

AMERICAN EQUITY INVESTMENT LIFE HOLDING CO  
Form DEF 14A  
April 23, 2018

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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**AMERICAN EQUITY  
INVESTMENT LIFE HOLDING COMPANY**  
6000 Westown Parkway  
West Des Moines, Iowa 50266

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

June 7, 2018

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**Meeting Date:** Thursday, June 7, 2018  
**Time:** 1:30 p.m., Central Daylight Time  
**Location:** 6000 Westown Parkway, West Des Moines, IA 50266

The Annual Meeting of Shareholders of American Equity Investment Life Holding Company will be held for the following purposes:

1. To elect three directors to three-year terms.
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2018.
3. To hold an advisory vote to approve the compensation of our named executive officers.
4. To transact such other business that may properly come before the meeting.

Shareholders of record at the close of business on the record date, April 13, 2018, are entitled to the notice of and to vote at the meeting. It is important that your shares be represented and voted at the meeting. Whether or not you plan to attend the meeting, please vote your shares in one of the following ways:

<b>Telephone</b>	<b>Internet</b>	<b>Mail</b>
By telephone;	Through the Internet; or	If you received a paper copy of the proxy statement, by completing, signing and promptly returning the enclosed proxy card in the enclosed postage-paid envelope.
By Order of the Board of Directors		

**Renee D. Montz**  
Secretary

West Des Moines, Iowa  
April 23, 2018

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## PROXY STATEMENT

### AMERICAN EQUITY INVESTMENT LIFE HOLDING COMPANY

Annual Meeting of Shareholders

June 7, 2018

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## **Annual Meeting and Proxy Solicitation Information**

### **A Notice Regarding the Availability of Proxy Materials**

The Company is using "notice and access" to distribute proxy materials to shareholders, which means this Proxy Statement and the Company's Annual Report to Shareholders will be made available on the Internet instead of mailing a printed copy to each shareholder. Shareholders who receive a Notice of Internet Availability of Proxy Materials (the "Notice") by mail will not receive a printed copy of these materials other than as described below. The Notice contains instructions as to how shareholders may access and review all of the important information contained in the materials on the Internet, including how to submit proxies. The Notice is first being mailed on or about April 23, 2018.

If you would prefer to receive a printed copy of the Company's proxy materials, please follow the instructions for requesting printed copies included in the Notice.

### **General Information**

This proxy statement is provided to the shareholders of American Equity Investment Life Holding Company, 6000 Westown Parkway, West Des Moines, Iowa 50266 (referred to in this proxy statement as the "Company" or as "we," "our" or "us"), in connection with the solicitation of proxies by the Board of Directors for the annual meeting of shareholders to be held on June 7, 2018 ("Annual Meeting"), at the time and place shown in the Notice of Annual Meeting of Shareholders, and at any adjournment. To obtain directions to the Annual Meeting, you may contact us at our toll-free number 1-888-221-1234.

We will bear all expenses in connection with this solicitation. Proxies may be solicited by the Board of Directors or management personally, telephonically or electronically.

### **Voting Rights**

Only shareholders of record as of the close of business on April 13, 2018 will be entitled to the notice of and to vote at the Annual Meeting. We have a single class of voting common stock, \$1 par value per share ("Common Stock"), of which 90,090,101 shares were outstanding and entitled to vote on such date. Each share is entitled to one vote.

Shares present in person or represented by proxy at the Annual Meeting will be tabulated to determine if a quorum is present. A quorum is present if a majority of the votes entitled to be cast on a matter are represented for any purpose at the Annual Meeting. Votes withheld for any director, broker non-votes and abstentions represented at the Annual Meeting will be counted for quorum purposes. Votes will be tabulated under the supervision of Alliance Advisors, L.L.C., which has been designated by the Board of Directors as inspector of the election.

If your shares of Common Stock are held in the name of a bank, broker or other holder of record, you will receive instructions from that holder to vote your shares at the Annual Meeting. Contact your bank, broker or other holder of record directly if you have any questions. Even if you do not provide instructions, your bank, broker or other holder of record may vote your shares on certain "routine matters". The New York Stock Exchange ("NYSE") considers Proposal 2 to be a "routine matter". As a result, without instructions from you, your broker is permitted to vote your shares on this matter at its discretion. A broker non-vote occurs when a broker does not vote on some matter because the broker has not received instructions from you and does not have discretionary voting power for that particular item. Proposals 1 and 3 are considered "non-routine matters" and, therefore, brokers may not vote on the matter unless they receive specific voting instructions from you.

If you plan to attend the Annual Meeting and vote in person, you will have the opportunity to obtain a ballot when you arrive. If your shares of Common Stock are not registered in your own name and you plan to attend the Annual Meeting and vote your shares in person, you will need to contact the broker or agent in whose name your shares are registered to obtain a broker's proxy card. You will need to bring the broker's proxy card with you to the Annual Meeting in order to vote.

### **Voting**

If you vote by proxy, the individuals named on the proxy card (your proxies) will vote your shares in the manner you indicate. If you sign, date and return the proxy card without indicating your instructions on how to vote your shares, the proxies will vote your shares as follows:

"FOR" the election of the three director nominees;

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"FOR" the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2018; and

"FOR" the approval of the compensation of our named executive officers as disclosed in this proxy statement pursuant to the compensation disclosure rules of the Securities and Exchange Commission ("SEC").

If any other matter is presented at the Annual Meeting, your proxies will vote in accordance with their best judgment. At the time this proxy statement was printed, we knew of no other matters to be addressed at the Annual Meeting.

If you are a registered shareholder (that is, you own shares of Common Stock in your own name and not through a broker, nominee or in some other "street name"), you may vote by telephone, through the Internet or by obtaining a proxy card and returning it by mail. Please see the Notice for instructions on how to access the telephone and Internet voting systems. If you hold your shares in "street name," your broker or other nominee will advise you on whether you may vote by telephone or through the Internet as an alternative to voting by proxy card.

A proxy may be revoked at any time prior to the close of voting at the Annual Meeting. Such revocation may be made in person at the Annual Meeting, by notice in writing delivered to the Corporate Secretary of the Company, by voting by telephone or through the Internet at a later date or by a proxy bearing a later date.

**The Board of Directors urges you to take advantage of internet or telephone voting. Instructions are included in the Notice or the proxy card.**



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## Proposal 1 Election of Directors

The Board of Directors presently consists of twelve members. Each member of the Board has been appointed to one of three Classes with three-year terms expiring on a staggered basis. The terms of the three directors presently serving as the Class III Directors expire at the Annual Meeting.

The nominees to serve as Class III Directors are Brenda J. Cushing, David S. Mulcahy and A.J. Strickland, III. Each is nominated for a term of three years expiring at the annual meeting of shareholders in 2021, or until their respective successors are elected and qualified, subject to their prior death, resignation or removal.

