

BERKSHIRE HILLS BANCORP INC

Form DEF 14A

April 07, 2017

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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 Pursuant to §240.14a-12

Berkshire Hills Bancorp, Inc.

(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):

No fee required.

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

(1)

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(1)

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(3)

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N/A

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Date Filed:

N/A

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April 7, 2017

Dear Berkshire Hills Bancorp Shareholder:

It is our pleasure to invite you to attend the 2017 Annual Meeting of Shareholders, which will be held at:

The Crowne Plaza Hotel

One West Street

Pittsfield, Massachusetts 01201

Thursday, May 18, 2017

10:00 a.m., Eastern time

Please see the Notice of Annual Meeting on the next page for more information about our admission procedures.

We urge you to vote your proxy online, or by telephone, or by completing and returning a proxy card by mail as soon as possible, even if you plan to attend the Annual Meeting.

Your vote is important to us. Thank you for your attention to the enclosed materials, and for your continued support of our company.

Michael P. Daly, Chief Executive Officer

William J. Ryan, Chairman of the Board of Directors



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Notice of Annual Meeting  
of Shareholders

Notice of 2017 Annual Meeting of Shareholders of Berkshire Hills Bancorp, Inc.

When:	Where:	Record Date:
Thursday, May 18, 2017	The Crowne Plaza Hotel	March 20, 2017
10 A.M. Eastern Daylight Time	One West Street	
	Pittsfield, MA 01201	

We are holding this meeting for the following purposes:

1.  
To vote to phase out classification of the Board of Directors by approving amendments to the Certificate of Incorporation of the Company;
2.  
To elect as directors the nominees named in the Proxy Statement each to serve a one-year term (if Proposal 1 is approved) or a three-year term (if Proposal 1 is not approved), or until their successors are duly elected and qualified;
3.  
To provide an advisory vote on executive compensation practices;
4.  
To vote on the frequency of advisory votes on executive compensation;
5.  
To ratify the appointment of the Company's independent registered public accounting firm for fiscal year 2017; and
6.  
To transact any other Company business that may properly come before the meeting.

The Board of Directors unanimously recommends that you vote "FOR" each of the proposals to be presented at the annual meeting and "FOR" the One-Year Frequency option with regard to proposal 4. Shareholders of record at the close of business on March 20, 2017, are entitled to vote at the meeting, either in person or by proxy. There are several ways to vote. You can vote your shares via the internet, by telephone, by regular mail or in person at the annual meeting. To access your proxy materials and vote online, please visit [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions. The notice previously provided to you contains the necessary codes required to vote online. If you wish to vote by telephone, please call 1-800-690-6903 using a touch-tone phone and follow the prompted instructions. You may also vote by mail by requesting a paper proxy card using the instructions provided to you in the notice. Finally, you may vote in person at the annual meeting, even if you have previously submitted a proxy. Whatever method you choose, please vote in advance of the meeting to ensure that your shares will be voted as you direct.

Pittsfield, Massachusetts

April 7, 2017

By order of the Board of Directors

Wm. Gordon Prescott, Corporate Secretary

Admission Procedures

The meeting is open to shareholders of Berkshire Hills Bancorp. Everyone attending the meeting should bring a photo ID. If your shares are registered in the name of a bank, broker, or other holder of record, please also bring documentation of your stock ownership as of March 20, 2017 (such as a brokerage statement).

**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 18, 2017:**

The Notice of Annual Meeting, 2017 Proxy Statement, and Annual Report to Shareholders for fiscal 2016 are each available at [www.proxyvote.com](http://www.proxyvote.com).

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## Berkshire Hills Bancorp, Inc.

## Proxy Statement

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of Berkshire Hills Bancorp, Inc. for the 2017 Annual Meeting of Shareholders and for any adjournment or postponement of the meeting. In this proxy statement, we may also refer to Berkshire Hills Bancorp, Inc. as “Berkshire Hills,” the “Company,” “Berkshire,” “we,” “our” or “us.” Berkshire Hills is the holding company for Berkshire Bank and Berkshire Insurance Group, Inc. In this proxy statement, we may also refer to Berkshire Bank as the “Bank.”

