits on: (i) refraining from interfering with ongoing operations and from making disparaging remarks concerning the Company, its representatives, agents and employees; (ii) refraining from solicitation of employees, agents, representatives and/or clients of the Company; (iii) returning all Company property; and (iv) maintaining the confidentiality of confidential and proprietary information. Failure to comply with any of these covenants/conditions would cause immediate cessation of all payments under the plan, and the executive would be required to immediately reimburse the Company for all payments previously made.

An executive would not be entitled to receive benefits or payments under the Severance Plan if he or she is terminated for cause, as determined in the sole discretion of the Company, which, for this purpose, would include: (i) a conviction of (or plea of nolo contendere to) a felony or other crime involving fraud or moral turpitude; (ii) an act of misconduct (including a violation of our Code of Conduct); (iii) unsatisfactory performance; or (iv) a failure to attempt or refusal to perform legal directives of the Board or our executive officers.

Except as described above, under the Severance Plan, if a named executive officer is involuntarily terminated for any reason or terminated voluntarily or involuntarily by resignation upon the Company's written request, he or she will be eligible to receive, subject to certain exceptions:

12 months of base salary (or 18 months for our CEO);

the average of the named executive officer's actually earned and paid annual cash incentive award for the prior two completed fiscal years or, for our CEO, 1.5 times this average; and

a pro-rata portion of the annual incentive award actually earned by the named executive officer for the fiscal year in which he or she separated from service.

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Any such severance amounts paid by the Company may be made in the form of a lump sum payment or in equal periodic installments, except that the pro-rata portion of any actually earned annual incentive award generally would be paid after the actual amount earned is calculated following the end of the applicable fiscal year. In addition, no severance payment would be paid later than March 15 of the calendar year following the executive's separation from service with the Company (unless otherwise required pursuant to Code Section 409A).

Our named executive officers would also be entitled under the Severance Plan to receive outplacement services for six months and continued subsidized medical and dental coverage for 12 months of the 18-month COBRA continuation period, if the executive elects coverage under COBRA.

Upon termination of employment, all named executive officers would be entitled to receive, in accordance with the terms of the applicable plan and the elections of the named executive officer, distribution of his or her account balances under the Company's 401(k) Plan and the Excess Plan. The aggregate balance of each of our named executive officer's accounts under the Excess Plan as of December 31, 2016 is reflected in the *Non-Qualified Deferred Compensation in Fiscal Year 2016* table above.

In the event that Mr. Aylward was entitled to receive payments from the Company under his Change-in-Control Agreement, he would not receive payments from the Company under the Severance Plan.

### ***Acceleration of Equity Awards***

Under the terms of the Company's option award agreements, if a named executive officer terminates employment with the Company by reason of death, his or her estate would be entitled to immediate vesting of the options. If termination of employment is by reason of disability, the options vest in accordance with the terms of the grant. If termination of employment is for cause, all unexercised options are immediately forfeited. If a named executive officer is terminated for any other reason, unvested options as of the termination date will be immediately forfeited and the named executive officer will have the right to exercise vested options prior to the original expiration date or within 90 days, whichever period is shorter. In the event of a change-in-control, as described below, all unvested options automatically vest; however, no automatic vesting would occur if the Compensation Committee reasonably determines in good faith, prior to the change-in-control, that such awards would be honored or assumed or a new award would be substituted with substantially similar conditions to the current award and with provisions that allow for immediate vesting if the executive is involuntarily terminated for any reason including death, disability or not for cause, or is constructively terminated as defined in the Omnibus Plan under specified conditions as described in the Omnibus Plan.

Under the terms of the Company's RSU award agreements, if a named executive officer terminates employment with the Company by reason of death or disability, or an involuntary termination event occurs that would otherwise qualify the named executive officer for severance pay and benefits under a Company approved severance plan or other arrangement, a pro-rated portion of the RSUs vest automatically based on the number of days the officer actually worked since the grant date (or in the case of an award which becomes vested in installments, since the date, if any, on which the last installment of such RSUs became vested). The amount subject to immediate vesting would be calculated by subtracting the number of RSUs already vested from a number equal to the product of (i) the number of RSUs awarded to the named executive officer multiplied by (ii) the ratio of (x) the number of days that such person was actively employed by the Company since the award was granted divided by (y) the number of days between the grant date and the last scheduled vesting date.

