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HUMAN RESOURCES ROUND TABLE
Since 1986

THE UNIVERSITY OF CALIFORNIA
LET THERE BE LIGHT
UCLA

THE NEW FACE OF HR:

New Perspectives, New Opportunities

April 29, 2015

TOWERS WATSON

Trends in HR Service Delivery & Technology

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Key HR organizational trends
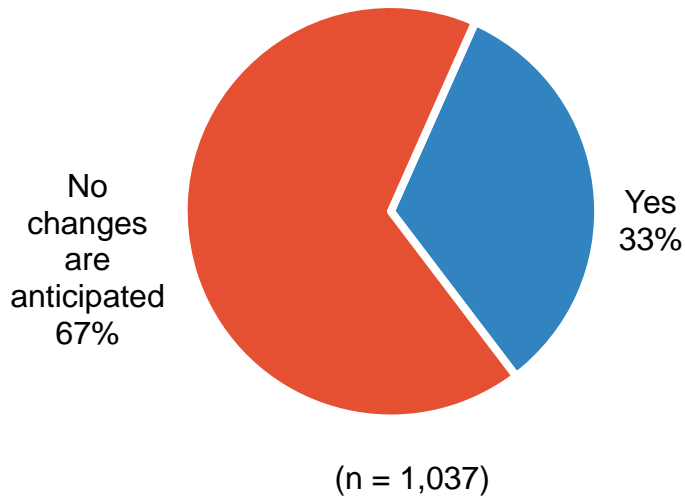
HR Structures are Changing

Shared Services Continue to Grow

The Business Partner model continues to evolve
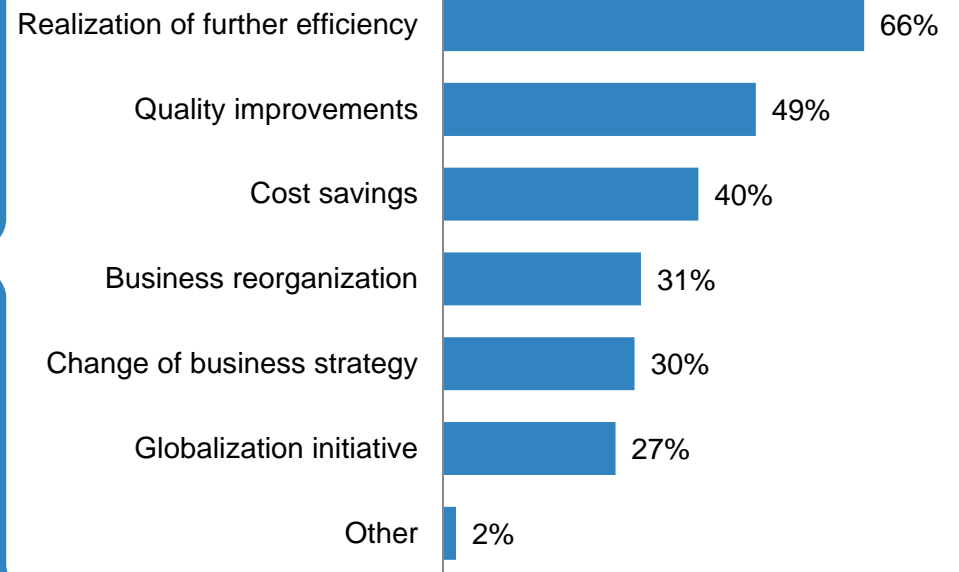
Reasons for changing current HR structure

Do You Anticipate Changing Your Current HR Structure in 2014 or 2015?

No changes are anticipated
67%

Yes
33%

(n = 1,037)

Regional breakdown of respondents that anticipate changing their current HR structure in 2014 or 2015:
• Asia Pacific: 30% • EMEA: 40% • Americas: 33%

Reasons for Changing Current HR Structure

Reason	Percentage
Realization of further efficiency	66%
Quality improvements	49%
Cost savings	40%
Business reorganization	31%
Change of business strategy	30%
Globalization initiative	27%
Other	2%

(n = 327)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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Anticipated changes to HR structure in 2014 or 2015