We are mailing a notice of the annual meeting to shareholders of record (March 20, 2017) beginning on April 7, 2017.

## Proxy Summary

This proxy summary is intended to provide a broad overview of information contained elsewhere in this proxy statement. We encourage you to read the entire proxy statement carefully before voting.

## Annual Meeting of Shareholders

Time and Date: 10:00 a.m. Eastern time, Thursday, May 18, 2017

Place: The Crowne Plaza Hotel, One West Street, Pittsfield, Massachusetts

Record Date: Shareholders as of the close of business on March 20, 2017 are entitled to vote

## Matters to Be Voted on

Proposal	Board’s Voting Recommendation	Page References (for more information)
1 — Vote on Phasing Out the Current Classified Board Structure	FOR	pp. <u>7-8</u>
2 — Election of Directors (for one-year terms or three-year terms)	FOR (all nominees)	pp. <u>9-27</u>
3 — Advisory Vote on Executive Compensation	FOR	pp. <u>28-62</u>
<u>4 — Advisory Vote on the Frequency of Future Advisory Votes on Executive Compensation</u>	<u>One Year</u>	<u>pp. 63</u>
5 — Ratification of Independent Registered Public Accounting Firm	FOR	pp. <u>64-66</u>

## Summary of Proposals for 2017

1 — Vote on Phasing Out the Current Classified Board Structure. After extensive conversation with our shareholders, the Board of Directors recommends amending the Company’s Certificate of Incorporation to eliminate the classified board structure so that all directors would stand for election on an annual basis. We believe the declassified board structure promotes greater director accountability and is overall more shareholder friendly.

2 — Election of Directors. This year, we have 3 (out of 11) directors up for election. If Proposal 1 passes, the Board will begin the declassification process and the elected directors will be serving one-year terms. If Proposal 1 fails, directors’ terms of service on the board will remain classified and the elected directors will be serving three-year terms. The Board has nominated Messrs. Bossidy, Daly and Mahoney for re-election in 2017.

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3 — Advisory Vote on Executive Compensation. We strive to promote long-term value for our shareholders and sound risk management practices through the alignment of executive pay and company performance. This vote is to advise the Board on approval of its Named Executive Officer compensation as set forth within this proxy statement.

4 — Frequency of Advisory Votes on Executive Compensation. We believe annual Say-on-Pay votes are in the best interest of our shareholders and the Company. We also believe the feedback we get from investors through the advisory Say-on-Pay vote and our year-round shareholder engagement program is critical to fostering good investor relationships. We have included the advisory vote on executive compensation at each annual meeting since the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and recommend continuing to do so.

5 — Ratification of Independent Registered Public Accounting Firm. There are no recommended changes to our independent registered public accounting firm this year. PricewaterhouseCoopers LLP (“PwC”) has acted as our independent registered public accounting firm for 6 years and remains objective, competent and diligent. In 2016, a new PwC partner was assigned to manage the audit engagement, in accordance with normal rotation of this responsibility.

**Corporate Governance Highlights**

The Board and management regularly review best practices in corporate governance and are committed to a program that serves the long-term interests of our shareholders. We believe good governance strengthens accountability and promotes responsible corporate citizenship. Our current best practices are highlighted below.

Independent Oversight	Shareholder Orientation	Good Governance
Majority independent directors (9 of 11)	Rigorous board and committee self-assessments conducted annually	Diverse board membership (skills, tenure, age)
Strong and engaged independent chairman of the board	Robust stock-ownership guidelines	Annual evaluation of CEO and senior management
All key committees are fully independent	Annual shareholder engagement program to obtain valuable feedback on compensation and governance programs	Annual review of CEO and senior management succession plans
Regular executive sessions of independent directors	Director resignation policy, if elected without a majority in an uncontested election	Risk oversight by full board and committees
Chair of Corporate Governance or Chairman can call special meeting of the Board at any time for any reason	No poison pill in place	Formal ethics Code of Conduct, ethics hotline and ethics training and communications to all employees to reinforce the RIGHT values

**Board of Directors**

Our directors exhibit an effective mix of diversity, experience and perspective.