Under the terms of the Company's PSU award agreements, if a named executive officer terminates employment with the Company prior to the end of the performance cycle, or after the end of the performance cycle but prior to the RSU conversion date, because of death, disability or an involuntary termination event as described above, the PSU award will convert to RSUs, based on the actual achievement of performance goals for the full performance cycle, pro-rated for the number of days the executive was actively employed since the PSU award date, divided by the number of days during the period beginning on the PSU award date and ending on the RSU



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vesting date, with vesting that is accelerated but deferred until the end of the applicable performance period. In the event that a change of control occurs prior to the end of the performance cycle and prior to the termination of the executive's employment, the performance goals would be deemed to have been met at target, without pro-rata, and immediately convert to common shares that would be distributed within 90 days following the end of the performance cycle.

If a named executive officer ceases to be employed by the Company for any reason other than those discussed above, all unvested RSUs and PSUs as of the termination date are automatically forfeited.

Except as described above in connection with outstanding performance awards, in the event of a change-in-control, as defined below under *Change-in-Control Agreement with Mr. Aylward*, all unvested RSUs automatically vest; however, no automatic vesting would occur if the Compensation Committee reasonably determines in good faith prior to the change-in-control, that such awards would be honored or assumed or a new award would be substituted with substantially similar conditions to the current award and with provisions that allow for immediate vesting if the executive is involuntarily terminated for any reason including death, disability or not for cause, or is constructively terminated as defined in the Omnibus Plan under specified conditions as described in the Omnibus Plan.

**Illustrations of Compensation and Benefits Upon Termination of Employment**

The following table summarizes the value of the compensation and benefits that our named executive officers would have received under the Severance Plan if their employment had been involuntarily terminated (other than for cause) as of December 31, 2016.

	<i>Payment and Benefits (\$) for Involuntary Terminations</i>				
	<b>George R. Aylward</b>	<b>Michael A. Angerthal</b>	<b>Barry M. Mandinach</b>	<b>Francis G. Waltman</b>	<b>Mark S. Flynn</b>
<b>Severance</b>					
Base Salary Component	825,000	350,000	400,000	325,000	300,000
Annual Incentive Component (1)	6,075,000	1,745,500	1,727,500	1,267,000	486,500
<b>Other Compensation</b>					
2016 Annual Incentive Earned	3,400,000	1,700,000	1,350,000	1,050,000	405,000
<b>Acceleration of Equity Awards</b>					
Value of Accelerated Equity Awards (2)	1,715,544	270,081	500,441	270,081	129,927
<b>Benefits</b>					
Health & Welfare (3)	7,558	19,351		19,743	14,054
Outplacement (4)	5,195	5,195	5,195	5,195	5,195
<b>Total Severance, Other Compensation, Accelerated Equity Awards, and Benefits</b>	<b>12,028,297</b>	<b>4,090,127</b>	<b>3,983,136</b>	<b>2,937,019</b>	<b>1,340,676</b>

(1) As applicable, the amount in this row is equal to the NEO's average earned and paid annual cash incentive for the prior two completed fiscal years (except that, for Mr. Aylward, this amount is equal to 1.5 times his average).

(2) The value reported in this row is based on \$118.05, the closing price of our common stock on December 30, 2016, the last trading day of our fiscal year, multiplied by the applicable number of unvested RSUs and PSUs held by the named executive officer on December 31, 2016 that would accelerate upon involuntary termination. PSUs granted in 2015 and 2016 with three-year performance periods ending on December 31, 2017 and December 31, 2018, respectively, are assumed to be at target level performance. The performance threshold was not achieved for PSUs granted in 2016 with a one-year performance period ending on December 31, 2016 related to the specific metric of relative growth in operating income, as adjusted, and therefore they have a value of \$0 for each NEO. There are no unvested options to include in this calculation. If a change-in-control event had occurred on December 31, 2016, the values related to the acceleration of unvested RSUs and PSUs would have been equal to: \$1,086,414 for

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Mr. Angerthal; \$1,365,248 for Mr. Mandinach; \$1,086,414 for Mr. Waltman; and \$494,157 for Mr. Flynn. These numbers assume that all equity awards have automatically vested and that the Compensation Committee did not make the determination that such awards would not be accelerated. See the discussion below under the heading *Change-in-Control Agreement with Mr. Aylward* for a description of the change-in-control terms for unvested equity awards held by Mr. Aylward.

- (3) The amount in this row reflects the estimated Company cost of continuing to subsidize specified health and welfare benefits for the named executive officers for 12 months, based on coverage elections in effect for 2016.