Ms. Cushing, Mr. Mulcahy and Mr. Strickland are independent under the requirements of the Sarbanes-Oxley Act of 2002 ("SOX"), and rules adopted by the SEC, as well as the corporate governance listing standards of the NYSE ("NYSE Rules").

The Board of Directors anticipates the nominees will serve. In the event a nominee is unable to do so, proxies will be voted for such substitute nominee as the Board of Directors in its discretion may recommend. Proxies will be voted for the election of the nominees unless the shareholder giving the proxy withholds authority or votes against any nominee.

Directors are elected by a plurality of the votes cast by the shares entitled to vote at the Annual Meeting.

**The Board of Directors unanimously recommends you vote FOR the nominees listed below.**

### **Class III Directors Whose Terms Expire at the Annual Meeting**

**Brenda J. Cushing**, 54, has served as a Director since March 2017. Ms. Cushing has been an independent insurance consultant since August 2015. From August 2014 to August 2015, Ms. Cushing served as Executive Vice President and Chief Financial Officer of Athene Holding Ltd., a retirement services company and from October 2013 to August 2014, Ms. Cushing served as Executive Vice President and Chief Financial Officer of Athene USA Corp., a subsidiary of Athene Holding Ltd. From 2008 until its acquisition by Athene Holding Ltd. in 2013, Ms. Cushing served as Executive Vice President and Chief Financial Officer of Aviva USA Corp., a diversified financial company that offered long-term savings, insurance and retirement income products. Ms. Cushing is a certified public accountant and has been involved in the insurance industry for over 20 years. Ms. Cushing's financial expertise and insurance company financial leadership over two decades led the Board of Directors to conclude that Ms. Cushing should serve as a director of the Company.

Member: Audit Committee

**David S. Mulcahy**, 65, has served as a Director since 2011. Mr. Mulcahy previously served as a member of the Company's Board of Directors from 1996 to 2006. Mr. Mulcahy currently serves as Chairman of the Board of Directors of Monarch Materials Group, Inc., a privately-owned company which manufactures residential, basement window systems and as President of MABSCO Capital, Inc., a privately-owned company which provides a selection of services including portfolio management, financial consulting and private placement, private equity and joint venture transactions. Mr. Mulcahy has served as a director of Workiva Inc. since its initial public offering in 2014. Mr. Mulcahy is a certified public accountant and was a partner in the Des Moines office of Ernst & Young LLP, where he was employed from 1976 through 1994. Mr. Mulcahy's financial expertise, knowledge and experience in accounting and business management led the Board of Directors to conclude that Mr. Mulcahy should serve as a director of the Company.

Member: Executive and Audit Committees

**A.J. Strickland, III**, 76, has served as a Director since 1996. He has been the Thomas R. Miller Professor of Strategic Management in the Graduate School of Business at the University of Alabama since 1969. Dr. Strickland has been a director of United Security Bancshares, Inc. since February 2013 and was a director of Twenty Services, Inc. until March 2014. Dr. Strickland is also the co-author of many strategic management books and texts used at universities worldwide. In addition, he conducts frequent industry and competitive analyses of domestic and international firms. Dr. Strickland's extensive knowledge of strategic management and the finance industry arising from his academic experience led the Board of Directors to conclude that Dr. Strickland should serve as a director of the Company.

Member: Compensation Committee



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**Class I Directors Whose Terms Expire at the 2019 Annual Meeting**

**Alexander M. Clark**, 84, has served as a Director since 2007. He has served as a Senior Managing Director in the Insurance Group at Griffin Financial Group, LLC since 2010. Mr. Clark was Managing Director-Insurance Investment Banking from 2008 to 2010 at Madison Williams & Company, Inc. Mr. Clark is a chartered financial analyst. He has served as a director of our New York life subsidiary since 2005 and also serves as a director of Pennsylvania National Insurance Group, Unity Financial Life Insurance Company and Penn Treaty American Corporation. Mr. Clark's investment banking activities have been focused primarily on insurance companies and he has been actively involved in the insurance industry for over 30 years. Mr. Clark's background in investment banking and his financial expertise and experience in the insurance industry led the Board of Directors to conclude that Mr. Clark should serve as a director of the Company.

Member: Investment Committee

**John M. Matovina**, 63, has served as a Director since 2000. He has served as Chairman since April 2017 and as Chief Executive Officer and President of the Company since 2012. He served as Chief Financial Officer and Treasurer of the Company from 2009 to 2012 and as our Vice Chairman from 2003 to April 2017. Mr. Matovina was a private investor and a financial consultant to us from 1997 to 2003. From 1983 through 1996, he was a senior financial officer of The Statesman Group, Inc. ("Statesman") and many of its subsidiaries, and, prior to Statesman's acquisition in 1994, he served as Statesman's Chief Financial Officer, Treasurer and Secretary. Mr. Matovina is a certified public accountant and has more than 25 years experience in the life insurance industry. Mr. Matovina's role as Chief Executive Officer of the Company as well as his years of experience in and extensive knowledge of the life insurance industry led the Board of Directors to conclude that Mr. Matovina should serve as a director of the Company.

Member: Executive and Investment Committees

**Alan D. Matula**, 57, has served as a Director since December 2015. He has served as the Chief Information Officer of Weber-Stephen Products LLC, a privately owned company which manufactures charcoal, gas and electric outdoor grills and accessories, since December 2015. Mr. Matula worked for the Royal Dutch Shell plc organization for over 30 years. During that time, he served in various information technology capacities for the parent company and several of its subsidiaries, including chief information officer for Royal Dutch Shell plc from 2006 to 2015. Mr. Matula's experience as chief information officer overseeing technology and cyber-related risks as well as his deep business experience led the Board of Directors to conclude Mr. Matula should serve as a director of the Company.

Member: Risk Committee

**Gerard D. Neugent**, 66, has served as a Director since 2010. He has served as President and Chief Executive Officer of Knapp Properties, Inc. ("Knapp Properties"), Des Moines, Iowa since 2014 and served as President and Chief Operating Officer of Knapp Properties from 1993 until 2014. His primary duties include real estate transactions, development and management. Mr. Neugent received his law degree from Drake University. Mr. Neugent's experience in real estate and business management as well as his legal background led the Board of Directors to conclude that Mr. Neugent should serve as a director of the Company.

