GALLAGHER ARTHUR J & CO
Form DEF 14A
March 25, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Information Required In Proxy Statement

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ARTHUR J. GALLAGHER & CO.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Arthur J. Gallagher & Co.

PROXY

STATEMENT

Annual Meeting of Stockholders

May 13, 2014

9:00 a.m. (Central Time)

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ARTHUR J. GALLAGHER & CO.

The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141

March 25, 2014

Dear Stockholder:

Our Annual Meeting will be held on Tuesday, May 13, 2014, at 9:00 a.m., Central Time, at The Gallagher Centre, Two Pierce Place, Itasca, Illinois.

The Notice of Annual Meeting and Proxy Statement accompanying this letter describe the business requiring stockholder action at the meeting. Following the meeting, I will present information on our business and our directors and officers will be available to answer your questions.

Whether or not you plan to attend, please vote your shares by completing a proxy card or by using the toll-free telephone number or Internet voting options described on the proxy card. I also encourage beneficial owners to follow the instructions provided by your broker regarding how to vote. Record holders, and beneficial owners holding a legal proxy from their broker, may revoke previously submitted proxies and vote in person at the meeting.

Cordially,

J. PATRICK GALLAGHER, JR.

Chairman of the Board

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Arthur J. Gallagher & Co.

Notice of Annual Meeting of Stockholders

To the Stockholders of

ARTHUR J. GALLAGHER & CO.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Arthur J. Gallagher & Co. will be held on Tuesday, May 13, 2014, at 9:00 a.m., Central Time, at The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141 for the purposes outlined below:

Date:	May 13, 2014
Time:	9:00 a.m. Central Time
Place:	The Gallagher Centre Two Pierce Place Itasca, Illinois 60143-3141
Record date:	Stockholders of record at the close of business on March 17, 2014 are entitled to notice of and to vote at the Annual Meeting.
Items of business:	To elect each of the eight nominees named in the accompanying Proxy Statement as directors to hold office until our 2015 Annual Meeting. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. To conduct a vote to approve the Arthur J. Gallagher & Co. 2014 Long-Term Incentive Plan. To conduct an advisory vote to approve the compensation of our named executive officers. To transact such other business that properly comes before the meeting.

We are making this notice of annual meeting and proxy statement available on the Internet and mailing copies of these materials to certain stockholders on or about March 25, 2014. Stockholders of record at the close of business on March 17, 2014 are entitled to notice of and to vote at the Annual Meeting.

By Order of the Board of Directors

WALTER D. BAY

SECRETARY

DATED: MARCH 25, 2014

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ARTHUR J. GALLAGHER & CO.

The Gallagher Centre

Two Pierce Place

Itasca, Illinois 60143-3141

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

Why are these proxy materials being provided to stockholders?

We are soliciting proxies to be voted at our 2014 Annual Meeting of Stockholders, and at any adjournment or postponement of the Annual Meeting. In connection with this solicitation of proxies, we have made these proxy materials available to you on the Internet or, upon your request, delivered printed versions of these materials to you by mail. Basic information regarding the Annual Meeting is set forth below:

Purpose:	Annual Meeting of Stockholders
Date and Time:	May 13, 2014, 9:00 a.m., Central Time
Place:	The Gallagher Centre, Two Pierce Place, Itasca, Illinois, 60143-3141
Record Date:	March 17, 2013
Mailing Date:	The Notice of Internet Availability of Proxy Materials (Internet Availability Notice) was first mailed to stockholders of record as of the record date, and these proxy materials were first made available to stockholders on the Internet, on or about March 25, 2014.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the proposals outlined in this proxy statement, including the election of directors, ratification of our independent registered public accounting firm, approval of our 2014 Long-Term Incentive Plan and approval of the advisory say-on-pay resolution. In addition, there will be a presentation by our Chairman and CEO and an opportunity for you to ask questions of the Board of Directors and our senior management team.

What are the Board s voting recommendations?

The Board recommends that you vote your shares:

FOR each of the director nominees (Item 1 on the proxy card);

FOR ratification of the appointment of Ernst & Young LLP as our independent auditor for 2014 (Item 2 on the proxy card);

FOR approval of the 2014 Long-Term Incentive Plan (Item 3 on the proxy card); and

FOR the advisory say-on-pay resolution approving the compensation of our named executive officers (Item 4 on the proxy card).

How many votes are needed to approve the matters presented at the Annual Meeting?

Directors. To be elected, director nominees must receive the affirmative vote of a majority of the votes cast at the meeting for the election of directors (meaning the number of shares voted for a director nominee must exceed the number of votes cast against that nominee). Broker non-votes and abstentions have no effect on the election of directors. Broker non-votes generally occur when shares held by a broker for a beneficial owner are not voted with respect to non-discretionary items because the broker has not received voting instructions from the beneficial owner and lacks discretionary authority to vote the shares.

Ratification of Auditors. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Brokers who do not receive voting instructions from beneficial owners may vote in favor of ratification of our auditors on a discretionary basis.

2014 Long-Term Incentive Plan. Approval of the 2014 Long-Term Incentive Plan requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Broker non-votes have no effect.

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Advisory Vote. Approval of the advisory say-on-pay resolution requires the affirmative vote of the majority of the shares of common stock having voting power represented in person or by proxy. Abstentions have the same effect as votes cast against the proposal. Broker non-votes have no effect.

Will any matters other than those identified in this proxy statement be decided at the Annual Meeting?

As of the date of this proxy statement, we are not aware of any matters to be raised at the Annual Meeting other than those described in this proxy statement. If any other matters are properly presented at the Annual Meeting for consideration, the people named as proxy holders on the proxy card will vote your proxy on those matters in their discretion. If any of our nominees are not available as a candidate for director, the proxy holders will vote your proxy for any other candidate the Board may nominate.

Who can vote, and how do I vote?

Only holders of our common stock at the close of business on the record date of March 17, 2014 are entitled to notice of and to vote at the Annual Meeting. We have no other outstanding securities entitled to vote, and there are no cumulative voting rights for the election of directors. At the close of business on the record date, we had 134,814,493 shares of common stock outstanding and entitled to vote. Each holder of our common stock on that date will be entitled to one vote for each share held on all matters to be voted upon at the Annual Meeting. Record holders may vote (1) by completing and returning a proxy card, (2) on the Internet, or (3) using a toll-free telephone number. Please see the proxy card for specific instructions on how to vote using one of these methods. The telephone and Internet voting facilities for record holders will close at 11:59 p.m. Eastern Daylight Time on May 12, 2014. Beneficial owners will receive instructions from their broker or other intermediary describing the procedures and options for voting. Please see the next question and its corresponding answer if you are unsure whether you are a record holder or beneficial owner. Both record holders and beneficial owners may attend the Annual Meeting to vote their shares, but beneficial owners must obtain a legal proxy from their brokers or other intermediaries in order to do so.

What is the difference between a record holder and a beneficial owner ?

If your shares are registered directly in your name, you are considered the record holder of those shares. If, on the other hand, your shares are held in a brokerage account or by a bank or other intermediary, you are considered the beneficial owner of shares held in street name, and an Internet Availability Notice was forwarded to you automatically from your broker or other intermediary. As a beneficial owner, you have the right to instruct your broker or other intermediary to vote your shares in accordance with your wishes. You are also invited to attend the Annual Meeting. Because a beneficial owner is not the record holder, you may not vote your shares in person at the meeting unless you obtain a legal proxy from your broker or other intermediary. Your broker or other intermediary has provided you with an explanation of how to instruct it regarding the voting of your shares. If you do not provide your broker with voting instructions, your broker will not be allowed to vote your shares at the Annual Meeting for any matter other than ratification of the appointment of our independent auditor.

What should I do if I receive more than one Internet Availability Notice or proxy card?

If you own some shares of common stock directly as a record holder and other shares indirectly as a beneficial owner, or if you own shares of common stock through more than one broker or other intermediary, you may receive multiple Internet Availability Notices or, if you request proxy materials to be delivered to you by mail, you may receive multiple proxy cards. It is necessary for you to vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the Internet Availability Notices you receive in order to vote all of the shares you own. If you request proxy materials to be delivered to you by mail, each proxy card you receive will come with its own prepaid return envelope. If you vote by mail, please make sure you return each proxy card in the return envelope that accompanied the proxy card.

May I change my vote after I return my proxy?

Yes. Even after you have submitted your proxy, you may revoke or change your vote at any time before the proxy is exercised by delivering to our Secretary, at The Gallagher Centre, Two Pierce Place, Itasca, Illinois, 60143-3141, a written notice of revocation or a duly executed proxy bearing a later date, or by voting in person at the meeting. Beneficial owners must have a legal proxy from their broker to vote in person at the meeting. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

Who will pay the costs of soliciting these proxies?

We will pay the costs of soliciting proxies to be voted at the Annual Meeting. After the Internet Availability Notices are initially distributed, we and our agents may also solicit proxies by mail, electronic mail, telephone or in person. We will also reimburse brokers and other intermediaries for their expenses in sending Internet Availability Notices to beneficial owners. In addition, we have hired Georgeson Shareholder Services to assist us in soliciting proxies, for which we will pay a fee of $12,000 plus their reasonable out-of-pocket expenses.

What is householding ?