- (4) The amount in this row reflects the estimated Company cost of providing outplacement services for the named executive officers for six months.

***Change-in-Control Agreement with Mr. Aylward***

Under a Change-in-Control Agreement with our CEO, effective December 31, 2008, Mr. Aylward would be provided with separation benefits upon his termination of employment in connection with a change-in-control of the Company. The protections provided under the Change-in-Control Agreement can only be triggered by termination of employment either: (i) by the Company for reasons other than death, disability (as defined in the agreement) or cause; or (ii) by Mr. Aylward for good reason, but only if such termination occurs within the two years following, or is effectively connected with, the occurrence of a change-in-control. Mr. Aylward would not receive any incremental benefits by reason of his death, disability, termination by us for cause or his voluntary termination of employment, whether by retirement, resignation or otherwise, without good cause.

The Change-in-Control Agreement had an initial term of two years, but automatically renews for successive one-year terms unless either party provides written notice within 60 days prior to the scheduled expiration date to the other party that such party does not want the term of the agreement extended.

Under the Change-in-Control Agreement, following a change-in-control and for an additional 2.5 years after any termination event, regardless of whether Mr. Aylward voluntarily terminates his employment or is involuntarily terminated with or without cause or for good reason, he is subject to non-solicitation restrictions under to which he may not induce, encourage or solicit any customer, client, employee, officer, director, agent, broker, registered representative or independent contractor to either: (i) terminate their respective relationship or contracts with the Company or its affiliates; or (ii) not place business with the Company or its affiliates. In addition, following a termination event, Mr. Aylward would be required to continue to maintain the confidentiality of all confidential or proprietary information known to him concerning the Company and its affiliates and their business and would be required, upon request, to return materials containing such information.

**Definitions**

Under the Change-in-Control Agreement, the terms listed below are defined as follows:

Change-in-Control generally means the first occurrence of any of the following:

any person or group acquires 25% or more of the voting power of the Company's securities;

within any 24-month period, the persons who presently make up our Board, or who become members of our Board with the approval of a majority of the persons who constituted our Board at the beginning of any such period, cease to be at least a majority of the Board of the Company or any successor to the Company;

the effective date of the consummation of any merger, consolidation, share exchange, division, sale or other disposition of all or substantially all of the assets of the Company which is consummated (a Corporate Event), if immediately following the consummation of such Corporate Event those persons who were shareholders of the Company immediately prior to such Corporate Event do not hold, directly or indirectly, a majority of the voting power, in substantially the same proportion as prior to such Corporate Event, of (i) in the case of a merger or consolidation, the surviving or resulting



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corporation or (ii) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the relevant Corporate Event, holds more than 25% of the consolidated assets of the Company immediately prior to such Corporate Event;

the approval by shareholders of the Company of a plan of liquidation with respect to the Company; or

any other event occurs which the Board declares to be a change-in-control.

Cause generally means:

a conviction of (or plea of nolo contendere to) a felony;

an act of willful misconduct that has a material adverse impact on the Company or its affiliates (except that no act, or failure to act, on Mr. Aylward's part would be deemed willful unless done, or omitted to be done, by him not in good faith and without reasonable belief that his act, or failure to act, was in the best interest of the Company); or

a failure in good faith to perform legal directives of the Board, which are consistent with the scope and nature of his employment duties and responsibilities if such failure is not remedied by him within 30 days after notice of such non-performance is given to him.

Good Reason generally means that, following a change-in-control of the Company, any of the following events has occurred without Mr. Aylward's express written consent (if such occurrence is not remedied by the Company within 30 days upon receipt of written notice):

a material reduction in his title, position, duties or responsibilities as President and CEO;

relocation of his principal place of business outside of a 35-mile radius of the current location;

a material reduction in his base salary, total incentive compensation opportunity, or a reduction in the employee benefits provided him under the Company's employee benefit plans; or

any failure to obtain the assumption and agreement to perform the Change-in-Control Agreement by a successor.