Member: Nominating and Corporate Governance Committee

**Class II Directors Whose Terms Expire at the 2020 Annual Meeting**

**Joyce A. Chapman**, 73, has served as a Director since 2008. She worked for over 35 years with West Bank, West Des Moines, Iowa until her retirement in 2006. While at West Bank, Ms. Chapman served in various capacities related to bank administration and operations. Ms. Chapman has served in numerous positions of leadership in philanthropic and banking industry organizations. Ms. Chapman also serves as a director for West Bank and West Bancorporation, Inc. Ms. Chapman's leadership experience in various organizations and her experience in the banking industry led the Board of Directors to conclude that Ms. Chapman should serve as a director of the Company.

Member: Compensation and Nominating and Corporate Governance Committees



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**James M. Gerlach**, 76, has served as a Director since 1996. He served as Executive Vice President of the Company from 1996 until his retirement in 2011. Prior to joining us, Mr. Gerlach served as Executive Vice President of American Life and Casualty Insurance Company and as Executive Vice President and Treasurer of Vulcan Life Insurance Company, a subsidiary of American Life and Casualty Insurance Company. Mr. Gerlach was active in the insurance industry for over 45 years. Mr. Gerlach's vast knowledge of the Company's operations as well as his years of experience in the insurance industry led the Board of Directors to conclude that Mr. Gerlach should serve as a director of the Company.

Member: Investment and Nominating and Corporate Governance Committees

**Robert L. Howe**, 75, has served as a Director since 2005. He is our Lead Independent Director. He served the State of Iowa Insurance Division from 1964 to 2002 in various capacities. He was named Deputy Commissioner and Chief Examiner in 1985 and served in that position until his retirement in 2002. During this time, Mr. Howe was responsible for the financial oversight of 220 domestic insurance companies. Since his retirement, Mr. Howe has been a self-employed insurance consultant serving as a director of EMC National Life Company from 2003 until 2007, and, from 2007 to present, Mr. Howe has served as a director of EMC Insurance Group. He also serves as the designated financial expert on the board of directors of EMC Insurance Group. Mr. Howe is a certified financial examiner, certified insurance examiner, certified government financial manager and accredited insurance receiver. Mr. Howe's experience in the financial oversight of insurance companies and his expertise in finance led the Board of Directors to conclude that Mr. Howe should serve as a director of the Company.

Member: Executive and Audit Committees

**William R. Kunkel**, 61, has served as a Director since June 2016. He has served as General Counsel of the Archdiocese of Chicago since November 2016. From 2012 through April 1, 2016, he served as the Company's Executive Vice President, Legal and General Counsel. Prior to joining the Company, Mr. Kunkel was a partner at the international law firm of Skadden, Arps, Slate, Meagher & Flom LLP for over 25 years, where he focused his practice on mergers and acquisitions, corporate finance and other corporate governance and securities matters. Mr. Kunkel's experience as an executive of the Company and as legal counsel to the Company as well as his expertise in corporate governance and corporate finance led the Board of Directors to conclude that Mr. Kunkel should serve as a director of the Company.

Member: Risk Committee

**Debra J. Richardson**, 61, has served as a Director since 2008. She served as Executive Vice President and Secretary of the Company from 2009 to June 30, 2016. Prior to that, Ms. Richardson served as Senior Vice President and Secretary of the Company since 1996. Ms. Richardson was employed by Statesman from 1977 through 1996 serving in various positions including Vice President-Shareholder/Investor Relations. Ms. Richardson has been involved in the insurance industry for over 35 years. Ms. Richardson's experience as an executive of the Company and her years of involvement in the insurance industry led the Board of Directors to conclude that Ms. Richardson should serve as a director of the Company.

Member: Risk Committee

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## **Board and Corporate Governance Information**

### **Corporate Governance**

The Company is committed to the highest standards of business conduct in our relationships with each other and with our customers, distributors, agents, national marketing organizations, suppliers, shareholders and others. This requires conducting our business in accordance with all applicable laws and regulations and in accordance with the highest standards of business conduct. The Company has established a Code of Business Conduct and Ethics (the "Code of Conduct") to assure uniformity in standards of conduct. The Code of Conduct applies to the Company's directors, officers and employees. The Code of Conduct is available as "Code of Conduct" under "Corporate Governance" accessible through the "Investor Relations" link on the Company's website at [www.american-equity.com](http://www.american-equity.com). A copy of the Code of Conduct is available in print. Requests should be sent to the Corporate Secretary at 6000 Westown Parkway, West Des Moines, Iowa 50266.

### **Board Leadership Structure**

Mr. Matovina serves as Chairman of the Board of Directors and also as our Chief Executive Officer and President. As Chairman of the Board, Mr. Matovina's focus is on the strategic direction of the Company. Mr. Matovina's service as our Chief Executive Officer and President and his strategic experience make him the appropriate leader of the Board. Mr. Howe serves as Lead Independent Director and works with the Chairman and other members of the Board of Directors to provide independent oversight of the Company. Among other things, Mr. Howe serves as principal liaison among the Chairman, the independent directors and senior management. Mr. Howe also chairs executive sessions of the independent and non-management directors.

### **Board of Director's Oversight of Risk Management**

The Company's Board of Directors administers its risk oversight function directly and through its committees. The Board of Directors participates in setting the Company's business strategy and plays a key role in the assessment of management's approach to risk. Through this process, the Board of Directors better understands and determines what level of risk is appropriate for the Company. While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board of Directors also have responsibility for risk management. For example, the Audit Committee focuses on financial risk, including internal controls. The Risk Committee focuses on strategic and liability risks, compliance risks and operational risks. Additionally, the Compensation Committee is responsible for creating incentives that encourage a level of risk-taking behavior consistent with the Company's business strategy. Finally, the Investment Committee manages the risks involving the Company's investments and investment policies and activities.

The responsibility for the day-to-day management of risk lies with the Chief Executive Officer and our management. The Company has an enterprise risk management ("ERM") policy approved by the Board of Directors and implemented by an ERM Committee comprised of members of senior management who, among other things, review and discuss reports from other members of management regarding the Company's risk management activities, including the areas management has identified as our major risk exposures, and the steps taken to monitor and manage those exposures. The Chief Executive Officer and ERM Committee are responsible for reporting the risk profile, risk trends and key risk metrics to the Board of Directors on a regular basis and meet with the Risk Committee at least annually.

The Company has a Disclosure Committee comprised of (i) the Audit Committee Chair, who also serves as Chairman for the Disclosure Committee, (ii) the Chief Financial Officer, (iii) the Chief Accounting Officer and (iv) the General Counsel and Secretary of the Company. The purpose of the Disclosure Committee is to assist senior officers of the Company in fulfilling the Company's and their responsibilities regarding the identification and disclosure of material information about the Company and the accuracy, completeness and timeliness of the Company's financial reports, SEC reports and press releases.