- The Board is 82% independent with a median tenure of 5 years.
- 
- The directors come from a variety of backgrounds including financial services, healthcare, manufacturing and non-profit.
-



The Board engages in annual director evaluations and periodic board refreshment to foster the sharing of ideas and diverse perspectives.

•

Company guidelines require directors to build an ownership position equivalent to at least 4 times their annual cash retainer. All but one of our directors have achieved this, and this director is in the process of increasing her stock ownership to become compliant with these guidelines.

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Shareholder Engagement and Responsiveness

Every year since the implementation of Say-on-Pay, we have received support above 90% for our Advisory Vote on Executive Compensation. However, in 2016 we received 67% of votes in favor. We were disappointed in these results and the Board of Directors took actions over the past year to engage shareholders to better understand their views and make enhancements to our compensation and governance practices.

What We Did

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Proactively reached out to our largest institutional shareholders, representing 75% of our institutional ownership, to solicit their feedback.

•

Our Independent Chairman of the Board and members of our management team had extensive dialogue with a diverse group of our shareholders during the year and obtained additional feedback from advisors and other knowledgeable third parties.

•

Through this engagement, we solicited feedback and answered questions about our executive compensation programs and board governance practices.

What We Heard and How We Responded

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There was general support for the design of the compensation plans, but we heard that some of the shareholders desired more disclosure around incentive awards, particularly in cases where there is a qualitative/discretionary element.

•

We enhanced our proxy statement disclosure this year to include more detail around the philosophy and process utilized by the Compensation Committee in making compensation decisions.

•

Our shareholders also expressed a view that the proxy statement should provide even greater detail to explain the process and rationale of compensation awarded to individual executives.

•

Individual achievements of Named Executive Officers are discussed with enhanced disclosure around individual performance and awards.

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Most shareholders stated that a declassified board with annual elections of all board members would be preferred.

•

The Board has recommended moving to the annual election of all directors as presented in Proposal 1 of this proxy statement.

•

There was also a desire for better disclosure around the composition of the Board, including skill sets, background and our recruiting and nomination process.

- Disclosure around the composition of the Board has been increased, including a skills matrix and detail on our recruiting and nomination process.
- Some shareholders suggested adopting a proxy access provision in our bylaws.
- The Board has had extensive conversations about proxy access and will continue to evaluate this matter.

#### Our Compensation Practices and Philosophy

We seek to provide an executive compensation program that is consistent with promoting sound risk management and long-term value creation to our shareholders. The key principles that support our philosophy are:

Attract and retain highly talented executives committed to our success

Pay for Performance

Align executive interests with those of our shareholders

Manage risk through oversight and compensation design features and practices

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Our Compensation Practices and Policies

What We Do:

Pay for Performance

Link Performance Measures with Strategic Objectives

Annual Say-on-Pay Vote

Independent Compensation Consultant

Shareholder Engagement

Stock Ownership Guidelines

Clawback Policy

Incentivize Sound Risk Management

Anti-Hedging and Pledging Restriction Policy

No payment of dividends on any restricted stock awards until vested

Pay for Performance Results

Named Executive Officer direct compensation is made up of base salary, short term cash incentive and long term equity incentive. The target mix is 57% performance-based for the Chief Executive Officer and 47% performance based for other NEOs. Long-term equity incentive awards are earned over a 3 year period and made up of 50% performance shares and 50% time-based shares.

Reflecting our pay-for-performance compensation program, the strong results delivered for our shareholders translated into the payouts highlighted below:

Component	Metrics(1)	Performance Period	Performance	Payout
2016 Short-Term Incentive	Based on operating performance, profitability, risk management and individual performance objectives:	1 year	Strong 2016 Performance Equaled or exceeded all 2016 goals – achieved stretch goals for efficiency and asset quality	Average for all NEOs 112% of target

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Core Earnings (25%); Expense  
Management (25%); Asset  
Quality (25%); and Core  
Return on Assets (25%)

Made significant progress  
on profitability measures –  
core ROA and efficiency  
ratio

2014 – 2016  
Long-Term  
Incentive