**Description of Separation Benefits**

If following a change-in-control of the Company, Mr. Aylward was terminated without cause or he terminated his employment for good reason, he would generally be entitled to receive the following incremental benefits (which would be provided in lieu of, and not in addition to, any severance benefits payable to him under any other Company plan):

a lump-sum cash payment equal to 2.5 times the sum of his current base salary and his target under the annual cash incentive program maintained by the Company in the year in which his employment with the Company terminates;

continued participation in all of the employee and executive plans providing medical, dental, and long-term disability benefits in which he participated prior to the termination event for a period of 2.5 years;

full vesting of all outstanding stock option, RSU or other equity awards (with any such vested options remaining exercisable for the lesser of two years or the duration of their original terms);

an amount equal to the pro-rata portion of the annual incentive award earned for the year in which the termination occurs (or target incentive, if greater), and a pro-rata portion of long-term awards for each uncompleted performance period at target;

a lump sum payment equal to 2.5 years of additional contributions that would have been made to the Company's 401(k) Plan and/or the Excess Plan (assuming that he was contributing to each such plan during such period at the rate in effect immediately prior to the termination event or change-in-control event, whichever is higher);

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outplacement services for a period of one year; and

if any payment or benefit due and payable under the Change-in-Control Agreement were to trigger any excise tax imposed by Code Section 4999, the Company would make a gross-up payment to Mr. Aylward to cover any such excise tax liability as well as any income tax liability incurred as a result of the gross-up.

The following table summarizes the value of the compensation and benefits that Mr. Aylward would have received under the Change-in-Control Agreement if his employment had been terminated involuntarily (other than for cause) or if Mr. Aylward had terminated employment for good reason in connection with a change-in-control as of December 31, 2016.

*Termination in Connection with a Change-in-Control Payments and Benefits (\$)*

<b>Severance</b>	
Base Salary Component	1,375,000
Annual Incentive Component	9,000,000
<b>Other Compensation</b>	
Annual Incentive (1)	3,600,000
Acceleration of Unvested PSUs (2)	3,349,787
Acceleration of Unvested Time Vested RSUs (3)	3,078,036
Acceleration of Unvested Stock Options (4)	0
Incremental Qualified Company Match (5)	27,000
Tax Gross-Up (6)	0
<b>Benefits</b>	
Health & Welfare (7)	20,596
Outplacement	9,895
<b>Total Severance, Other Compensation, and Benefits</b>	<b>20,460,314</b>

- (1) Reflects the 2016 target equal to the actual award earned by Mr. Aylward under the Company's Annual Incentive Plan for 2015.
- (2) The value reported in this row is based on \$118.05, the closing price of our common stock on December 30, 2016, multiplied by the number of unvested PSUs held by Mr. Aylward on December 31, 2016.
- (3) The value reported in this row is based on \$118.05, the closing price of our common stock on December 30, 2016, multiplied by the number of unvested RSUs held by Mr. Aylward on December 31, 2016.
- (4) As of December 31, 2016, Mr. Aylward held no unvested options.
- (5) Reflects the amount that the Company would have, pursuant to the applicable Company matching formula, contributed to the Company's 401(k) Plan.
- (6) If any payment or benefit due and payable under the Change-in-Control Agreement causes any excise tax imposed by Code Section 4999 to become due and payable, the Company would pay Mr. Aylward a gross-up payment so that he is in the same after-tax position as he would have been had the excise tax not been payable. If, however, a limited reduction of severance payments would avoid the excise tax, then Mr. Aylward's payment would be reduced in order to eliminate the need for a gross-up payment. The Company would reduce payments for this purpose only if the reduction would not exceed 10% of the amount of payments that could be received by Mr. Aylward without triggering the excise tax.
- (7) The amount in this row reflects the estimated Company cost of continuing to subsidize specified health and welfare benefits for 30 months.



**Table of Contents****DIRECTOR COMPENSATION*****Non-Employee Director Compensation Paid in 2016***

The Company's Compensation Committee generally reviews, on an annual basis, the compensation of our non-employee directors in connection with their service on the Board and on its committees and recommends to the Board any changes the Compensation Committee determines to be appropriate. Effective October 2016, the Board approved changes to the Company's non-employee director compensation program by increasing annual non-employee director retainers from \$150,000 to \$170,000 per year and our non-executive Chairman from \$228,000 to \$270,000 per year. Retainer amounts remained at \$25,000, \$20,000, \$12,500 and \$12,500 for serving as the Chair of the Audit, Compensation, Corporate Governance, and Risk and Finance Committees, respectively and \$15,000, \$10,000, \$7,500 and \$7,500 for serving on the Audit, Compensation, Governance and Risk and Finance Committees, respectively.

Directors receiving compensation are paid 50% in cash and 50% in Common Stock. The cash portion is paid quarterly in advance, and the equity portion is paid in annual grants of Common Stock granted on the Annual Meeting date. As part of the market review, Mercer determined that the mix of cash and equity is consistent with market average levels, and the Company's practice of granting full-value shares, rather than stock options, is consistent with the market.