We have adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, multiple stockholders who share the same last name and address will receive only one Internet Availability Notice, or one set of proxy materials if they elect to receive hard copies, unless contrary instructions are received from one or more of the stockholders. Each stockholder will continue to receive a separate proxy card. We have undertaken householding to reduce printing costs and postage fees. Householding does not in any way affect dividend check mailings. Record holders who wish to begin or discontinue householding may contact Broadridge Investor Communication Solutions, Inc. (Broadridge) by calling 1-800-542-1061, or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, NY 11717. Broadridge will undertake the necessary steps to continue or discontinue householding upon such request of a record holder. Beneficial owners who wish to begin or discontinue householding should contact their broker or other intermediary.

What is the deadline for submitting a proposal regarding a director nomination or other item of business to be included in the 2015 proxy statement?

The deadline for submitting a proposal to be included in our proxy statement and proxy card for the 2015 Annual Meeting is November 25, 2014. Such proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), regarding stockholder proposals to be included in company-sponsored proxy materials.

How do I submit a proposal regarding a director nomination or other item of business to be presented directly at the 2015 Annual Meeting?

Under our bylaws, notice of any matter that is not submitted to be included in our proxy statement and proxy card for the 2015 Annual Meeting, but that a stockholder instead wishes to present directly at the Annual Meeting, including director nominations and other items of business, must be delivered to our Secretary, at Arthur J. Gallagher & Co., The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141, not later than the close of business on February 12, 2015 and not earlier than the close of business on January 13, 2015. We will not entertain any nominations or other items of business at the Annual Meeting that do not meet the requirements in our bylaws. If we do not receive notice of a matter by February 12, 2015, SEC rules permit the people named as proxy holders on the proxy card to vote proxies in their discretion when and if the matter is raised at the Annual Meeting. Any stockholder proposal relating to a director nomination should set forth all information relating to such person required to be disclosed in solicitations of proxies for contested director elections under Regulation 14A of the Exchange Act, including, among other things, the particular experience, qualifications, attributes or skills of the nominee that, in light of our business and structure, led to the stockholder s conclusion that the nominee should serve on the Board. The proposal should also include the director nominee s written consent to be named in our proxy statement as a nominee and to serve as a director if elected. Stockholders are also advised to review our bylaws, which contain additional requirements regarding the information to be included in, and advance notice of, stockholder proposals and director nominations.

How do I submit a proposed director nominee to the Board for consideration?

Any stockholder who wishes to propose director nominees for consideration by the Board s Nominating/Governance Committee, but does not wish to present such proposal at an annual meeting, may do so at any time by directing a description of each nominee s name and qualifications for Board membership to the Chair of the Nominating/Governance Committee, c/o our Secretary at Arthur J. Gallagher & Co., The Gallagher Centre, Two Pierce Place, Itasca, Illinois 60143-3141. The recommendation should contain all of the information regarding the nominee described in the question and answer above and in our bylaws relating to director nominations brought before the Annual Meeting. The Nominating/Governance Committee evaluates nominee proposals submitted by stockholders in the same manner in which it evaluates other nominees.

Where can I find the voting results of the Annual Meeting?

An automated system administered by Broadridge will tabulate the votes. Voting results will be reported in a Current Report on Form 8-K that we will file with the SEC within four business days following the Annual Meeting.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee oversees our compensation program for named executive officers on behalf of the Board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth below.

In reliance on the review and discussion referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K and 2014 proxy statement, which will be filed with the SEC.

COMPENSATION COMMITTEE

Elbert O. Hand *(Chair)*

Sherry S. Barrat

David S. Johnson

Kay W. McCurdy

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis discusses compensation awarded to, earned by, or paid to the following named executive officers (whom we sometimes refer to as NEOs):

J. Patrick Gallagher, Jr.	Chairman, President and Chief Executive Officer
Douglas K. Howell	Chief Financial Officer
James S. Gault	President, Retail Property/Casualty Brokerage
James W. Durkin, Jr.	President, Employee Benefit Consulting and Brokerage
Thomas J. Gallagher	Chairman, International Brokerage

In this and other sections of the proxy statement, Mr. Gallagher will generally refer to our CEO. Where required for clarity, Mr. Pat Gallagher will refer to our CEO and Mr. Tom Gallagher will refer to Thomas J. Gallagher. This discussion and analysis contains statements regarding our performance measures, targets, goals and thresholds. These measures, targets, goals and thresholds are disclosed in the limited context of our named executive officer compensation program and should not be interpreted to be statements of management s expectations or estimates of results or other guidance.

Executive Summary

We believe that our compensation program for named executive officers is balanced and reasonable and helps us retain and motivate highly talented business leaders through a range of economic cycles. We reward sustained performance by emphasizing a balance of short and long-term compensation vehicles. More than two-thirds of the value of named executive officers total direct compensation opportunity is delivered through variable compensation. We tie annual cash incentives to company and/or business unit financial performance metrics, as well as achievement of individual performance goals. We align the financial interests of our named executive officers and our stockholders through: (i) stock options, restricted stock units and performance units with long vesting periods, (ii) significant stock ownership requirements, and (iii) our Age 62 Plan, which we believe encourages retention and alignment with stockholder interests by requiring named executive officers to remain employed with us through at least age 62 in order to vest in their awards under the plan.

2013 Performance Review

In 2013, we maintained our focus on growing our core businesses, executing our acquisition strategy, and improving quality and efficiency. As a result, we achieved year-over-year revenue[1] growth of 14.8% (to $2.76 billion) and EBITAC[2] growth of 22.9%, (to $528 million). Over the past three years, we increased revenue and EBITAC by compound annual growth rates of 15.5% and

[1] Revenue is GAAP revenue for our combined brokerage and risk management segments (excludes revenue for our corporate segment). The Compensation Committee uses this measure in the context of determining incentive compensation awards because it provides a meaningful representation of our core operating performance.

[2] Reconciliations of non-GAAP measures to the most closely comparable GAAP measures are presented in Exhibit B to this proxy statement.

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18.4%, respectively. Our performance during this period was reflected in our total shareholder return (including dividends), which grew at an effective annualized rate of 21.9%, versus 17.7% for other publicly traded insurance brokers.[3] We view this as excellent performance.

CEO Compensation

During the first quarter of 2013, the Compensation Committee increased Mr. Gallagher s target annual cash incentive award opportunity from 125% to 135% of base salary. The Compensation Committee concluded this increase was appropriate based on our strong performance over the past three years, Mr. Gallagher s achievement of individual performance goals during the same period, and the Committee s determination that Mr. Gallagher s total direct compensation was below that of similarly situated CEOs in our comparison groups (see page 10 for a discussion regarding the Committee s decision). The Committee favored increasing Mr. Gallagher s performance-based compensation opportunity, rather than base salary, for further alignment with stockholder interests. Based on the Company performance summarized above and Mr. Gallagher s achievement of individual goals, in the first quarter of 2014, the Compensation Committee awarded Mr. Gallagher an annual cash incentive payment of $1,350,000 (100% of his target award opportunity).

Mr. Gallagher s total compensation of $4.6 million for 2013, as disclosed in the Summary Compensation Table, represents a year-over-year increase of 2.6%. Over the past three years, when our total shareholder return averaged 21.9% annually, Mr. Gallagher s pay grew by a compound annual growth rate of 6.6%. We believe this represents strong pay-for-performance alignment.

2013 Say-on-Pay Vote

In 2013, we held our annual say on pay vote, which resulted in 97.3% of votes cast approving our compensation program for named executive officers. The Compensation Committee evaluated the results of this vote as part of its overall assessment of our compensation program for named executive officers. Noting the strong support expressed by our stockholders, and having determined that our program satisfies its compensation objectives and remains consistent with the compensation philosophy outlined below, the Compensation Committee did not make any material changes to our compensation program for named executive officers in 2013.

2014 Long-Term Incentive Plan

We are submitting a long-term incentive plan and share authorization request for stockholder approval at this year s Annual Meeting. The size of the share authorization request is 9,000,000 shares, versus 5,500,000 in the prior plan three years ago. The terms of the plan are substantially similar to those of the prior plan. For details regarding the plan, please see Item 3: Approval of the Arthur J. Gallagher & Co. 2014 Long-Term Incentive Plan beginning on page 38. The primary purpose of the plan is to align the interests of our key employees with those of our stockholders by rewarding employees for strong long-term financial performance.

The difference in size between the 2014 and 2011 share authorization requests reflects our growth over the past three years. As of December 31, 2010, we had approximately 10,700 employees and revenue of $1.79 billion. As of December 31, 2013, we had approximately 16,400 employees and revenue of $2.76 billion. If the plan is approved, our intention is to increase the number of plan participants over time consistent with the growth of our business.

Key features of our share authorization request include the following:

We are requesting approval for 9,000,000 shares. A maximum of 2,000,000 shares may be used for full-value awards such as restricted stock units or stock-settled performance awards. The plan also permits us to award unused shares, as well as shares that are settled for cash, forfeited, expired, cancelled or terminated, from our prior plans. Such shares that may be used from prior plans totaled 137,644 as of March 17, 2014.

If the plan is approved, our overhang, or voting power dilution, will be approximately 13.0% as of March 17, 2014. See page 35 under Equity Compensation Plan Table for information regarding outstanding awards under our existing equity plans as of March 17, 2014.