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**Majority of Independent Directors**

Our Board of Directors includes twelve members and it has affirmatively determined the following nine are independent under applicable requirements:

Joyce A. Chapman  
Alexander M. Clark  
Brenda J. Cushing  
James M. Gerlach  
Robert L. Howe  
Alan D. Matula  
David S. Mulcahy  
Gerard D. Neugent  
A. J. Strickland, III

Gerard D. Neugent is the President and Chief Executive Officer of Knapp Properties which provides property management services to the owner of the building where the Company has its principal executive offices in West Des Moines, Iowa. The aggregate amount of fees paid to Knapp Properties by the owner of the building with respect to the Company's offices is immaterial in amount both to the Company and to Knapp Properties. Mr. Neugent is a member/manager of William C. Knapp, L.C., which is a 50% owner of West Lake Properties, L.C. West Lake Properties, L.C. owns a warehouse building, a portion of which is leased to the Company. The aggregate amount of rent and expenses relating to the warehouse space is immaterial in amount to both the Company and William C. Knapp, L.C.

David S. Mulcahy is a director and shareholder of Workiva Inc. The Company has entered into a subscription agreement with Workiva Inc. to utilize certain software. The fees paid to Workiva Inc. in 2017 pursuant to the subscription agreement are immaterial to the Company and to Workiva.

The independent directors meet in executive session as a part of all regular quarterly meetings of the Board of Directors. At each executive session, the Lead Independent Director presides. The Board of Directors has adopted Corporate Governance Guidelines which are available under "Corporate Governance" accessible through the "Investor Relations" link on our website at [www.american-equity.com](http://www.american-equity.com) and are also available in print for any shareholder upon request.

Any interested parties desiring to communicate with a member (or all members) of the Board of Directors regarding the Company may directly contact such directors by mail or electronically. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual director or group or committee of directors by either name or title. All mail correspondence should be sent to the Corporate Secretary at 6000 Westown Parkway, West Des Moines, Iowa 50266. All electronic correspondence should be sent to the Corporate Secretary at [corpsecretary@american-equity.com](mailto:corpsecretary@american-equity.com). All correspondence received by the Corporate Secretary will be categorized and then forwarded to the Board of Directors, the individual director or any group or committee of directors.

**Meetings and Committees of the Board of Directors**

The Board of Directors met fourteen times in 2017, and each of the directors attended at least 75% of the meetings of the Board of Directors and the committee meetings for any committee on which he or she served during 2017. We currently have six permanent committees described below. Under our Corporate Governance Guidelines, a



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director is invited and encouraged to attend the Annual Meeting. All directors, with the exception of A. J. Strickland, III, attended the 2017 Annual Meeting of Shareholders.

<b>Board Committee</b>	<b>Current Members</b>	<b>Meetings During 2017</b>
Audit	Cushing, Howe, Mulcahy	8
Compensation	Chapman, Strickland	3
Nominating & Corporate Governance	Chapman, Gerlach, Neugent	4
Executive	Howe, Matovina, Mulcahy	
Investment	Clark, Gerlach, Matovina	3
Risk	Kunkel, Matula, Richardson	4

The **Audit Committee** performs the following functions, among others: (i) assists the Board of Director's oversight of (a) the integrity of our financial statements and systems of internal control over financial reporting; (b) our compliance with legal and regulatory requirements as they pertain to the financial statements and annual audit process; (c) our independent registered public accounting firm's qualifications and independence; and (d) the performance of our independent registered public accounting firm and our internal audit function; and (ii) prepares the annual report on audit disclosures required to be prepared by the Audit Committee pursuant to the rules of the SEC. The Audit Committee is governed by a written charter approved by the Board of Directors. The charter is available under "Corporate Governance" accessible through the "Investor Relations" link on our website at [www.american-equity.com](http://www.american-equity.com) and is also available in print for any shareholder upon request. The annual report of the Audit Committee is set forth below.

The Audit Committee must include only directors who satisfy the independence requirements under SOX and the NYSE Rules. In addition, all Audit Committee members must have the ability to read and understand financial statements. The Board of Directors has determined that all members of the Audit Committee meet the applicable standards. In addition, the Board of Directors has determined that Ms. Cushing, Mr. Howe and Mr. Mulcahy are "audit committee financial experts," as that term is defined under SOX.

The **Compensation Committee** performs the following functions, among others: (i) oversees our compensation and benefit plans and practices related to our Chief Executive Officer; (ii) makes recommendations to the Board of Directors with respect to other senior officers' compensation, incentive compensation and equity-based plans; and (iii) produces an annual report on executive compensation disclosures as required by the SEC. The Compensation Committee is governed by a written charter approved by the Board of Directors. The charter is available under "Corporate Governance" accessible through the "Investor Relations" link on our website at [www.american-equity.com](http://www.american-equity.com) and is also available in print for any shareholder upon request. The annual report of the Compensation Committee is set forth below.

The Compensation Committee has the authority to engage compensation consultants, independent legal counsel and other advisers as it deems necessary. The Compensation Committee has engaged Pearl Meyer & Partners, an independent compensation consultant ("Pearl Meyer"), to provide advice and data with respect to compensation benchmarking and market practices. In 2017, Pearl Meyer worked with the Compensation Committee to develop recommendations regarding (i) base salaries of executive officers, (ii) short-term incentive compensation awards and plan design and (iii) long-term incentive compensation awards and plan design. In performing the annual assessment of the compensation consultant's independence, the Compensation Committee has reviewed, among other items, a letter from Pearl Meyer addressing its independence and the independence of the members of the consulting team serving the Compensation Committee, including the following factors: (i) the nature of any services provided to the Company by Pearl Meyer other than as described above; (ii) the amount of fees paid by the Company in relation to Pearl Meyer's total revenue; (iii) Pearl Meyer's policies and procedures designed to prevent conflicts of interest; and (iv) the existence of any business or personal relationship or stock ownership that could impact the adviser's independence. Pursuant to SEC and NYSE Rules, the Compensation Committee assessed the independence of Pearl Meyer in March 2017 and determined Pearl Meyer is independent from the Company's management and that no conflict of interest exists that would prevent Pearl Meyer from serving as an independent consultant for the Compensation Committee.



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Under the NYSE Rules, the Compensation Committee must be composed entirely of independent directors. The Board of Directors has determined that all members of the Compensation Committee meet the applicable standard.

The **Nominating and Corporate Governance Committee** performs the following functions, among others: (i) identifies and recommends candidates to fill positions on the Board of Directors; (ii) screens qualifications and backgrounds of director candidates; (iii) develops and recommends corporate governance principles for the Company as required by law; and (iv) evaluates the Board of Directors as a whole. The Nominating and Corporate Governance Committee is governed by a written charter approved by the Board of Directors. The charter is available under "Corporate Governance" accessible through the "Investor Relations" link on our website at [www.american-equity.com](http://www.american-equity.com) and is also available in print for any shareholder upon request.