Mr. Aylward, our CEO, does not receive any compensation for his services as a director.

**Director Compensation Table**

The following table provides information concerning the compensation of each of the Company's directors who received compensation for his or her services as a director in 2016.

Name	Fees Earned or Paid in Cash	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compen- sation (\$)	Change in Pension Value and Non-Qualified Compensation (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b) (1)	(c) (2)	(d)	(e)	(f)	(g)	(h)
James R. Baio	92,500	87,436					179,936
Diane M. Coffey (3)	33,123						33,123
Susan S. Fleming	90,000	84,931					174,931
Timothy A. Holt	90,000	84,931					174,931
Sheila Hooda	13,149						13,149
Melody L. Jones	97,500	92,447					189,947
Edward M. Swan, Jr. (3)	34,112						34,112
Mark C. Treanor	133,250	122,670					255,920
Stephen T. Zarrilli	96,250	91,234					187,484

- (1) Each then serving director receiving compensation received a payment in October 2016 representing the pro-rata portion of the cash component of the increase in director compensation as discussed above for the period October 1, 2016 through December 31, 2016. Ms. Hooda joined the Board on December 7, 2016 and her compensation for the period from her appointment through December 31, 2016 was paid solely in cash.
- (2) Each then serving director receiving compensation was awarded shares of Common Stock on May 25, 2016. The full grant date fair value of each such award computed in accordance with FASB ASC Topic 718 is reflected in the table above. Additional information concerning the Company's accounting for its equity awards is included in Note 14 of the Notes to Consolidated Financial Statements in our 2016 Form 10-K.



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- (3) Ms. Coffey and Mr. Swan retired as Directors of the Company effective May 25, 2016.

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### ***Non-Employee Director Share Ownership Guidelines***

Upon recommendation of our Governance Committee, our Board established director share ownership guidelines in order to evidence and reinforce the alignment of directors' interests with shareholders' interests. Based on the competitive assessment and recommendation provided by Mercer, each non-employee director who receives compensation for his or her Board service is expected to retain a fixed number of shares of stock in an amount equal to four times his or her annual cash retainer. This target may be achieved over time through the accumulation of shares received in the annual retainer stock award. Until the target stock ownership levels have been achieved, each non-employee director who is subject to these guidelines is expected to retain the entire portion of his or her annual retainer fee that is paid in stock, less the applicable amount used to pay income tax obligations in connection with any director compensation. These ownership guidelines were determined by Mercer to be consistent with market practice. Each non-employee director receiving compensation is in compliance with the specified ownership guidelines.

### **OTHER MATTERS**

As of the date of this Proxy Statement, all matters we know of to be presented at the Annual Meeting are described in this Proxy Statement. Should other matters properly come before the meeting, it is the intention of the persons named in the accompanying proxy to vote said proxy in their discretion.

### **ADDITIONAL INFORMATION**

**Shareholders may obtain a copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, including accompanying financial statements and schedules, without charge, by visiting the Company's website at [www.virtus.com](http://www.virtus.com) or by writing to Investor Relations, at the Company's principal executive offices: Virtus Investment Partners, Inc., 100 Pearl Street, Hartford, CT 06103.** Upon written request to the Company, at the address of the Company's principal executive offices, the exhibits set forth on the exhibit index of the Company's Annual Report on Form 10-K will be made available at a reasonable charge (which will be limited to our reasonable expenses in furnishing such exhibits).

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on Friday, May 19, 2017.** The Proxy Statement and the Annual Report, and any amendments to the foregoing materials that are required to be furnished to shareholders, are available for you to review online at <http://www.proxyvote.com>. To view these materials please have your control number available that appears on your Notice of Internet Availability of Proxy Materials or proxy card.

**Table of Contents****Appendix A****Non-GAAP Information and Reconciliations***(Dollars in thousands except per share data)*

The following are reconciliations and related notes of the most comparable U.S. GAAP measure to each non-GAAP measure.

The non-GAAP financial measures included in this Proxy Statement differ from financial measures determined in accordance with U.S. GAAP as a result of the reclassification of certain income statement items, as well as the exclusion of certain expenses and other items that are not reflective of the earnings generated from providing investment management and related services. Non-GAAP financial measures have material limitations and should not be viewed in isolation or as a substitute for U.S. GAAP measures.