Approval of this plan will result in a level of shareholder value transfer we believe to be reasonable.

We expect this share request will be sufficient for three years of grants, based on our anticipated share usage.

[3] Marsh & McLennan Companies, Inc., Aon plc, Willis Group Holdings, Ltd. and Brown & Brown, Inc.

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Key Pay and Governance Practices

The Compensation Committee continually evaluates best practices in executive compensation and governance and considers modifications to our executive compensation program that support our business strategies, provide an appropriate balance of risk and reward for our named executive officers, and align their compensation with long-term stockholder interests. Key pay and governance practices include the following:

Annual cash incentives

Target. Our annual cash incentive program targets awards at 135% of base salary for our CEO and 100% of base salary for our other named executive officers. See pages 10-11 for a discussion of performance measures and hurdle rates.

Cap. Even for extraordinary performance, we cap the annual cash incentive opportunity at 150% of target awards.

No payout without minimum level of performance. Our annual cash incentive plan does not provide guaranteed bonuses and pays out only if we meet minimum performance thresholds.

Restricted Stock Units and Stock Options

Minimum vesting periods. Our 2011 Long-Term Incentive Plan and proposed new equity plan mandate (subject to certain very limited exceptions) a minimum vesting period of three years for all awards.

No liberal share recycling. Our equity plans prohibit liberal share recycling.

Re-pricing and cash buyouts prohibited. Our equity plans prohibit re-pricing and cash buyouts of stock options and SARs.

Performance Unit Program (PUP)

PUP awards aligned with stockholder interests. Performance Unit Program (PUP) awards are earned based on our financial performance during the year of grant, and final payouts are based on our stock price after the third year.

No payout without minimum level of performance. No portion of a PUP award is earned if the company fails to meet a minimum performance threshold. See page 14.

Cap. Final payouts are capped at 150% of target awards (see page 14 for a description of the 50%-150% collar).

Executive pay and governance best practices

Prohibition on hedging. Executive officers and directors are prohibited from engaging in any hedging transaction involving our common stock.

Restrictions on pledging. Executive officers and directors are required to obtain approval prior to pledging Gallagher stock. In addition, Gallagher stock pledged as collateral for a loan will not be considered in determining whether executive officers and directors have met their stock ownership guidelines.

Clawback policy. We have an incentive compensation recovery policy under which our named executive officers can be required to pay back incentive awards erroneously awarded on the basis of restated financial statements, if they participated in fraud or misconduct leading to the restatement. See our Governance Guidelines, found at www.ajg.com/ir, under the heading Corporate Governance[4].

Stock ownership guidelines. Named executive officers are expected to own an amount of our common stock with a value equal to a multiple of base salary (six times for our CEO, four times for our CFO and three times for the other named executive officers). Directors with at least five years of service are expected to own stock with a value equal to four times the cash portion of their annual retainer. All directors with at least one year of service currently own shares of our common stock, and all of our named executive officers and all directors with at least five years of service are in compliance with their stock ownership guidelines. For both executive officers and directors, pledged shares are not considered when determining compliance with the guidelines.

Change-in-control agreements. Our change-in-control agreements contain a double trigger. See pages 23-24. In addition, we have a policy that we will not enter into new change-in-control agreements containing excise tax gross-ups, or amend existing change-in-control agreements without removing such provisions.

[4] Information on our website is not part of this proxy statement.

Limited perquisites. Our named executive officers receive only limited perquisites (equal to less than 1.0% of total compensation) and do not receive any related tax gross-ups. See page 15.

No employment agreements with NEOs. We do not have an employment agreement with Mr. Gallagher or any of our other named executive officers.

Compensation Philosophy

The following provides an overview of our compensation philosophy and program for named executive officers:

We believe in pay-for-performance. Our program emphasizes at-risk incentive award opportunities, which are payable only if specified financial, operational and individual goals are achieved.

Our program is designed to attract, motivate, reward and retain the most talented individuals who can drive business performance.

We emphasize share ownership. We deliver restricted stock units and stock options with long-term (three to five-year) vesting periods to our named executive officers, who are expected to maintain minimum equity ownership levels ranging from three times to six times their annual base salary.

When setting the elements of our program, we consider the total direct compensation of similarly situated executives from various market reference sources. See pages 8-9.

The Compensation Committee exercises discretion in determining compensation actions when necessary due to extraordinary changes in the economy, unusual events or overall company performance.

The total direct compensation awarded to our named executive officers includes base salary, performance-based annual cash incentive awards, long-term incentive awards (consisting of performance units, stock options and restricted stock units), and Age 62 Plan awards.

We structure our compensation program for named executive officers to ensure that a significant portion of the compensation paid is linked to the performance of our business. We provide the variable elements of our program (annual cash incentive compensation and long-term incentive compensation) primarily to encourage and reward performance that leads to strong financial results and creation of long-term stockholder value. In addition, we structure our program to ensure that it is not overly weighted toward annual cash incentive compensation and does not otherwise have the potential to threaten long-term stockholder value by promoting unnecessary or excessive risk-taking by our named executive officers.

Compensation Elements

Compensation Element	Objective	Key Features
Base Salary	Compensate named executive officers for fulfilling the regular duties and responsibilities of their positions	Base salary may be increased from time to time based on job performance, promotion into a new role, expansion of duties, or market conditions
Annual Cash Incentives	Align the financial interests of named executive officers with those of stockholders	Annual cash incentives are considered at-risk. Reward amounts (including target and maximum payouts) are determined based on the achievement of revenue and EBITAC growth, as well as other key annual financial and operational goals that drive stockholder value creation
Long-Term Incentives	Promote retention of named executive officers and align the financial interests of named executive officers with those of stockholders	Long-term incentive opportunities are considered at-risk. They are greater for named executive officers with a greater direct impact on long-term company performance
Restricted stock units, stock options and performance unit program (PUP) awards		Restricted stock units, stock options and PUP awards each tie named executive officers long-term wealth creation to the performance of our stock and provide multi-year vesting and overlapping maturity
Deferred Equity Participation Plan (Age 62 Plan)	Promote retention of named executive officers and align their financial interests with those of stockholders	Vesting of awards is delayed until named executive officers reach age 62, and for one-year increments after such age
		Each NEO has elected to invest awards in a fund representing our common stock

Compensation Decision-Making Process

The Compensation Committee is responsible for determining compensation opportunities for our named executive officers, establishing the annual total value to be transferred through our long-term incentive plans, and setting thresholds, targets and maximum awards for incentive compensation. To determine compensation opportunities for our named executive officers, the Compensation Committee takes into account the compensation objectives noted above, individual and company performance, compensation data for our comparison groups, trends in the financial service and insurance brokerage sectors, best practices, and internal considerations such as the strategic value of a given role, impact on our financial results, tax deductibility and accounting considerations.

Tally Sheets

The Compensation Committee also carefully considers the data compiled in a tally sheet prepared by management for each named executive officer. Tally sheets provide a comprehensive view of our compensation payout exposure under various termination scenarios (for example, voluntary or involuntary termination, retirement, and change in control). The tally sheets also provide details regarding all compensation, benefits and perquisites delivered to our named executive officers during the most recent three-year period and a projection for the coming year.

The tally sheets include a three-year analysis of equity and deferred compensation, and provide insight into total wealth accumulation for each officer, as well as the sensitivity of these figures to changes in our stock price. This information provides a comprehensive context in which the Compensation Committee can determine the appropriate type and amount of compensation for each named executive officer.

Role of the CEO

At the beginning of each year, Mr. Gallagher proposes performance objectives for the company and for himself. The Compensation Committee and the Board review these objectives with Mr. Gallagher and make modifications as necessary. Following this review and discussion, the objectives for Mr. Gallagher and the company are finalized and approved by the Compensation Committee and the Board. The objectives include both quantitative financial measurements and qualitative strategic and operational considerations that focus on factors Mr. Gallagher and the Board believe create long-term stockholder value. Mr. Gallagher reviews and discusses preliminary considerations regarding his own compensation with the Compensation Committee but does not participate in the Compensation Committee s final determination of his compensation. Mr. Gallagher also reviews the performance of each other named executive officer and presents a summary of these performance reviews to the Compensation Committee, along with preliminary recommendations regarding salary adjustments, if any, and annual award amounts.

Role of the Compensation Consultant

The Compensation Committee has retained Sibson Consulting (Sibson) as its independent executive compensation consultant. Sibson provides expertise on various matters coming before the Compensation Committee. Sibson works with our management team at the direction of the Compensation Committee and only on matters for which the Compensation Committee is responsible, and does not receive other compensation from Gallagher. In connection with its 2013 engagement, Sibson reviewed 2013 proxy season results and implications for our pay practices; assisted in the review and confirmation of our peer group for executive compensation and company performance review purposes; advised the Compensation Committee in connection with the new equity plan described in this proxy statement; provided updates on emerging executive compensation trends, including proxy advisory firm and regulatory developments; and reviewed and assessed all elements of our pay programs for executive officers.

The Compensation Committee has assessed Sibson s independence pursuant to SEC and NYSE rules and concluded that no conflict of interest exists that would prevent Sibson from serving as an independent consultant to the Compensation Committee.