Under the NYSE Rules, the Nominating and Corporate Governance Committee must be composed entirely of independent directors. The Board of Directors has determined that all members of the Nominating and Corporate Governance Committee meet the applicable standard.

The **Executive Committee** performs the following functions, among others: (i) except as prohibited by applicable law, exercises, between meetings of our Board of Directors, all of the powers and authority of the Board of Directors in our direction and management; (ii) reviews corporate matters presented, or to be presented, to our Board of Directors; and (iii) makes recommendations to the Board of Directors on policy matters.

The **Investment Committee** performs the following functions, among others: (i) oversees our general investment strategies, objectives, standards and limitations; (ii) oversees our use of derivatives and general hedging strategy; and (iii) reviews and monitors investment performance. The Investment Committee is governed by a written charter approved by the Board of Directors.

The **Risk Committee** performs the following functions, among others: oversight of the Company's (i) risk management governance structure; (ii) risk management and risk assessment guidelines and policies regarding risks that could have a material impact on the Company; and (iii) risk tolerance. The Risk Committee is governed by a written charter approved by the Board of Directors.

**Information Regarding the Company's Process for Identifying Director Nominees**

The Company is committed to having a Board of Directors comprised of individuals who are accomplished in their fields, have the ability to make meaningful contributions to the Board of Directors' oversight of the business and affairs of the Company and have an impeccable record and reputation for honest and ethical conduct. The Nominating and Corporate Governance Committee will consider candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating and Corporate Governance Committee will take into consideration the needs of the Board of Directors and the qualifications of the candidate. The Nominating and Corporate Governance Committee may also take into consideration the number of shares held by the recommending shareholder and the length of time the shares have been held.

To have a candidate considered by the Nominating and Corporate Governance Committee, a shareholder must submit the recommendation in writing and in accordance with the requirements of our Amended and Restated Bylaws.

The Nominating and Corporate Governance Committee may apply several criteria in identifying nominees. At a minimum, the committee shall consider (i) whether each such nominee has demonstrated, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board of Director's oversight of our business and affairs and (ii) the nominee's reputation for honesty and ethical conduct in his or her personal and professional activities. Additional factors which the Nominating and Corporate Governance Committee may consider include a candidate's specific experiences and skills, relevant industry background and knowledge, time availability in light of other commitments, potential conflicts of interest, material relationships with us and independence from management. The Nominating and Corporate Governance Committee also may seek to have the Board of Directors represent a diversity of backgrounds and experience.

**Compensation Committee Interlocks and Insider Participation**

The Board of Directors has affirmatively determined Ms. Chapman and Dr. Strickland are independent under the requirements of SOX and the NYSE Rules and do not have any relationships requiring disclosure under Item 404(a) of Regulation S-K. None of the Company's Compensation Committee members has ever been an officer or employee of the Company or any of its subsidiaries, and during our last fiscal year, none of our executive officers



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served on the compensation committee or board of directors of any company that had one or more executive officers who served on our Board of Directors or our Compensation Committee.

**Director Compensation**

Directors who are our employees receive no compensation for their service as directors. Each member of the Board of Directors who is not an employee of the Company receives the following:

\$12,500 per quarter

\$1,500 per meeting for attending meetings of the Board of Directors, \$1,000 per meeting if attended by phone and the meeting is otherwise an in-person meeting or \$500 per meeting for telephonic meetings, plus reimbursement of expenses for attending such meetings

The Lead Independent Director receives an additional \$5,000 per quarter.

The Chairs of our committees receive the following, all amounts per quarter:

Audit Committee \$10,500

Compensation Committee \$3,750

Nominating and Corporate Governance Committee \$2,250

Risk Committee \$2,250

Non-Chair members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee receive an additional \$3,000, \$1,500 and \$750 per quarter, respectively. Non-employee members of the Investment Committee, the Risk Committee and the Executive Committee receive an additional \$750 per quarter.

In 2017, non-employee directors also received a grant of 3,000 shares of restricted stock under our 2013 Director Equity and Incentive Plan (the "2013 Director Plan"). Under the 2013 Director Plan, directors who are not employees may receive grants of options, stock appreciation rights, restricted stock and restricted stock units convertible into or based upon our Common Stock. The Board of Directors believes that, although there is no policy requiring the directors to have a specified level of share ownership, it is important for directors to each own a meaningful amount of Common Stock. Non-employee directors own not less than six times their respective annual cash retainer amount in Common Stock, except Ms. Cushing who was elected to the Board of Directors in March 2017.

The Compensation Committee uses the Board's independent compensation consultant to provide advice and data with respect to non-employee director compensation, including annual retainers and equity awards. Pearl Meyer last provided a report in May 2016. Director compensation approximates the 25<sup>th</sup> percentile of market consensus. Director compensation for 2017 was unchanged from director compensation for 2016.



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The following table provides compensation information for the last completed fiscal year ended December 31, 2017 for each member of the Board of Directors who was not an employee of the Company:

Name	Fees Earned or Paid			Total Compensation (\$)
	Cash Awards (\$)	Restricted Stock (\$)(1)	All Other Compensation (\$)(2)	
Joyce A. Chapman	77,500	76,350	2,270	156,120
Alexander M. Clark	63,500	76,350	780	140,630
Brenda J. Cushing	57,000	76,350	981	134,331
James M. Gerlach	67,500	76,350	2,649	146,499
Robert L. Howe	97,000	76,350	2,419	175,769
William R. Kunkel	72,000	76,350	60,652	209,001
Alan D. Matula	65,500	76,350	780	142,630
David S. Mulcahy	108,000	76,350	2,171	186,521
Gerard D. Neugent	66,000	76,350	2,620	144,970
David J. Noble <sup>(3)</sup>	28,500			28,500
Debra J. Richardson	67,000	76,350	2,396	145,746
A. J. Strickland, III	77,500	76,350	1,200	155,050
Harley A. Whitfield, Sr. <sup>(3)</sup>	17,750		1,929	19,679

(1) Amounts reflect for each restricted stock award, the aggregate grant date fair value pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. For further information, please see Footnote 11 Retirement and Share-Based Compensation Plans in the Notes to Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2017. On June 1, 2017, Ms. Chapman, Mr. Clark, Ms. Cushing, Mr. Gerlach, Mr. Howe, Mr. Kunkel, Mr. Matula, Mr. Mulcahy, Mr. Neugent, Ms. Richardson and Dr. Strickland were each granted 3,000 shares of time-based restricted stock, all of which remain outstanding as of December 31, 2017. The per share fair value of our Common Stock at the grant date was \$25.45. The vesting period for the restricted stock is the earlier of (a) one year from the grant date or (b) the date of the next annual meeting. There was no other unvested restricted stock held by the non-employee directors as of December 31, 2017.