**Reconciliation of Total Revenues, GAAP to Total Revenues, as Adjusted:**

	<b>Twelve Months Ended</b>		<b>% Change</b>
	<b>12/31/2016</b>	<b>12/31/2015</b>	
Total revenues, GAAP	\$ 322,554	\$ 381,977	(16%)
Distribution and other asset-based expenses (1)	(69,049)	(89,731)	(23%)
Consolidated investment products revenues (2)	702	1,603	(56%)
Other		1,166	(100%)
<b>Total revenues, as adjusted</b>	<b>\$ 254,207</b>	<b>\$ 295,015</b>	<b>(14%)</b>

**Reconciliation of Total Operating Expenses, GAAP to Operating Expenses, as Adjusted:**

	<b>Twelve Months Ended</b>		<b>% Change</b>
	<b>12/31/2016</b>	<b>12/31/2015</b>	
Total operating expenses, GAAP	\$ 271,740	\$ 301,599	(10%)
Distribution and other asset-based expenses (1)	(69,049)	(89,731)	(23%)
Consolidated investment products expenses (2)	(6,953)	(4,134)	68%
Amortization of intangible assets (3)	(2,461)	(3,295)	(25%)
Restructuring and severance (4)	(4,270)		0%
Other (6)	(5,175)	(17,748)	(71%)
<b>Total operating expenses, as adjusted</b>	<b>\$ 183,832</b>	<b>\$ 186,691</b>	<b>(2%)</b>

**Reconciliation of Operating Income, GAAP to Operating Income, as Adjusted:**

	<b>Twelve Months Ended</b>		<b>% Change</b>
	<b>12/31/2016</b>	<b>12/31/2015</b>	
Operating income, GAAP	\$ 50,814	\$ 80,378	(37%)
Consolidated investment products operating income (2)	7,655	5,737	33%
Amortization of intangible assets (3)	2,461	3,295	(25%)
Restructuring and severance (4)	4,270		0%
Other (6)	5,175	18,914	(73%)
<b>Operating income, as adjusted</b>	<b>\$ 70,375</b>	<b>\$ 108,324</b>	<b>(35%)</b>

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Operating margin, GAAP	15.8%	21.0%
Operating margin, as adjusted	27.7%	36.7%

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**Table of Contents****Reconciliation of Net Income Attributable to Common Stockholders, GAAP to Net Income Attributable to Common Stockholders, as Adjusted:**

	Twelve Months Ended		% Change
	12/31/2016	12/31/2015	
Net income attributable to common stockholders, GAAP	\$ 48,502	\$ 35,106	38%
Amortization of intangible assets, net of tax (3)	1,526	2,033	(25%)
Restructuring and severance, net of tax (4)	2,647		0%
Seed capital and CLO investments, net of tax (5)	(11,589)	17,936	(165%)
Other, net of tax (6)	3,222	12,734	(75%)
Net income attributable to common stockholders, as adjusted	\$ 44,308	\$ 67,809	(35%)
Weighted Average Shares Outstanding Basic	7,648	8,797	(13%)
Weighted Average Shares Outstanding Diluted	7,822	8,960	(13%)
Weighted Average Shares Outstanding Diluted, as adjusted (A)	7,822	8,960	(13%)
Earnings Per Share Basic, GAAP	\$ 6.34	\$ 3.99	59%
Earnings Per Share Diluted, GAAP	\$ 6.20	\$ 3.92	58%
Earnings Per Share Basic, as adjusted	\$ 5.79	\$ 7.71	(25%)
Earnings Per Share Diluted, as adjusted	\$ 5.66	\$ 7.57	(25%)

(A) Reflects dilutive impact to shares in all periods; differs from GAAP basis in periods of a GAAP earnings loss, if any.

**Notes to Reconciliations:**

1. Distribution and other asset-based expenses Payments to third-party distribution partners and third-party service providers for investment management-related services that are generally passed directly through to the external parties. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that do not utilize intermediary distribution partners or third-party service providers.
2. Consolidated investment products Revenues and expenses generated by operating activities of majority owned funds and CLOs. Management believes that excluding these operating activities to reflect revenues and expenses of the company prior to the consolidation of these products is consistent with the approach of reflecting its operating results.
3. Amortization of intangible assets Non-cash amortization expense or impairment expense, if any, attributable to acquisition-related intangible assets. Management believes that making this adjustment aids in comparing the company's operating results with other asset management firms that have not engaged in acquisitions.
4. Restructuring and severance Certain expenses associated with restructuring the business, including lease abandonment-related expenses, and severance costs associated with staff reductions, that are not reflective of the ongoing earnings generation of the business. Management believes that making this adjustment aids in comparing the company's operating results with prior periods.
5. Seed capital and CLO investments Gains and losses (realized and unrealized), dividends and interest income generated by seed capital and CLO investments. Earnings or losses generated by investments in seed capital and CLO products can vary significantly from period to period and do not reflect the company's operating results from providing investment management and related services. Management believes that making this adjustment aids in comparing the company's operating results with prior periods and with

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other asset management firms that do not have meaningful seed capital and CLO investments.