Comparative Market Assessment

The Compensation Committee does not target its compensation decisions to any specific percentiles or other absolute measures relating to comparison group data. The Compensation Committee reviews compensation data from two different comparison groups, as a market reference for its named executive officer compensation decisions, as described below.

Survey Comparison Group

This group consists of insurance and general industry companies similar to our company in terms of total assets, revenues or number of employees, which the Compensation Committee uses as a reference point for individual pay levels. In 2013, the Compensation Committee reviewed pay data from two published surveys: (i) the *Executive Compensation Survey* conducted by Mercer, and (ii) the *Top Management Industry Compensation Survey* conducted by Towers Watson. Sibson updated this data based on findings from its own annual private study. The Compensation Committee reviewed this data for companies comparable to us in asset size, revenue size, or total number of employees. When available, information for individual positions was drawn from the Insurance Non Healthcare category; otherwise, general industry data was used. The Compensation Committee also reviewed general industry long-term incentive target award data from both surveys.

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Proxy Comparison Group

This group consists of our direct competitors for executive talent, which the Compensation Committee uses primarily as a reference point for compensation plan structure, pay mix, general equity granting practices, and, to a lesser extent, individual pay levels. The members of this group are selected from the insurance industry (Broker or Carrier below), and from professional and financial services industries that may be competitors with respect to specific lines of business or executive talent (Other Relevant Comparator below). The same group of companies was used for both the 2013 and 2012 studies:

American Financial Group Inc.	Carrier
Aon plc	Broker
Arch Capital Group Ltd	Carrier
Axis Capital Holdings Ltd	Carrier
Berkley (W R) Corp	Carrier
Brown & Brown, Inc.	Broker
CNA Financial Corp	Carrier
Fidelity National Financial, Inc.	Other Relevant Comparator
Marsh & McLennan Companies, Inc.	Broker
National Financial Partners Corp	Other Relevant Comparator
Old Republic International Corp	Carrier
Raymond James Financial, Inc.	Other Relevant Comparator
Towers Watson & Co.	Other Relevant Comparator
Unum Group	Carrier
Willis Group Holdings Ltd	Broker
XL Capital Plc	Carrier

Selection of the Proxy Comparison Group

The proxy comparison group is selected from insurance brokers, insurance carriers and other professional and financial services firms based on a number of metrics including revenue, number of employees, insurance premiums written, value of claims paid, assets and market capitalization. Our revenue, assets and market capitalization are below the median of the insurance carriers in this group. However, our number of employees, insurance premiums written and value of claims paid (metrics the Compensation Committee believes are important as a reflection of the complexity and degree of difficulty in managing our business) are all above the median compared to the same group. The Compensation Committee places less weight on this group as a reference point for individual pay level decisions because of the differences in revenue and market capitalization. However, the Compensation Committee considers this group a strong reference point for matters such as plan structure, pay mix and equity granting practices.

Results of the Comparative Market Assessment

In 2013, the Compensation Committee examined the total direct compensation opportunity for each named executive officer as a whole (base salary, annual cash incentives and long-term incentives) as well as each of its components. External compensation data for our survey and proxy comparison groups was used only as a market reference for compensation decisions and the Compensation Committee did not target total compensation to a specific percentile of the data for these groups. The review of survey and proxy comparison group data showed that, while aggregate base salaries and annual cash incentives for our named executive officer group were close to the median for similarly situated named executive officer groups, our named executive officer group s aggregate long-term incentive compensation, and therefore total direct compensation, was below the median. Based on this market check, the Compensation Committee concluded that, other than with respect to Mr. Gallagher, whose total direct compensation was significantly below the median for similarly situated CEOs in both comparison groups, our named executive officers overall compensation opportunity was appropriate given our size relative to our comparison groups (measured by revenue and market capitalization) and direct competitors for talent.

2013 Decisions By Compensation Element

Base Salary

We provide named executive officers with base salary to compensate them for fulfilling their regular duties and responsibilities. Base salary may be increased from time to time based on job performance, promotion to a new role, significant expansion of duties or market conditions. In the first quarter of 2013, the Compensation Committee increased Mr. Gault s base salary from $700,000 to $800,000. The Compensation Committee approved this increase because of Mr. Gault s success in growing our largest business unit through difficult market conditions over the past several years, and because he had not received a salary increase since 2007. The Compensation Committee also increased Mr. Durkin s base salary from $625,000 to $725,000. The Compensation Committee approved this increase because the business unit Mr. Durkin manages has grown in relative size and importance within the company, and because he had not received a salary increase since 2010. The Compensation Committee did not adjust the base salary of any of the other named executive officers. Base salaries for our named executive officers can be found in the Summary Compensation Table.

Annual Cash Incentive Compensation

Our annual cash incentive plan, administered under our stockholder-approved Senior Management Incentive Plan (SMIP), rewards our named executive officers for achieving key annual financial, operational, risk management and strategic goals that drive stockholder value. During the first quarter of each year, the Compensation Committee establishes a minimum level of company financial performance required to fund the plan for that year. If we attain this minimum company financial performance, the Compensation Committee awards cash incentive compensation to our named executive officers based upon a combination of company and/or business unit financial performance goals and individual performance goals.

In 2013, the Compensation Committee increased Mr. Gallagher s target award opportunity under our annual cash incentive plan from 125% of base salary to 135% of base salary. The Compensation Committee approved this increase because of the company s strong financial performance over the past three years, as well as Mr. Gallagher s consistent achievement of individual performance goals during the same period. In approving this increase, the Compensation Committee noted that Mr. Gallagher s total direct compensation (consisting of base salary, annual cash incentive compensation and long-term incentive compensation) was below that of similarly situated CEOs in our comparison groups. The Compensation Committee favored increasing his performance-based compensation opportunity, rather than base salary, for better alignment with stockholder interests. Target award opportunities for our other named executive officers are 100% of base salary.

The maximum amount that can be awarded under the plan is 150% of the target award. During the first quarter of each year, the Compensation Committee establishes company financial performance goals required for maximum awards. For named executive officers to qualify for the maximum award, these goals must be reached and the named executive officers who lead business units must achieve performance budgets for their business units. Historically, the Compensation Committee has established business unit performance budgets and approved individual performance goals that are aggressive and ensure that maximum awards are difficult to achieve. Final award determinations are made in light of each named executive officer s target award opportunity, the maximum award for which he qualifies given company and business unit performance, and the level of achievement of individual performance goals. Named executive officers achievement of individual performance goals cannot increase the target or maximum award opportunities for which they qualify based on company and business unit performance. In the past three years, none of our named executive officers has received an annual cash incentive payout above the target award opportunity.

Company Performance Measures

The Compensation Committee uses EBITAC in the context of determining incentive compensation awards. The Committee believes this measure of earnings provides a meaningful representation of our operating performance and improves the comparability of our results between periods. See Exhibit B for more information regarding EBITAC.

In the first quarter of 2013, the Compensation Committee established minimum company revenue and EBITAC thresholds for funding the plan and for maximum awards under the plan. The thresholds for maximum awards required at least 5% growth in revenue and 10% growth in EBITAC over 2012 levels. These thresholds, and actual company performance, are set forth below.

Measure	Minimum Financial Performance for Funding	Performance Required for Maximum Awards	Actual 2013 Performance
Revenue	$1.90 billion	$2.52 billion	$2.76 billion
EBITAC	$120.0 million	$472.7 million	$528.0 million

Based solely on company performance, the maximum available award for each named executive officer was 150% of his target award opportunity. However, final award amounts were determined by the Compensation Committee based on these results, achievement of the business unit performance measures described below (for Mr. Gault, Mr. Durkin and Mr. Tom Gallagher) and achievement of individual performance goals.

Business Unit Performance Measures

In the first quarter of 2013, the Compensation Committee established revenue and EBITAC budgets for the business units led by Mr. Gault, Mr. Durkin and Mr. Tom Gallagher. Performance in relation to these budgets determined a possible range of awards.

100% 150% of Target Award Opportunity for an award above 100% of the target award opportunity, (i) the company performance goals (described above) must be met, and (ii) business unit performance must exceed 100% of budgeted revenue and budgeted EBITAC.

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50%   100% of Target Award Opportunity   an award can be no greater than 100% of the target award opportunity if business unit performance does not reach 100% of budgeted revenue or budgeted EBITAC.

0%   50% of Target Award Opportunity   an award can be no greater than 50% of the target award opportunity if business unit performance does not reach 75% of budgeted revenue or budgeted EBITAC.

Business unit budgets for 2013, and actual performance toward those budgets, are set forth below.

Retail Property/Casualty and International Brokerage (James S. Gault)			
	Budget	**Actual**	**Percent Achieved**
Revenue	$1,312.4 million	$1,389.4 million	105.9%
EBITAC	$271.1 million	$272.0 million	100.3%

Employee Benefit Consulting and Brokerage (James W. Durkin, Jr.)			
	Budget	**Actual**	**Percent Achieved**
Revenue	$541.3 million	$564.1 million	104.3%
EBITAC	$136.7 million	$142.0 million	103.9%

International Brokerage and Midwest Region Brokerage (Thomas J. Gallagher)			
	Budget	**Actual**	**Percent Achieved**
Revenue	$669.2 million	$703.0 million	105.1%
EBITAC	$131.7 million	$128.4 million	97.5%

Based on 2013 company and business unit performance, the maximum award for which Mr. Gault and Mr. Durkin qualified was 150% of their target award opportunity. The maximum award for which Mr. Tom Gallagher qualified was 100% of his target award opportunity. Actual awards were determined by the Compensation Committee after consideration of each named executive officer s achievement of individual performance goals (as described in detail below).