(2)

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Amounts reflect dividends paid on unvested restricted stock awards and travel on Company aircraft. In addition, Mr. Kunkel's other compensation includes a cash payment of \$59,871 for services he provided to the Company as an employee prior to his retirement in April 2016 that was paid in 2017. The payment was approved by the Compensation Committee.

(3)

Mr. Noble served as a director until he passed away on April 16, 2017. Mr. Whitfield served as a director until he passed away on January 9, 2017.

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The following table provides information about unexercised stock options to acquire our Common Stock held by each member of the Board of Directors who is not an employee of the Company as of December 31, 2017. There were no unexercisable options held by a non-employee director as of such date.

<b>Name</b>	<b>Number of Shares Underlying Unexercised Options (#)</b>
Joyce A. Chapman	49,000
Alexander M. Clark	19,000
Brenda J. Cushing	
James M. Gerlach	
Robert L. Howe	36,500
William R. Kunkel	
Alan D. Matula	
David S. Mulcahy	
Gerard D. Neugent	29,000
Debra J. Richardson	107,750
A. J. Strickland, III	59,500

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## Proposal 2 Ratification of Appointment of Independent Registered Public Accounting Firm

The Audit Committee has appointed KPMG LLP ("KPMG") as our independent registered public accounting firm for 2018. The Board of Directors requests that the shareholders ratify the appointment of KPMG. If the appointment of KPMG is not ratified by shareholders, our Audit Committee may investigate the reasons and consider approving another independent registered public accounting firm.

Fees paid to KPMG during the last two fiscal years were:

	<b>2017</b>	<b>2016</b>
Audit fees <sup>(1)</sup>	\$ 1,858,710	\$ 1,680,000
Audit-related fees <sup>(2)</sup>	209,187	75,500
Tax fees		
All other fees <sup>(3)</sup>	1,780	
Total	\$ 2,069,677	\$ 1,755,500

- (1) Audit fees include fees associated with the annual consolidated financial statements audit, audit of internal control over financial reporting, the reviews of our quarterly reports on Form 10-Q, annual audits of certain of our subsidiaries and audits required by regulatory authorities.
- (2) Audit-related fees primarily include comfort letters and consents related to debt and common stock offerings and registration statements and audits of employee benefit plans.
- (3) All other fees consists of fees for access to KPMG's Internet Accounting Research Website.

The Audit Committee is responsible for the appointment, retention, compensation and oversight of the independent registered public accounting firm. The Audit Committee has adopted policies and procedures for pre-approving services (audit and non-audit) and all fees for services performed by the independent registered public accounting firm. These policies were adopted in compliance with SOX and rules adopted by the SEC thereunder. In accordance with such policies and procedures, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that the provision of such services does not impair the auditors' independence. These services may include audit services, audit-related services, tax services and other services. Permissible non-audit services are usually limited to fees for accounting assistance or audits in connection with acquisitions and other services specifically related to accounting or audit matters such as comfort letters related to common stock or debt offerings, audits of employee benefit plans and tax services. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, it will require specific pre-approval by the Audit Committee. The Audit Committee has delegated to the Chairman of the Audit Committee specific pre-approval authority provided that the estimated fee for any such engagement does not exceed \$25,000. The Chairman of the Audit Committee must report, for information purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. Requests to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent registered public accounting firm and our Chief Financial Officer and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence. In fiscal year 2017, all of the services and fees described above were

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pre-approved by the Audit Committee.

We anticipate that representatives of KPMG will be present at the meeting, will be available to respond to questions concerning the 2017 audit and are permitted to make a statement if they so desire.

The affirmative vote of a majority of the shares of the Common Stock present in person or represented by proxy and entitled to be voted on the proposal at the Annual Meeting is required for approval of this proposal.

**The Board of Directors unanimously recommends you vote FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2018.**

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**Audit Committee Disclosures**

The responsibilities of the Audit Committee, which are set forth in the Audit Committee charter adopted by the Board of Directors, include providing oversight of the Company's financial reporting process on behalf of the Board of Directors. Management is responsible for the Company's financial reporting process, the preparation, presentation and integrity of the Company's financial statements and the systems of internal control, including disclosure controls and procedures and internal control over financial reporting. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and issuing an opinion on the fair presentation of those financial statements in conformity with U.S. generally accepted accounting principles, as well as issuing an opinion on the effectiveness of internal control over financial reporting. The Audit Committee is responsible for monitoring and overseeing the conduct of these activities, appointing the Company's independent registered public accounting firm and for supervising the relationship between the Company and the independent registered public accounting firm. In fulfilling its oversight responsibilities, the Audit Committee meets regularly with management and the independent registered public accounting firm, both jointly and separately.

The Audit Committee reviewed and discussed the Company's audited consolidated financial statements for the year ended December 31, 2017, with management and KPMG, the Company's independent registered public accounting firm. The Audit Committee also reviewed Management's Report on Internal Control over Financial Reporting and KPMG's Report of Independent Registered Public Accounting Firm included in the Company's Annual Report on Form 10-K for 2017 filed with the SEC.

The Audit Committee discussed with KPMG the matters required to be communicated to the Audit Committee by applicable Public Company Accounting Oversight Board standards. The Audit Committee received the written disclosures and letter from KPMG required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with KPMG its independence. KPMG confirmed in its letter that it is independent of the Company under all relevant professional and regulatory standards.

Based on the review and discussions with management and KPMG referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited consolidated financial statements for the year ended December 31, 2017 be included in the Company's Annual Report on Form 10-K for 2017 filed with the SEC.

As specified in the Audit Committee charter, the Audit Committee is not responsible for preparing or certifying financial statements, for planning or conducting audits or for determining that the Company's financial statements are complete and accurate and in accordance with U.S. generally accepted accounting principles. Such matters are the responsibility of management, and where applicable, the independent registered public accounting firm. In giving its recommendation to the Board of Directors, the Audit Committee has relied on (i) management's representation that such consolidated financial statements have been prepared with integrity and objectivity and in conformity with U.S. generally accepted accounting principles and (ii) the report of KPMG with respect to such consolidated financial statements.

**AUDIT COMMITTEE**

David S. Mulcahy, Chair  
Brenda J. Cushing  
Robert L. Howe

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## Executive Officers and Compensation

### Executive Officers

Executive officers of the Company do not have fixed terms and serve at the pleasure of the Board of Directors. The executive officers of the Company are:

**John M. Matovina** (age 63) has served as Chief Executive Officer and President of the Company since 2012 and has served as Chairman of the Company since April 2017. He served as Chief Financial Officer and Treasurer of the Company from 2009 until 2012 and as our Vice Chairman from 2003 until April 2017. Mr. Matovina is a certified public accountant and has more than 25 years of experience in the life insurance industry.