6. **Other** Certain acquisition-related expenses and systems-related expenses that are not reflective of the ongoing earnings generation of the business. In addition, it includes income tax expense/(benefit) items, such as adjustments for uncertain tax positions, valuation allowances and other unusual items not related to current operating results to reflect a normalized effective rate. Management believes that making these adjustments aids in comparing the company's operating results with prior periods.

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Components of Other for the respective periods are shown in the table below:

	Twelve Months Ended	
	12/31/2016	12/31/2015
<b>Other</b>		
Loss contingency	\$	\$ 16,500
Tax impact of loss contingency		(5,507)
Transition related revenues		1,166
Tax impact of transition related revenues		(442)
System transition expenses	1,828	1,248
Tax impact of system transition expenses	(693)	(476)
Acquisition related expenses	3,347	
Tax impact of acquisition related expenses	(1,260)	
Discrete tax adjustment		245
<b>Total Other</b>	<b>\$ 3,222</b>	<b>\$ 12,734</b>

**Definitions:**

**Revenues, as adjusted**, comprise the fee revenues paid by clients for investment management and related services. Revenues, as adjusted, for purposes of calculating net income attributable to common stockholders, as adjusted, differ from U.S. GAAP revenues in that they are reduced by distribution and other asset-based expenses that are generally passed through to external parties, and exclude the impact of consolidated sponsored investment products.

**Operating expenses, as adjusted**, is calculated to reflect expenses from ongoing continuing operations attributable to stockholders. Operating expenses, as adjusted, for purposes of calculating net income attributable to common stockholders, as adjusted, differ from U.S. GAAP expenses in that they exclude amortization or impairment, if any, of intangible assets, restructuring and severance, the impact of consolidated sponsored investment products, and certain other expenses that do not reflect the ongoing earnings generation of the business.

**Operating margin, as adjusted**, is a metric used to evaluate efficiency represented by operating income, as adjusted, divided by revenues, as adjusted.

**Earnings per share, as adjusted**, represent net income attributable to common stockholders, as adjusted, divided by weighted average shares outstanding, on either a basic or diluted basis.

**Table of Contents****Appendix B****Additional Information Regarding Investment Performance Ratings****Information on Virtus Funds rated by Morningstar as of 12/31/16:**

Description	Overall	3 yr.	5 yr.	10 yr.
Number of 3/4/5 Star Funds	29	31	20	14
Percentage of Assets	90%	90%	84%	91%
Number of 4/ 5 Star Funds	19	18	13	10
Percentage of Assets	84%	79%	73%	88%
Total Funds	40	40	33	23

**Data quoted represents past performance. Past performance does not guarantee future results.** Current performance may be lower or higher than the performance data quoted. Investing involves risk, including the possible loss of principal. The value of your investment will fluctuate over time and you may gain or lose money.

**Morningstar Ratings as of 12/31/16:**

The Morningstar Rating for funds, or star rating, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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**Lipper Rankings as of 12/31/16:**

Lipper performance on an asset weighted basis is calculated by taking all funds and assigning the assets under management (AUM) in each respective fund to either the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> quartile bucket based on each fund's respective Lipper rankings. The total AUM of each quartile's bucket is then divided by complex wide total AUM to arrive at the respective percent of AUM in each bucket. Lipper, a wholly owned subsidiary of Reuters, provides independent insight on global collective investments including mutual funds, retirement funds, hedge funds, fund fees and expenses to the asset management and media communities. Lipper ranks the performance of mutual funds within a classification of funds that have similar investment objectives. Rankings are historical with capital gains and dividends reinvested and do not include the effect of loads. Funds not ranked by Lipper are not included in the analysis. If sales loads were reflected, the rankings shown would be lower. If an expense waiver was in effect, it may have had a material effect on the total return or yield for the period.

Strong ratings are not indicative of positive fund performance. Absolute performance for some funds was negative. For complete investment performance, please visit [www.virtus.com](http://www.virtus.com).