Our CEO s Annual Cash Incentive Compensation

The Compensation Committee reviewed Mr. Gallagher s performance in light of our overall financial performance. In 2013, we achieved year-over-year revenue growth of 14.8% and EBITAC growth of 22.9%. Over the past three years, we increased revenue and EBITAC by compound annual growth rates of 15.5% and 18.4%, respectively. The Compensation Committee also took into consideration the following operating and financial achievements in 2013:

Organic growth. We achieved organic revenue growth[5] of 5.6% in our brokerage segment and 9.3% in our risk management segment.

Acquisition program. We had a strong acquisition year, completing 30 acquisitions for a total of approximately $370 million in annualized revenues.

Global expansion. We continued our global expansion, completing acquisitions in the United Kingdom, Canada and Norway.

Margins. We expanded our adjusted EBITDAC margin[5] year over year, from 21.2% to 22.1%.

Workforce and expense discipline. Our adjusted compensation ratio[5] improved from 60.4% to 59.6%, and our adjusted operating expense ratio[5] improved from 18.4% to 18.3%.

Clean energy investments. During 2013, our clean energy investments produced approximately $63.7 million in net earnings impact for the company, nearly double the amount in 2012.

Continued financial stability. We continued to maintain significant liquidity and remained well within our debt covenants.

In addition to the above achievements, the Compensation Committee noted that Mr. Gallagher achieved substantially all of his individual performance goals, as follows:

Achieve at least 10% revenue and EBITAC growth *(the company achieved revenue growth of 14.8% and EBITAC growth of 22.9%)*

[5] Reconciliations of non-GAAP measures to the most closely comparable GAAP measures are presented in Exhibit B to this proxy statement.

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- Maintain sales culture; encourage cross-selling initiatives; drive more sales thorough implementation of sales management tools
- Continue to aggressively target expense control and maintain margins
- Continue to recruit top talent and build organizational talent
- Maintain our unique Gallagher culture
- Continue our successful M&A strategy
- Promote the company to stakeholders
- Advance the company s clean-energy strategy.

Based on the company s operating and financial results and Mr. Gallagher s individual performance, the Compensation Committee awarded Mr. Gallagher an annual cash incentive payment of $1,350,000 (100% of his target award opportunity).

Annual Cash Incentive Compensation of the Other Named Executive Officers

Mr. Gallagher assessed and documented the performance of the other named executive officers and recommended award amounts in light of the maximum award for which each named executive officer was eligible, the level of achievement of applicable financial performance objectives and each officer s individual performance goals. The Compensation Committee then reviewed and discussed the performance of each named executive officer and approved awards as described in more detail below.

Douglas K. Howell. Mr. Howell has been our chief financial officer since 2003. As the leader of our finance organization, Mr. Howell s financial objectives focused on our overall performance and were the same as Mr. Gallagher s. Mr. Howell continued to implement and maintain expense savings initiatives critical to expanding our adjusted EBITDAC margin and successfully managed our tax-advantaged (clean energy) investments. In addition, Mr. Howell achieved substantially all of his individual performance goals, as follows:

- Complete a $200 million private placement of senior debt (*completed a $200 million private placement of senior debt in June 2013*)
- Replace our credit facility
- Explore expense reduction and capital management initiatives

- Explore initiatives to improve accounting and financial reporting systems and organizations
- Support the model office project (a project to streamline and standardize branch office operations)
- Conduct a strategic alternatives process for investment in Chem-Mod LLC
- Find long-term locations for the remaining Section 45 plants
- Conclude plans for our headquarters building
- Develop an internal audit staffing component in India; study further alternatives for developing the internal audit function throughout the organization
- Prepare a long-term financial plan for our information technology department.

Based on this performance, Mr. Howell received an award of $700,000 (100% of his target award opportunity).

James S. Gault. Mr. Gault is the leader of our retail property/casualty brokerage unit and has held this position since 2002. In 2011, Mr. Gault also assumed management responsibility for our international brokerage unit. In 2013, his units exceeded their combined budget for both revenue and EBITAC, achieving year-over-year EBITAC growth of 28.3% on revenue growth of 17.4%. In addition, Mr. Gault achieved substantially all of his individual performance goals, as follows:

- Complete acquisitions in the retail property/casualty brokerage unit totaling $50 million in annualized revenues *(the unit completed acquisitions representing incremental annualized revenue of approximately $73 million)*
- Continue to focus on professional standards in branch offices; achieve professional standards audit grades of 91% (*achieved the goal, in over 75% of 2013 audits*)
- Launch and support the model office project (a project to streamline and standardize branch office operations)

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Continue to focus on cross selling with other units; contribute $5 million in new business to the employee benefits brokerage business and $2.5 million to the domestic wholesale brokerage business, and generate 20 prospect meetings for the third party claims administration business *(his unit contributed $4.8 million in new revenue to the employee benefits brokerage business and $approximately $6.6 million to the domestic wholesale brokerage business, and generated six prospect meetings for the third party claims administration business)*

Increase unit s net number of producers by 50 *(this goal was not obtained as his unit maintained the same net number of producers).*

Based on this performance, Mr. Gault received an award of $800,000 (100% of his target award opportunity).

James W. Durkin, Jr. Mr. Durkin is the leader of our employee benefits brokerage unit and has held this position since 1985. In 2013, his unit exceeded its budget for both revenue and EBITAC, achieving year-over-year EBITAC growth of 21.3% on revenue growth of 19.8%. In addition, Mr. Durkin achieved substantially all of his individual performance goals, as follows:

Continue to extend capabilities and geographic reach of the unit through acquisitions

Create and deploy a formalized sales development program to promote consistent future organic revenue growth across the unit and promote cross selling with other units

Continue to leverage Healthcare Reform to differentiate Gallagher Benefit Services from its competitors

Ensure alignment of the current mission and value proposition of the unit with the new business environment and future customer needs

Better meet the needs of North American-based companies by extending the reach of our services to include international human resources, benefits and retirement consulting services.

Based on this performance, Mr. Durkin received an award of $725,000 (100% of his target award opportunity).

Thomas J. Gallagher. Mr. Gallagher is the leader of our international brokerage unit and also manages the Midwest region of our U.S. retail property/casualty brokerage unit. In 2013, the Board named Mr. Gallagher an executive officer of the company. In 2013, the units he leads exceeded their combined budgets for revenue and nearly achieved their combined budgets for EBITAC, resulting in year-over-year EBITAC growth of 35.6% on revenue growth of 23.1%. In addition, Mr. Gallagher achieved substantially all of his individual performance goals, as follows:

Complete acquisitions totaling $45.9 million in annualized revenues for the two units combined *(the two units combined completed acquisitions representing incremental annualized revenues of approximately $195.3 million)*

Expand adjusted EBITDAC margin[6] year-over-year (*the two units combined adjusted EBITDAC margin increased by nearly one percentage point*)

Achieve organic growth[6] of 4.4% for the two units combined (the two units combined achieved organic growth of 7.5%)

Continue to focus on professional standards in the Midwest region branch offices; achieve professional standards audit grades of 91% (*achieved the goal in 100% of 2013 audits*)

Continue to enhance our unique Gallagher culture outside the United States

Support the model office project in the Midwest region (a project to streamline and standardize branch office operations)

Increase net number of producers in the Midwest region by 10 *(this goal was not achieved as his unit maintained the same net number of producers)*

Continue to focus on cross selling between the Midwest region and other units: contribute $1 million in new business to the employee benefits brokerage business and $0.5 million to the domestic wholesale brokerage business, and generate four prospect meetings for the third party claims administration business *(contributed $2.7 million in new revenue to the employee benefits brokerage business and $1.5 million to the domestic wholesale brokerage business, and generated one prospect meeting for the third party claims administration business)*

Support the roll-out of corporate sales promotion and efficiency initiatives in the branch offices

Based on this performance, Mr. Gallagher received an award of $700,000 (100% of his target award opportunity).

[6] Reconciliations of non-GAAP measures to the most closely comparable GAAP measures are presented in Exhibit B to this proxy statement.

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Long-Term Incentive Compensation

Long-term incentives are designed to tie a significant portion of our named executive officers compensation to our performance, create a meaningful alignment of our named executive officers financial interests with those of stockholders, and encourage long-term retention. Long-term incentive opportunities are greater for those named executive officers who have greater direct impact on our financial results. In 2013, each named executive officer was eligible to receive a long-term incentive award value based on a percentage of base salary. The Compensation Committee determined this percentage using its discretion based upon a number of factors, including retention considerations, internal pay equity considerations, external market data (including long-term incentive opportunities provided to similarly situated executives in the survey and proxy comparison groups see Comparative Market Assessment above) and our historical practices.