**Ted M. Johnson** (age 48) has served as Chief Financial Officer and Treasurer of the Company since 2012. He served as Vice President-Controller of the Company from 2001 to 2012. Mr. Johnson is a certified public accountant and has over 20 years of experience in the life insurance industry.

**Ronald J. Grensteiner** (age 55) has served as President of American Equity Investment Life Insurance Company, our primary wholly-owned life insurance subsidiary ("American Equity Life"), since 2009 and is an Executive Vice President of the Company. He has more than 25 years of experience in the life insurance industry.

**Jeffrey D. Lorenzen** (age 52) has served as Executive Vice President and Chief Investment Officer since June 2015 and served as Senior Vice President and Chief Investment Officer since 2009. Mr. Lorenzen has more than 20 years of experience in the life insurance industry.

**Renee D. Montz** (age 46) has served as Executive Vice President and General Counsel since April 2016 and as Corporate Secretary since July 2016. She previously served as Vice President and Deputy General Counsel since June 2014. Prior to joining the Company, Ms. Montz served in various roles at AEGON Asset Management, a global asset management company, from 2004 to 2014, including as General Counsel, AEGON USA Investment Management, LLC from January 2012 to June 2014. She has over 20 years of legal experience and 14 years of experience in the life insurance industry.

**Jennifer L. Bryant** (age 46) has served as Executive Vice President and Chief Human Resource Officer of American Equity Life since June 2017 and was Senior Vice President and Chief Human Resource Officer from October 2016 to June 2017. From May 2013 to October 2016, Ms. Bryant was Senior Vice President, Human Resources of Bankers Trust Company, a banking and financial institution. Ms. Bryant served as Human Resources Business Partner at Aviva USA from December 2008 to May 2013. She has over 20 years of human resources experience.

**Scott A. Samuelson** (age 45) has served as Vice President and Chief Accounting Officer of the Company since June 2017. Prior to that, Mr. Samuelson served as Vice President-Controller of the Company since 2012. Mr. Samuelson is a certified public accountant and has over 20 years of experience in the life insurance industry.

### Compensation Discussion and Analysis

The Compensation Discussion & Analysis describes the Company's compensation objectives and philosophy and our 2017 compensation program. It also reviews the outcomes, including the Company's financial performance in 2017. Our named executive officers in 2017 were:

**Name:**

**Title:**

John M. Matovina

Chairman, Chief Executive Officer and President

Ted M. Johnson

Chief Financial Officer and Treasurer

Ronald J. Grensteiner

President, American Equity Life and Executive Vice President

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Jeffrey D. Lorenzen

Executive Vice President and Chief Investment Officer

Renee D. Montz

Executive Vice President, General Counsel and Secretary

### **2017 Company Performance and Compensation Highlights**

We delivered strong financial performance in 2017 despite a challenging sales environment. We continued to grow our policyholder funds under management which increased 7.1% to \$48.4 billion at the end of 2017. We delivered

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net income of \$175 million, or \$1.93 per common share-assuming dilution. Our net income was positively impacted by revisions of assumptions used to determine deferred sales inducements and deferred policy acquisition costs and negatively impacted by revisions of assumptions used to determine reserves held for lifetime income benefit riders and losses on extinguishment of debt. In addition, during 2017, we further strengthened our balance sheet by repaying our outstanding \$100 million term loan and refinancing our \$400 million of senior notes with a \$500 million senior notes issuance due 2027. This lowered our long-term debt costs to 5 percent from 6.625 percent.

At our 2017 annual meeting of shareholders, our shareholders cast an advisory vote (a "say-on-pay" vote) to approve the compensation of our named executive officers as disclosed in our proxy statement. Shareholders approved the say-on-pay proposal by an affirmative vote of 96% of the shares cast on that proposal. The Compensation Committee believes this affirms shareholders' support of the Company's approach to executive compensation.

In March 2017, the Compensation Committee reviewed the executive compensation program and made the following changes: (i) increased the annual cash incentive compensation opportunities; (ii) added an individual goal component to the annual cash incentive for three of the named executive officers; (iii) revised the performance measures for the annual cash incentive and performance based restricted stock units; (iv) added an upside earning opportunity to the performance based restricted stock units; and (v) reduced the portion of the long-term equity incentive awards that was performance based from 87% of the total award to 80% of the total award. In addition, as discussed below, discretionary bonuses were awarded to our named executive officers in 2017 to reflect key contributions.

Based on our 2017 annual performance achievements, 2017 performance incentive payouts for our named executive officers averaged 152.5% of pre-determined target amounts. Based on our three year performance achievements, our named executive officers earned 91.3% of the target number of restricted stock units awarded to them for the 2015-2017 three year performance period.

**Compensation Philosophy and Overview**

Our compensation policies and programs are designed to:

attract and retain highly qualified and motivated executive officers and employees;

encourage and reward achievement of our annual and long-term goals; and

encourage executive officers and employees to own stock to align their interests with shareholders.

**Elements.** The primary elements of compensation for the named executive officers for 2017 include: base pay; annual cash incentive compensation under our Short-Term Performance Incentive Plan (the "Short-Term Plan"); and long-term equity incentive compensation through performance based restricted stock units ("RSUs") and time-based restricted stock granted under our 2016 Employee Incentive Plan (the "Equity Incentive Plan").

<b>Element</b>	<b>Description</b>	<b>Purpose</b>
Base Salary	Fixed level of annual cash compensation and basis for target incentive compensation awards	Compensate for job duties based on skill, tenure and market information
Annual Incentive	Targeted variable/at-risk compensation expressed as a percentage of base salary	Focus executives on annual corporate goals and individual objectives through performance based pay
Long-Term Incentive	Variable/at-risk equity compensation in the form of RSUs based on three-year performance and time based restricted stock	Align executives' interest with shareholders and long-term results and promote retention

**Program Highlights:**

Pay for performance philosophy demonstrated through significant compensation opportunity in the form of a performance based annual cash incentive opportunity and three-year, performance based restricted stock units.



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The Company has a robust anti-hedging policy prohibiting our executive officers and directors from engaging in hedging or monetization transactions, purchasing our securities on margin or borrowing against accounts holding our securities.

The Company offers limited perquisites to named executive officers.

**Pay Mix.** For 2017, approximately 57% of the Chief Executive Officer's target annual compensation and 46% of each other named executive officer's target annual compensation is considered variable based on achieving performance objectives.