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**Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about the Virtus Mutual Funds, call 1-800-243-4361 or visit [www.Virtus.com](http://www.Virtus.com) for a prospectus. Read it carefully before you invest or send money.**

Virtus Mutual Funds are distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc. Virtus ETFs are distributed by **ETF Distributors**, member FINRA and subsidiary of Virtus Investment Partners, Inc.

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**Appendix C**

**Companies in the Composite of Other Publicly Traded Traditional Asset Management Companies**

Affiliated Managers Group, Inc.; AllianceBernstein Holding L.P.; Artisan Partners Asset Management Inc.; Calamos Asset Management, Inc.; Cohen & Steers, Inc.; Eaton Vance Corp.; Federated Investors, Inc.; Franklin Resources, Inc.; GAMCO Investors, Inc.; Invesco Ltd.; Janus Capital Group Inc.; Legg Mason, Inc.; Manning & Napier, Inc.; OM Asset Management plc, T. Rowe Price Group, Inc.; and Waddell & Reed Financial, Inc.

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***VIRTUS INVESTMENT PARTNERS, INC.***

***C/O BROADRIDGE***

***P.O. BOX 1342***

***BRENTWOOD, NY 11717***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com) or from a smartphone, scan the QR Barcode above.** Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 p.m. Eastern Daylight Time the day before the meeting date. Follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions until 11:59 p.m. Eastern Daylight Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK. FOLLOW THESE INSTRUCTIONS TO VOTE. KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**VIRTUS INVESTMENT  
PARTNERS, INC.**

**The Board of Directors recommends a vote  
FOR all the nominees listed, FOR Proposals  
2 and 3 and 1 YEAR on Proposal 4.**

1. Election of Directors: **For Withhold**
- 1a. George R. Aylward
- 1b. Sheila Hooda
- 1c. Mark C. Treanor

**For Against Abstain**

2. To ratify the appointment of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2017.
3. To approve, in a non-binding vote, named executive officer compensation.

**1 Year 2 Years 3 Years Abstain**

4. To recommend, in a non-binding vote, the frequency of future advisory shareholder votes on executive compensation.

**NOTE:** We may also act upon such other business as may properly come before the meeting or any adjournment thereof.

For address changes and/or comments, please check this box and write them on the back where indicated.

Please indicate if you plan to attend this meeting.

**Yes No**

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer. This section

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must be completed for your vote to be counted.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholder Meeting  
to Be Held on May 19, 2017:**

The Notice and Proxy Statement, Annual Report and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

E20181-P85583-Z69235

**Proxy   Virtus Investment Partners, Inc.**

**Virtus Investment Partners, Inc.**

**100 Pearl Street**

**Hartford, Connecticut 06103**

**This Proxy is solicited on behalf of the Board of Directors of Virtus Investment Partners, Inc.**

The undersigned, revoking any previous proxies relating to these shares, hereby appoints Michael A. Angerthal and Mark S. Flynn, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote all the shares of Virtus Investment Partners Common Stock which the undersigned is entitled to vote and, in their discretion, to vote upon such other business as may properly come before the 2017 Annual

Meeting of Shareholders of the Company to be held Friday, May 19, 2017 at 10:30 a.m. Eastern Daylight Time at the offices of Virtus Investment Partners, Inc., 100 Pearl Street, 2nd Floor, Hartford, Connecticut, or at any adjournment or postponement thereof, with all powers which the undersigned would possess if present at the Meeting.

**This proxy, when properly executed, will be voted as specified herein. If no specification is made, this proxy will be voted FOR the election of each of the nominees for director listed under Proposal 1, FOR Proposals 2 and 3 and 1 YEAR on Proposal 4. If any other matters are voted on at the meeting, this proxy will be voted by the proxy holders on such matters in their sole discretion.**

As described in the Proxy Statement, if you are a participant in the Virtus Investment Partners, Inc. Savings and Investment Plan (the 401(k) Plan ), this proxy covers all shares for which the undersigned has the right to give voting instructions to Fidelity Management Trust Company, the trustee of the 401(k) Plan. This proxy, when properly executed, will be voted as directed by the undersigned on the reverse side. Voting instructions for shares in the 401(k) Plan must be received by the trustee by no later than 11:59 PM, Eastern Daylight Time, on Tuesday, May 16, 2017.

**Address Changes/Comments:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

(Continued and to be signed on reverse side.)