The award value for each named executive officer was converted into stock options, restricted stock units and awards under our Performance Unit Program (PUP). The Compensation Committee determines the portion of each award type with the goal of aligning named executive officers long-term incentive compensation with company performance. As such, PUP awards, which are performance-based, represented the largest component of long-term incentive awards for each named executive officer. Awards of full-value shares of restricted stock, each of which is subject to a four-year cliff vesting period, made up only approximately 15% to 30% of the value of the long-term incentive awards. Target award amounts in 2013 and the approximate allocation among options, restricted stock units and PUP awards, are presented below:

NAMED EXECUTIVE OFFICER	TARGET PERCENT OF SALARY	TARGET GRANT AMOUNT	OPTIONS	RESTRICTED STOCK UNITS	PERFORMAN UNIT PROGR AWARDS
J. Patrick Gallagher, Jr.	125%	$ 1,250,000	15%	15%	70%
Douglas K. Howell	100%	$ 700,000	20%	30%	50%
James S. Gault	70%	$ 560,000	17%	23%	60%
James W. Durkin, Jr.	70%	$ 510,000	17%	23%	60%
Thomas J. Gallagher	60%	$ 410,000	22%	30%	48%

Performance Unit Program (PUP)

Under our PUP, which we administer under our stockholder-approved SMIP, the Compensation Committee awards a number of performance units each year to our named executive officers. The 2013 awards are reported in the Stock Awards column of the Summary Compensation Table, but will be settled in cash. To encourage a focus on growing our core earnings, the number of these units actually earned is based on EBITAC growth thresholds set annually by the Compensation Committee. On March 13, 2013, the Compensation Committee granted each named executive officer a provisional number of performance units. For 2013, the number of units earned by the named executive officers was based on the EBITAC growth thresholds set forth below:

EBITAC GROWTH	PERCENTAGE OF TARGET AWARD EARNED
13% or greater	100% of target award
10% to 13%	Amount interpolated between 100% and 90% of target award on a straight-line basis

10.0%	90% of target award
5.0% to 10%	Amount interpolated between 90% and 50% of target award on a straight-line basis
5.0%	50% of target award
Less than 5.0%	0%

We achieved 2013 EBITAC growth of 22.9%. Accordingly, each named executive officer earned 100% of his provisionally granted performance units. Earned performance units cliff vest on the third anniversary of the first day of the year in which the award was granted (January 1, 2016 for the 2013 awards). On the vesting date, the amount of the payout will be determined by multiplying the number of earned performance units by the trailing twelve month average price of our common stock for the calendar year prior to the vesting date (the TTM Price). The TTM Price is subject to an upper limit of 150% and a lower limit of 50% of our stock price on the date of grant. Payouts will be made in cash as soon as practicable after the vesting date.

Deferred Equity Participation Plan (Age 62 Plan)

Deferred cash awards under the Age 62 Plan are nonqualified deferred compensation awards under Section 409A of the Internal Revenue Code. All such awards made to our named executive officers have at their election been deemed invested in a fund representing shares of our common stock. Awards under the Age 62 Plan do not vest until participants reach age 62 (or the one-year anniversary of the date of grant for participants over the age of 61). Accordingly, amounts in the plan are subject to forfeiture in the event of a voluntary termination of employment prior to age 62 (or the minimum one-year vesting period). Mr. Pat Gallagher, Mr. Gault and Mr. Durkin were each at least 61 years of age as of December 31, 2013. Awards deemed invested in our common stock provide a long-term incentive for our named executive officers to manage our company for earnings growth and total shareholder return. In addition, the deferred realization of these awards encourages retention of our named executive officers until a normal retirement age.

In determining 2013 awards, the Compensation Committee took into account an overall assessment of each individual, including consideration of individual and company performance in 2012 (as described in our 2013 proxy statement). As a result of these assessments, during the first quarter of 2013, the Compensation Committee approved Age 62 Plan awards for each named executive officer at the same level as for the prior year, as follows: Mr. Pat Gallagher $750,000; Mr. Howell $400,000; Mr. Gault $400,000; Mr. Durkin $350,000; and Mr. Tom Gallagher $300,000.

Benefits and Perquisites

Under our 401(k) Savings and Thrift Plan (401(k) Plan), a tax qualified retirement savings plan, participating employees, including our named executive officers, may contribute up to 75% of their earnings on a before-tax basis into their 401(k) Plan accounts, subject to limitations imposed by the Internal Revenue Service (IRS). Under the 401(k) Plan, we match an amount equal to one dollar for every dollar an employee contributes on the first 5% of his or her regular earnings. The 401(k) Plan has other standard terms and conditions. We also have a Supplemental Savings and Thrift Plan (Supplemental Plan), which allows certain highly compensated employees, including our named executive officers, to defer additional amounts on a before-tax basis. For a description of the Supplemental Plan, see page 22 under Nonqualified Deferred Compensation. We also provide limited perquisites, including reimbursement of certain expenses for named executive officers related to automobile use and certain club memberships, which total no more than 1.0% of total compensation for each named executive officer. The value of the benefits and perquisites received by our named executive officers can be found in the Summary Compensation Table. Our named executive officers are also participants in a pension plan, which we froze as to future benefit accruals in 2005. Please see Pension Benefits on page 21 for more details.

Change-in-Control Payments

The change-in-control agreements we have in place with each of our named executive officers provide for severance payments if the executive is terminated within 24 months following a change in control, a so-called double trigger (see Change-in-Control Agreements beginning on page 23 for more information). We believe it is appropriate to provide a double trigger for such payments because it helps ensure that our named executive officers do not receive an unintended benefit by receiving a severance payment while maintaining their positions following a change in control.

Our equity plans contain a so-called single trigger for accelerated vesting of awards upon a change in control. We believe a single trigger is appropriate because it gives executives the same right as other stockholders to sell their equity in the company at the time of a change in control. Moreover, it may not be possible to replace executives existing equity awards with comparable awards of the acquiring company s stock. Finally, company performance may be negatively affected by integration activities, and individual executives ability to affect the performance of the company (and the value of their awards) may be significantly different following a change in control. Our nonqualified plans (the Age 62 Plan and the Supplemental Plan) also contain a single trigger for vesting and payment upon a change in control. Because the benefits under these plans are subject to the claims of our creditors, accelerated vesting and payment provide certainty with respect to benefits that represent a primary source of retirement income and ensures that executives receive the deferred compensation to which they are entitled. Our equity and nonqualified plans do not contain liberal change in control definitions (i.e., they do not provide for buyout thresholds lower than 50%, and a change in control is deemed to occur upon completion, rather than stockholder approval, of a transaction). Please see page 23 for a change-in-control definition typical of our plans.

Tax Considerations

Section 162(m) of the Internal Revenue Code limits the deductibility for Federal income tax purposes of certain compensation payable in a taxable year to certain of our named executive officers to the extent that such compensation exceeds $1 million. However, certain types of compensation are not subject to that limitation, including compensation that meets the requirements under Section 162(m) for qualified performance-based compensation. Our SMIP, our 2011 Long-Term Incentive Plan and the 2014 Long-Term Incentive Plan described in this proxy statement are all structured to permit, but not require, the Compensation Committee to award compensation that meets the requirements for qualified performance-based compensation. However, the Compensation Committee reserves the right to authorize the payment of nondeductible compensation when appropriate. We make no representation that the compensation of our named executive officers will be fully deductible for Federal income tax purposes.

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Stock Ownership Guidelines

We encourage stock ownership by our named executive officers to align their financial interests with those of our stockholders. These guidelines provide that our CEO should own equity having a value not less than six times his base salary, our CFO should own equity having a value not less than four times his base salary, and our other named executive officers should own equity having a value not less than three times their base salaries. Under these guidelines, named executive officers should own the required number of shares within five years of the date they became an executive officer. Any shares pledged as collateral for a loan are not considered when determining whether named executive officers have met their stock ownership guidelines. All of our named executive officers are currently in compliance with these guidelines.

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EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
J. Patrick Gallagher, Jr.	2013	1,000,000	1,004,711	268,107	1,350,000	0	995,466	4,618,284
	2012	1,000,000	1,110,581	188,224	1,250,000	61,071	889,812	4,499,688
Chief Executive Officer	2011	1,000,000	882,385	134,400	1,000,000	102,903	862,976	3,982,664
Douglas K. Howell	2013	700,000	564,048	150,200	700,000	0	609,300	2,723,548
	2012	700,000	653,493	73,984	700,000	2,718	551,632	2,681,827
Chief Financial Officer	2011	600,000	353,140	53,550	600,000	4,373	433,010	2,044,073
James S. Gault	2013	800,000	450,455	120,160	800,000	0	527,324	2,697,939
	2012	700,000	423,164	86,496	700,000	57,556	482,684	2,449,900
President, Retail Property/Casualty Brokerage	2011	700,000	401,731	60,900	700,000	96,981	364,043	2,323,655
James W. Durkin, Jr.	2013	725,000	409,327	109,646	725,000	0	471,387	2,440,360
	2012	625,000	378,526	77,248	625,000	57,372	447,124	2,210,270
President, Employee Benefit Consulting and Brokerage	2011	625,000	362,270	54,600	625,000	96,722	395,772	2,159,364
Thomas J. Gallagher[6]	2013	700,000	278,107	159,963	700,000	0	401,858	2,239,928

Chairman,
International Brokerage

(1) This column includes the full grant date fair value of PUP awards and restricted stock units granted during each fiscal year. The amounts reported in this column have been calculated in accordance with FASB ASC Topic 718, *Compensation Stock Compensation*. The amounts reported in this column for PUP awards granted during each fiscal year represent the value of each award at the grant date based upon the probable outcome of the performance conditions under the program, determined in accordance with FASB ASC Topic 718. In accordance with SEC rules, any estimate for forfeitures is excluded from, and does not reduce, such amounts. Without taking into account the percentage of 2013 PUP awards earned based on actual 2013 performance, maximum values for the 2013 PUP awards were as follows: Mr. Pat Gallagher $1,219,167; Mr. Howell $522,920; Mr. Gault $505,293; Mr. Durkin $458,289; and Mr. Tom Gallagher $223,269. For a discussion of the PUP, see page 14. For additional information on the valuation assumptions with respect to stock grants, refer to Note 10 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2013.

