

LINCOLN NATIONAL CORP
Form 11-K
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-6028

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**LINCOLN NATIONAL CORPORATION EMPLOYEES' SAVINGS AND
PROFIT-SHARING PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Lincoln National Corporation
1500 Market Street, Suite 3900
Centre Square West Tower
Philadelphia, PA 19102**

REQUIRED INFORMATION

Financial statements and schedules for the Lincoln National Corporation Employees' Savings and Profit-Sharing Plan, prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, are contained in this Annual Report on Form 11-K.

Lincoln National Corporation
Employees' Savings and Profit-Sharing Plan

Financial Statements

*As of and for the years ended December 31, 2005 and 2004, with
Report of Independent Registered Public Accounting Firm.*

**Lincoln National Corporation
Employees' Savings and Profit-Sharing Plan**

Financial Statements and Supplemental Schedule

Years ended December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

Lincoln National Corporation Plan Administrator
Lincoln National Corporation

We have audited the accompanying statements of net assets available for benefits of the Lincoln National Corporation Employees' Savings and Profit-Sharing Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for each of the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP
Philadelphia, Pennsylvania
June 6, 2006

Lincoln National Corporation
Employees' Savings and Profit-Sharing Plan

Statements of Net Assets Available for Plan Benefits

	December 31	
	2005	2004
Assets		
Investments		
Common stock account	\$ 146,241,659	\$ 140,889,987
Pooled separate accounts	272,402,495	242,834,251
Investment contract	56,188,550	56,154,139
Participant loans	9,072,421	8,101,883
Total investments	483,905,125	447,980,260
Accrued interest receivable	193,609	192,133
Cash	309,814	-
Contributions receivable from participating employers	18,643,580	16,859,561
Due from broker	343,617	-
Total assets	503,395,745	465,031,954
Liabilities		
Due to broker	-	6,676
Total liabilities	-	6,676
Net assets available for plan benefits	\$ 503,395,745	\$ 465,025,278

See accompanying notes.

Lincoln National Corporation
Employees' Savings and Profit-Sharing Plan

Statements of Changes in Net Assets Available for Plan Benefits

	Years ended December 31	
	2005	2004
Additions		
Investment income:		
Cash dividends--Lincoln National Corporation	\$ 4,070,537	\$ 4,260,851
Interest--The Lincoln National Life Insurance Company	2,319,400	2,399,534
Interest on participant loans	518,469	485,418
Total investment income	6,908,406	7,145,803
Contributions:		
Participants	26,570,401	24,101,773
Rollovers	2,741,064	1,316,025
Participating employers	27,038,480	24,728,008
Total contributions	56,349,945	50,145,806
Total additions	63,258,351	57,291,609
Deductions		
Distributions to participants	(62,215,816)	(60,318,646)
Transfers to affiliated plans	(593,909)	(3,588,680)
Administrative expenses	(301,755)	(230,468)
Total deductions	(63,111,480)	(64,137,794)
Net realized and unrealized appreciation in fair value of investments	38,223,596	42,141,595
Net increase in net assets available for plan benefits	38,370,467	35,295,410
Net assets available for plan benefits at beginning of the year	465,025,278	429,729,868
Net assets available for plan benefits at end of the year	\$ 503,395,745	\$ 465,025,278

See accompanying notes.

Lincoln National
Corporation
Employees'
Savings and
Profit-Sharing Plan

Notes to Financial
Statements

December 31, 2005

**1. Significant
Accounting
Policies**

**Investments
Valuation and
Income
Recognition**

The investment in Lincoln National Corporation ("LNC") common stock is valued at the closing sales price reported on the New York Stock Exchange Composite Listing on the last business day of the year.

The Wells Fargo Bank Short-Term Investment Account, which is included in the common stock fund, is valued at cost, which approximates fair value.

The fair value of participation units in pooled separate accounts is based on quoted redemption value

on the last business day of the year.

The investment contracts are valued at contract value as estimated by The Lincoln National Life Insurance Company ("Lincoln Life"). Contract value represents net contributions plus interest at the contract rate. These contracts are fully benefit responsive.

Participant loans are valued at their outstanding balances, which approximate fair value.

The cost of investments sold, distributed or forfeited is determined using the specific identification method. Investment purchases and sales are accounted for on a trade date basis.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

Preparation of financial statements in conformity with U.S. generally

a c c e p t e d
a c c o u n t i n g
principles requires
management to
make estimates and
assumptions that
affect the amounts
reported in the
financial statements
and accompanying
n o t e s . A c t u a l
results could differ
f r o m t h o s e
estimates.

2. Description of the Plan

T h e L i n c o l n
N a t i o n a l
C o r p o r a t i o n
E m p l o y e e s ' S a v i n g s
a n d P r o f i t - S h a r i n g
P l a n ("Plan") is a
c o n t r i b u t o r y ,
d e f i n e d
c o n t r i b u t i o n p l a n
w h i c h c o v e r s
s u b s t a n t i a l l y a l l
e m p l o y e e s o f L N C
a n d c e r t a i n o f i t s
s u b s i d i a r i e s
("Employer") who
m e e t c e r t a i n
e l i g i b i l i t y
r e q u i r e m e n t s a s
d e f i n e d b y t h e P l a n .
A p a r t i c i p a n t m a y
m a k e p r e - t a x
c o n t r i b u t i o n s a t a
r a t e o f a t l e a s t 1 %
b u t n o t m o r e t h a n
2 5 % o f e l i g i b l e
e a r n i n g s (n o t m o r e
t h a n 9 % f o r h i g h l y
c o m p e n s a t e d
e m p l o y e e s f o r 2 0 0 5
a n d 2 0 0 4) , u p t o a
m a x i m u m a n n u a l
a m o u n t a s
d e t e r m i n e d u n d e r

applicable law. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

In addition to each participant's pre-tax contributions, Employer matching contributions to the Plan are provided in the form of a basic match of \$0.50 for each dollar a participant contributes, not to exceed 6% of eligible earnings, and an annual discretionary match of up to \$1.00 for each dollar contributed by an eligible participant, not to exceed 6% of eligible earnings. Participants employed on the last day of the plan year are eligible to receive the discretionary match, as are participants who retired, died, became disabled or whose job was eliminated during the plan year. The amount of the discretionary match varies according to whether LNC has met certain performance-based criteria, as determined by the Compensation

Committee of
LNC's Board of
Directors.

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