**External Market Data.** For 2017, the Compensation Committee engaged Pearl Meyer to provide advice and data with respect to compensation benchmarking and market practices for our named executive officers. To develop a blended market consensus base salary, target total cash compensation and target total direct compensation for the position of each named executive, Pearl Meyer utilized proxy data from 12 publicly traded insurance companies and compensation surveys, with a focus on financial services and insurance companies. The 12 insurance companies included in our peer group are:

American Financial Group, Inc.	Horace Mann Educators Corp.
American National Insurance Co.	Kemper Corporation
Athene Holding Ltd.	National Western Life Group, Inc.
CNO Financial Group, Inc.	Primerica, Inc.
FBL Financial Group, Inc.	Reinsurance Group of America, Inc.
Fidelity & Guaranty Life (now known as FGL Holdings)	Torchmark Corporation

For 2017, StanCorp Financial Group Inc. (acquired), Alleghany Corporation (different insurance business than Company) and W. R. Berkley Corporation (different insurance business than Company) were removed from the Company's peer group. Athene Holding Ltd. (life and health insurance), Kemper Corporation (multi-line insurance) and Primerica, Inc. (life and health insurance) were added to the peer group.

For positions with a peer group and survey data source, Pearl Meyer arrives at market consensus compensation that is equally weighted using the peer group and survey data. For positions having only a survey data source, Pearl Meyer uses the survey data to arrive at market consensus compensation. Pearl Meyer focused on companies having total assets targeted at \$56.5 billion. The specific surveys used by Pearl Meyer for 2017 were the Mercer 2016 US Benchmark Database Executive Survey and the Willis Towers Watson Data Services 2016 General Industry Top Management Compensation Survey Report U.S.

The Compensation Committee reviews and considers external market data provided by its independent consultant. In using this external market data, the Compensation Committee generally seeks to establish and maintain base salaries near the 50th percentile of market consensus and target total cash and total direct compensation between the 25th and 50th percentile of market consensus. However, this external market data is only one of many factors reviewed and considered by the Compensation Committee, with other relevant factors including company performance, individual executive performance, individual executive experience, internal pay equity, executive retention, and succession planning. Accordingly, not every pay element or individual executive pay level is at the targeted market level.



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**Compensation Elements and Decisions for 2017**

**Base Salary.** In addition to peer group data, in determining specific salaries for individuals, the executive's performance, length of service in the position and experience are also considered. In June 2017, the Compensation Committee awarded the following base salaries and increases to named executive officers:

<b>Name</b>	<b>Base Salary</b>	<b>Increase (%)</b>
John M. Matovina	\$ 850,000	14.9%
Ted M. Johnson	\$ 530,000	3.9%
Ronald J. Grensteiner	\$ 540,000	3.8%
Jeffrey D. Lorenzen	\$ 470,000	3.3%
Renee D. Montz	\$ 435,000	3.6%

The increases in base salary for our named executive officers were at levels consistent with those offered to employees generally except for Mr. Matovina. In prior years, the Compensation Committee considered the combined salaries of the positions held by Mr. Noble, our founder and former Executive Chairman, and Mr. Matovina in its evaluation of their base salaries and incentive awards. This philosophy was also followed for Mr. Matovina's 2016 base salary increase, resulting in a base salary for Mr. Matovina below the 25th percentile. The 2017 increase in Mr. Matovina's base salary resulted in a base salary above the 25th percentile and closer to the 50th percentile and reflected his increased responsibilities attributable to him being named Chairman of the Company in April 2017 and Mr. Noble's retirement as Executive Chairman in July 2016. In addition to the increase noted above, Ms. Montz was awarded a base salary increase of \$25,000 (6.3%) effective January 1, 2017 in recognition of her performance during the second half of 2016 and to increase her base salary closer to the 50th percentile.

**Short-Term Incentive Compensation for 2017**

In March 2017, the Compensation Committee approved the structure of the short-term incentive compensation program for 2017 (the "2017 Program"). Under the 2017 Program, each named executive officer had a threshold, target and maximum incentive opportunity expressed as a percentage of base salary as of December 31, 2017. These earnings opportunities were tied to threshold, target and maximum performance goals established with respect to annuity deposits, non-GAAP operating income, net investment income and other than temporary impairments ("OTTI") and realized losses (the "Company Goals"). For the named executive officers other than Mr. Matovina and Mr. Grensteiner, 25% of the award opportunity was based on individual goals related to their respective areas of responsibility. Attainment of each Company Goal was measured independently, and a named executive officer received an award if the threshold for the particular Company Goal or individual goal was achieved. The Compensation Committee selected the Company Goals, which reflect a change from measures used in prior years, as it believes they are more comprehensive and encompass the areas of Company performance which drive shareholder value. The Company Goals reflect growth in policyholder funds under management (annuity deposits) and financial performance (non-GAAP operating income, net investment income and OTTI and realized losses).

The 2017 Program reflects an increase in threshold, target and maximum award opportunities relative to prior years. These changes were made by the Compensation Committee to improve the overall competitive positioning of target total cash compensation. The Compensation Committee believes these award opportunities are appropriate, competitive and do not create an incentive to take undue or unnecessary risk that could materially harm the Company.

**Target Award as % of Base Salary**

Chairman, CEO and President	100%
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Other Named Executive Officers

70%

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The 2017 Program design for each named executive officer, as a percentage of his or her base salary, was:

Mr. Matovina

<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Annuity Deposits	12.5%	25%	50%
Non-GAAP Operating Income	12.5%	25%	50%
Net Investment Income	12.5%	25%	50%
OTTI and Realized Losses	12.5%	25%	50%
	<b>50%</b>	<b>100%</b>	<b>200%</b>

Mr. Grensteiner

<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Annuity Deposits	8.75%	17.5%	35%
Non-GAAP Operating Income	8.75%	17.5%	35%
Net Investment Income	8.75%	17.5%	35%
OTTI and Realized Losses	8.75%	17.5%	35%
	<b>35%</b>	<b>70%</b>	<b>140%</b>

Mr. Johnson, Mr. Lorenzen and Ms. Montz

<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Annuity Deposits	6.5625%	13.125%	26.25%
Non-GAAP Operating Income	6.5625%	13.125%	26.25%
Net Investment Income	6.5625%	13.125%	26.25%
OTTI and Realized Losses	6.5625%	13.125%	26.25%
Individual Goal #1	2.1875%	4.375%	8.75%
Individual Goal #2	2.1875%	4.375%	8.75%
Individual Goal #3	2.1875%	4.375%	8.75%

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Individual Goal #4	2.1875%	4.375%	8.75%
	35.0%	70%	140%

The following table shows our targets and achievement for the Company Goals:

<b>Metric</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>	<b>Actual</b>
---------------	------------------	---------------	----------------	---------------