(2) This column represents the full grant date fair value of stock option awards granted during each fiscal year. The amounts reported in this column have been calculated in accordance with FASB ASC Topic 718. In accordance with SEC rules, any estimate for forfeiture is excluded from, and does not reduce, such amounts. For additional information on the valuation assumptions with respect to option grants, refer to Note 8 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2013.

(3) This column represents annual cash incentives awarded under the SMIP related to services rendered in 2011, 2012 and 2013. Awards are reported for the year in which they are earned, regardless of the year in which they are paid. The 2011 annual cash incentive awards were paid fully in cash in March 2012, the 2012 awards were paid fully in cash in April 2013, and the 2013 awards are expected to be paid fully in cash in April 2014.

(4) Other than for 2013, the amounts shown in this column represent the aggregate change in actuarial present value of each named executive officer s benefits under our pension plan. In 2013, these figures were negative for each named executive officer, as follows: Mr. Pat Gallagher $(23,957); Mr. Howell $(1,991); Mr. Gault $(22,579); Mr. Durkin $(12,418); and Mr. Tom Gallagher $(31,890). In the event that the change in actuarial present value is negative, SEC rules require that a zero be included in this table.

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(5) Includes the following for 2013:

Named Executive Officer	Age 62 Plan Awards	Supplemental Plan Match	Dividend Equivalents on Unvested RSUs	401(k) Match	Corporate Auto	Club Memberships Not Exclusively For Business Use and Cell Phone Allowance
J. Patrick Gallagher, Jr.	$ 750,000	$ 99,750	$ 98,961	$ 12,750	$ 7,920	$ 26,085
Douglas K. Howell	400,000	57,250	131,380	12,750	7,920	
James S. Gault	400,000	62,250	35,379	12,750	5,520	11,425
James W. Durkin, Jr.	350,000	54,750	31,937	12,750	7,920	14,030
Thomas J. Gallagher	300,000	50,000	30,708	12,750	4,320	4,080

(6) The Board appointed Mr. Tom Gallagher an executive officer of the company in 2013.

Grants of Plan-Based Awards

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
ame	Plan	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	V S A
Gallagher, Jr.	LTIP[1]	3/13/13								35,700	39.17	

	LTIP(2)	3/13/13							4,900		
	SMIP(3)	3/13/13				406,389	812,778	1,219,167			
	SMIP(4)	N/A	N/A	1,350,000	2,025,000						
K. Howell	LTIP(1)	3/13/13								20,000	39.17
	LTIP(2)	3/13/13							5,500		
	SMIP(3)	3/13/13				174,307	348,613	522,920			
	SMIP(4)	N/A	N/A	700,000	1,050,000						
Gault	LTIP(1)	3/13/13								16,000	39.17
	LTIP(2)	3/13/13							2,900		
	SMIP(3)	3/13/13				168,431	336,862	505,293			
	SMIP(4)	N/A	N/A	800,000	1,200,000						
Durkin, Jr.	LTIP(1)	3/13/13								14,600	39.17
	LTIP(2)	3/13/13							2,650		
	SMIP(3)	3/13/13				152,763	305,526	458,289			
	SMIP(4)	N/A	N/A	725,000	1,087,500						
. Gallagher	LTIP(1)	3/13/13								21,300	39.17
	LTIP(2)	3/13/13							3,300		
	SMIP(3)	3/13/13				74,423	148,846	223,269			
	SMIP(4)	N/A	N/A	700,000	1,050,000						

(1) This line includes stock options granted to our named executive officers on March 13, 2013 under our 2011 Long-Term Incentive Plan. The stock options vest one-third on each of the third, fourth and fifth anniversaries of the grant date.

(2) This line includes restricted stock units granted to our named executive officers on March 13, 2013 under our 2011 Long-Term Incentive Plan. The restricted stock units vest on March 13, 2017.

(3) The amounts in this line represent the range of possible awards the named executive officer would have been eligible to receive on January 1, 2016 related to performance under the PUP (administered under the SMIP), as of the grant date (March 13, 2013). Please see page 14 for more information regarding the PUP.

(4) The amounts in this line represent the range of possible annual cash incentive award the named executive officer was eligible to receive in April 2014, related to 2013 performance under the SMIP. The amounts were subject to performance criteria and subject to the Compensation Committee s downward discretion. There is no threshold payout level for these awards. The amounts actually awarded to each named executive officer are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table and are more fully discussed in footnote (3) thereto.

Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table

For information regarding our annual cash incentive compensation program, long-term incentive compensation program consisting of restricted stock units, stock options and PUP awards, and our Age 62 Plan, please see pages 9-15.

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Outstanding Equity Awards at Fiscal Year-End

		Option Awards(1)				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (#)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[(2)]	Market Value of Shares or Units of Stock That Have Not Vested ($)[(3)]
J. Patrick Gallagher, Jr.	4/1/04	13,522	1,502	33.28	3/31/14		
	7/22/04	45,000	5,000	29.42	7/21/14		
	5/17/05	14,760	3,690	27.10	5/16/15		
	7/21/05	40,000	10,000	27.25	7/20/15		
	5/16/06	18,130	7,767	27.03	5/15/16		
	5/15/07	16,667	0	28.65	5/14/17		
	3/5/08	17,762	0	23.76	3/4/18		
	3/2/10	30,450	20,300	24.13	3/1/17		
	3/8/11	10,240	15,360	30.95	3/7/18		
	3/16/12	0	34,600	35.71	3/15/19		
	3/13/13	0	35,700	39.17	3/12/20		
						92,701	4,339,927
Douglas K. Howell	4/1/04	3,381	375	33.28	3/31/14		
	7/22/04	31,500	3,500	29.42	7/21/14		
	7/21/05	28,000	7,000	27.25	7/20/15		
	5/16/06	1,813	777	27.03	5/15/16		
	5/15/07	11,375	0	28.65	5/14/17		
	10/18/07	30,000	20,000	27.94	10/17/17		
	3/5/08	6,061	0	23.76	3/4/18		
	3/2/10	5,400	3,600	24.13	3/1/17		
	3/8/11	4,080	6,120	30.95	3/7/18		
	3/16/12	0	13,600	35.71	3/15/19		
	3/13/13	0	20,000	39.17	3/12/20		
						57,452	2,694,424
James S. Gault	7/22/04	31,500	3,500	29.42	7/21/14		

	7/21/05	28,000	7,000	27.25	7/20/15		
	5/15/07	7,583	0	28.65	5/14/17		
	3/5/08	8,082	0	23.76	3/4/18		
	3/2/10	7,650	5,100	24.13	3/1/17		
	3/8/11	4,640	6,960	30.95	3/7/18		
	3/16/12	0	15,900	35.71	3/15/19		
	3/13/13	0	16,000	39.17	3/12/20		
						37,929	1,775,156
James W. Durkin, Jr.	7/22/04	3,000	3,000	29.42	7/21/14		
	7/21/05	3,000	6,000	27.25	7/20/15		
	3/5/08	1,270	0	23.76	3/4/18		
	3/2/10	2,300	4,600	24.13	3/1/17		
	3/8/11	4,160	6,240	30.95	3/7/18		
	3/16/12	0	14,200	35.71	3/15/19		
	3/13/13	0	14,600	39.17	3/12/20		
						34,180	1,599,722
Thomas J. Gallagher	4/1/04	1,352	150	33.28	3/31/14		
	7/22/04	27,000	3,000	29.42	7/21/14		
	7/21/05	20,000	5,000	27.25	7/20/15		
	5/15/07	2,917	0	28.65	5/14/17		
	3/5/08	3,552	0	23.76	3/4/18		
	3/2/10	4,966	3,310	24.13	3/1/17		
	3/8/11	4,600	6,900	30.95	3/7/18		
	3/16/12	0	15,200	35.71	3/15/19		
	3/13/13	0	21,300	39.17	3/12/20		
						28,542	1,335,570

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(1) Stock options vest in accordance with the following vesting schedules:

Grant Dates	One-tenth vest each:
4/1/04	January 1st of each year starting January 1, 2005 with the last vesting date on January 1, 2014
7/22/04	January 1st of each year starting January 1, 2005 with the last vesting date on January 1, 2014
5/17/05	January 1st of each year starting January 1, 2006 with the last vesting date on January 1, 2015
7/21/05	January 1st of each year starting January 1, 2006 with the last vesting date on January 1, 2015
5/16/06	January 1st of each year starting January 1, 2007 with the last vesting date on January 1, 2016
10/18/07	January 1st of each year starting January 1, 2008 with the last vesting date on January 1, 2017

Grant Dates	One-fifth vest on each of:
3/2/10	March 2, 2011, March 2, 2012, March 2, 2013, March 2, 2014 and March 2, 2015
3/8/11	March 8, 2012, March 8, 2013, March 8, 2014, March 8, 2015 and March 8, 2016

Grant Dates	One-third vest on each of:
3/16/12	March 16, 2015, March 16, 2016 and March 16, 2017
3/13/13	March 13, 2016, March 13, 2017 and March 13, 2018

(2) The following table provides information with respect to the vesting of each named executive officer s unvested restricted stock units and unvested PUP awards as of December 31, 2013:

Vesting Dates	Type of award	Mr. Pat Gallagher	Mr. Howell	Mr. Gault	Mr. Durkin	Mr. Tom Gallagher
1/1/14	PUP Award*	21,061	3,597	9,704	8,690	7,812
1/1/15	PUP Award*	23,150	10,350	8,350	7,500	6,350
1/1/16	PUP Award*	20,750	8,900	8,600	7,800	3,800
3/2/14	Restricted Stock Units**	8,690	13,555	2,175	1,940	1,430
3/8/15	Restricted Stock Units**	6,200	7,600	2,700	2,500	2,600
3/16/16	Restricted Stock Units**	7,950	7,950	3,500	3,100	3,250
3/13/17	Restricted Stock Units**	4,900	5,500	2,900	2,650	3,300
Total		92,701	57,452	37,929	34,180	28,542

* Number of performance units held by the named executive officer from the 2011, 2012 and 2013 awards. The performance units from the 2013 awards had not been earned as of December 31, 2013. See page 14 for information regarding the PUP.

** Restricted stock units granted in 2010, 2011, 2012 and 2013. Each grant has a vesting date four years from the date of grant.

(3) For the restricted stock units and the 2012 and 2013 PUP awards, amounts in these columns are based on a closing stock price of $46.93 for our common stock on December 31, 2013. For the 2011 PUP awards, the amounts are based on a stock price of $46.43 for our common stock, the maximum price per share for those awards under the terms of the PUP, based on an upper limit of 150% of the grant date price. See page 14 for information regarding the PUP.

2013 Option Exercises and Stock Vested

	Option Awards		**Stock Awards**	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)(1)(2)**	**Value Realized on Vesting ($)(1)(2)**
J. Patrick Gallagher, Jr.	5,000	102,976	6,146	235,576
Douglas K. Howell	75,000	1,019,850	16,779	643,139
James S. Gault	35,000	454,274	2,797	107,209
James W. Durkin, Jr.	2,000	39,620	2,197	84,211
Thomas J. Gallagher	10,000	207,000	1,229	47,108

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(1) These columns reflect the vesting of restricted stock units and PUP awards, as applicable. Restricted stock units awarded on March 4, 2009 vested on March 4, 2013, with value realized of $38.33 per share. In 2013, we made no payments in connection with the vesting of 2010 PUP awards. Based on our 2010 EBITAC performance, no portion of the 2010 PUP award opportunity was earned. Please see the description of the PUP provided on page 14 for additional information.

(2) Pursuant to the terms of the Supplemental Plan (see page 22), Mr. Howell deferred receipt of 16,779 shares related to the March 4, 2013 vesting of restricted stock units he was awarded on March 4, 2009. He elected a lump-sum distribution in July 2018.

Pension Benefits

Name	Plan Name	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit ($)
J. Patrick Gallagher, Jr.	Arthur J. Gallagher & Co. Employees Pension Plan	25	555,290
Douglas K. Howell	Arthur J. Gallagher & Co. Employees Pension Plan	1	16,476
James S. Gault	Arthur J. Gallagher & Co. Employees Pension Plan	25	523,334
James W. Durkin, Jr.	Arthur J. Gallagher & Co. Employees Pension Plan	25	605,544
Thomas J. Gallagher	Arthur J. Gallagher & Co. Employees Pension Plan	25	328,016

We maintain the Arthur J. Gallagher & Co. Employees Pension Plan (the Pension Plan) which is qualified under the Internal Revenue Code and which historically covered substantially all domestic employees. In 2005, we amended the Pension Plan to freeze the accrual of future benefits for all domestic employees effective July 1, 2005. Benefits under the Pension Plan are based upon the employee s highest average annual earnings for a five calendar-year period with us and are payable after retirement in the form of an annuity or a lump sum. The maximum amount of annual earnings that may be considered in calculating benefits under the Pension Plan is $210,000 (the maximum amount of annual earnings allowable by law in 2005, the last year that benefits accrued under the Pension Plan).

Benefits under the Pension Plan are calculated as an annuity equal to 1% of the participant s highest annual average earnings multiplied by years of service, and commencing upon the participant s retirement on or after age 65. The maximum benefit under the pension plan upon retirement would be $53,318 per year, payable at age 65 in accordance with IRS regulations. Participants also may elect to commence their pensions anytime on or after attaining age 55 if they retire prior to age 65, with an actuarial reduction to reflect the earlier commencement date, ranging from 54% at age 55 to no reduction at age 65. Except for Mr. Howell, all of our named executive officers are eligible to take this early retirement option. For additional information on the valuation assumptions with respect to pensions, refer to Note 11 to our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2013.

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Nonqualified Deferred Compensation

Name	Plan Name	Executive Contributions in Last Fiscal Year ($)(1)	Registrant Contributions in Last Fiscal Year ($)(2)	Aggregate Earnings in Last Fiscal Year ($)(3)	Aggregate Withdrawals/ Distributions in Last Fiscal Year ($)	Aggregate Balance at Last Fiscal Year End ($)(4)
J. Patrick Gallagher, Jr.	Age 62 Plan		750,000	2,366,120		11,179,527
	Supplemental Plan	162,500	99,750	1,132,810		7,540,538
Douglas K. Howell	Age 62 Plan		400,000	878,223		4,492,259
	Supplemental Plan	920,061	57,250	1,183,064		4,889,479
James S. Gault	Age 62 Plan		400,000	1,478,408		6,960,169
	Supplemental Plan	73,958	62,250	88,547		2,357,421
James W. Durkin, Jr.	Age 62 Plan		350,000	1,217,609		6,154,977
	Supplemental Plan	132,917	54,750	549,711		2,475,865
Thomas J. Gallagher	Age 62 Plan		300,000	847,330		4,060,814
	Supplemental Plan	50,000	50,000	46,529		686,554

(1) Amounts in this column include amounts reported in the Salary and/or Non-Equity Incentive Plan Compensation columns in the Summary Compensation Table for 2013. For Mr. Howell, the amount in this column also includes the value of restricted stock units vested in 2013, which he deferred until July 2018. For more information, see also footnote (2) to the 2013 Option Exercises and Stock Vested table.

(2) These amounts are included in the All Other Compensation column of the Summary Compensation Table.

(3) Amounts in this column are not included in the Summary Compensation Table. These amounts represent the change in market value on deferred and matched amounts under the Supplemental Plan and on our contributions to the Age 62 Plan, based on the market-rate returns and dividend equivalents credited to participant accounts for the period January through December 2013. Participants are able to direct that their Supplemental Plan account balances be deemed invested in a number of investment options that include various mutual funds, an annuity product and a fund representing our common stock, and may change such elections on any regular business day. Awards under the Age 62 Plan are credited with returns of deemed investments elected by the

participant, including a fund representing our common stock. All of our named executive officers have elected the fund representing our common stock.

(4) The Age 62 Plan amounts include amounts also reported as compensation in this and prior years Summary Compensation Tables, as follows: Mr. Pat Gallagher $6,450,000; Mr. Howell $2,850,000; Mr. Gault $3,900,000; Mr. Durkin $3,050,000; and Mr. Tom Gallagher $300,000.

All amounts in this table pertain to the Supplemental Plan or the Age 62 Plan. The material terms of the Age 62 Plan are provided above on pages 14-15. Under the Supplemental Plan, which allows certain highly compensated employees to defer amounts on a before-tax basis, employees who have compensation greater than an amount set annually by the IRS may elect to defer up to 90% of their salary and up to 100% of their annual cash incentive payment. We match any deferrals of salary and annual cash incentive payments on a dollar-for-dollar basis up to the lesser of (i) the amount deferred or (ii) 5% of the employee s regular earnings minus the maximum contribution that we could have matched under the 401(k) Plan. All such cash deferrals and company match amounts may be deemed invested, at the employee s election, in a number of investment options that include various mutual funds, an annuity product and a fund representing our common stock. Such employees may also defer restricted stock unit and PUP awards, but these deferrals are not subject to company matching. Amounts held in the Supplemental Plan accounts are payable as of the employee s termination of employment, or such other time as the employee elects in advance of the deferral, subject to certain exceptions set forth in IRS regulations.

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

Change-in-Control Agreements

We provide our named executive officers with change-in-control agreements, which we believe are an important part of their overall compensation. In addition to helping secure their continued dedication to stockholder interests prior to or following a change in control, the Compensation Committee also believes these agreements are important for recruitment and retention, as all or nearly all of our competitors have similar agreements in place for their senior employees. In general, compensation levels under these agreements are separate and unrelated to named executive officers overall compensation decisions for a given year.

Double Trigger

Each named executive officer s change-in-control agreement provides for payments if there is a Termination of the individual within 24 months after a Change in Control (commonly referred to in combination as a double trigger).