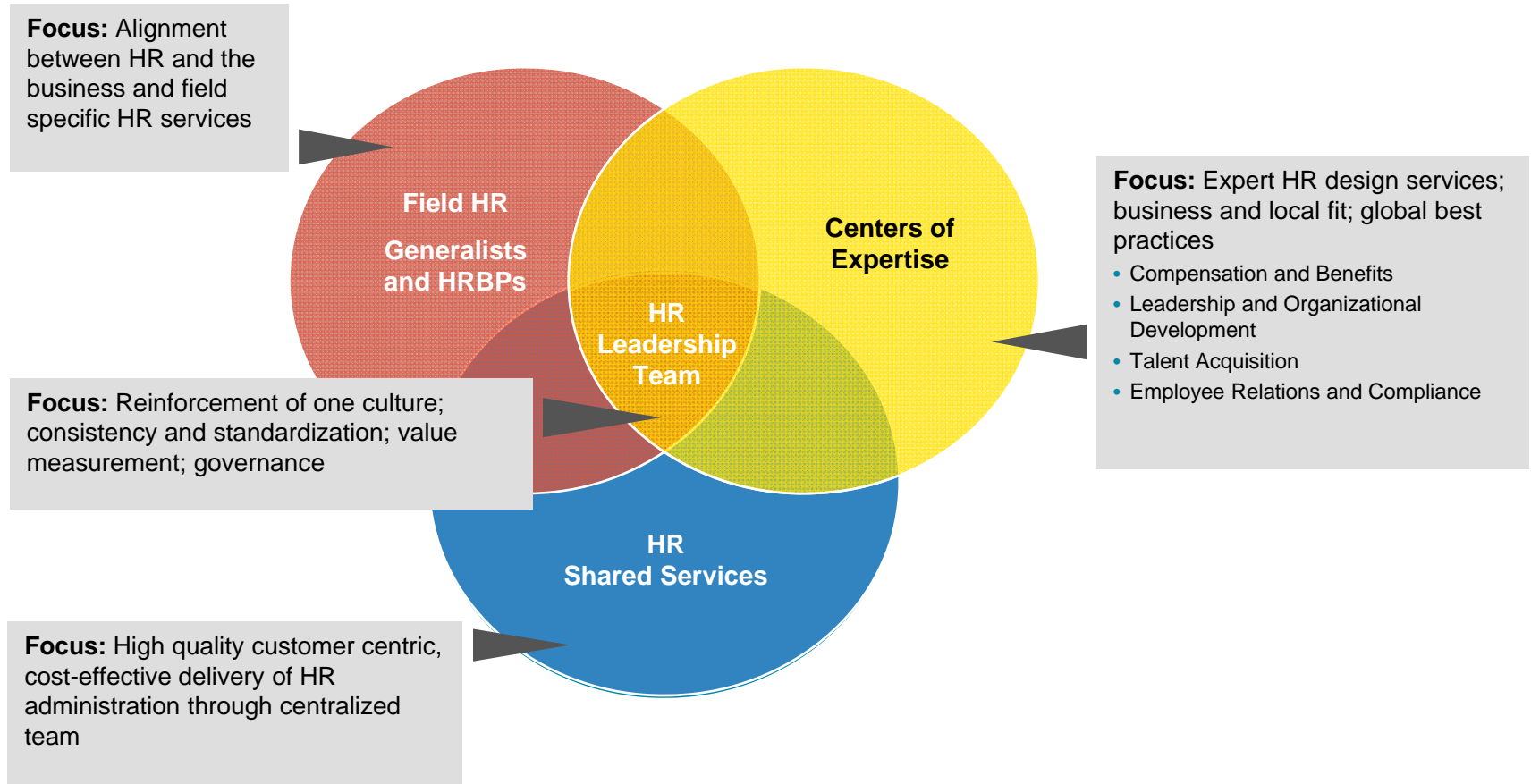| Change	Percentage
We will be moving to a shared services environment with HR centers of excellence (COEs) and HR business partners	45%
We will be bringing additional services into our shared services environment	31%
We will be outsourcing some/more functions	18%
We will be moving to a single HR organization for the entire organization	11%
We will be combining our HR shared services with other corporate functions (e.g., finance)	10%
We will be decentralizing HR, allowing HR to be run by business unit or geography	9%
We have not finalized the exact nature of the change	4%
We will be bringing some/more outsourced functions back in-house	4%
We will be moving away from a shared services environment	1%
Other	4%

Sample population: Those anticipating making a change in 2014 or 2015 (n = 340)

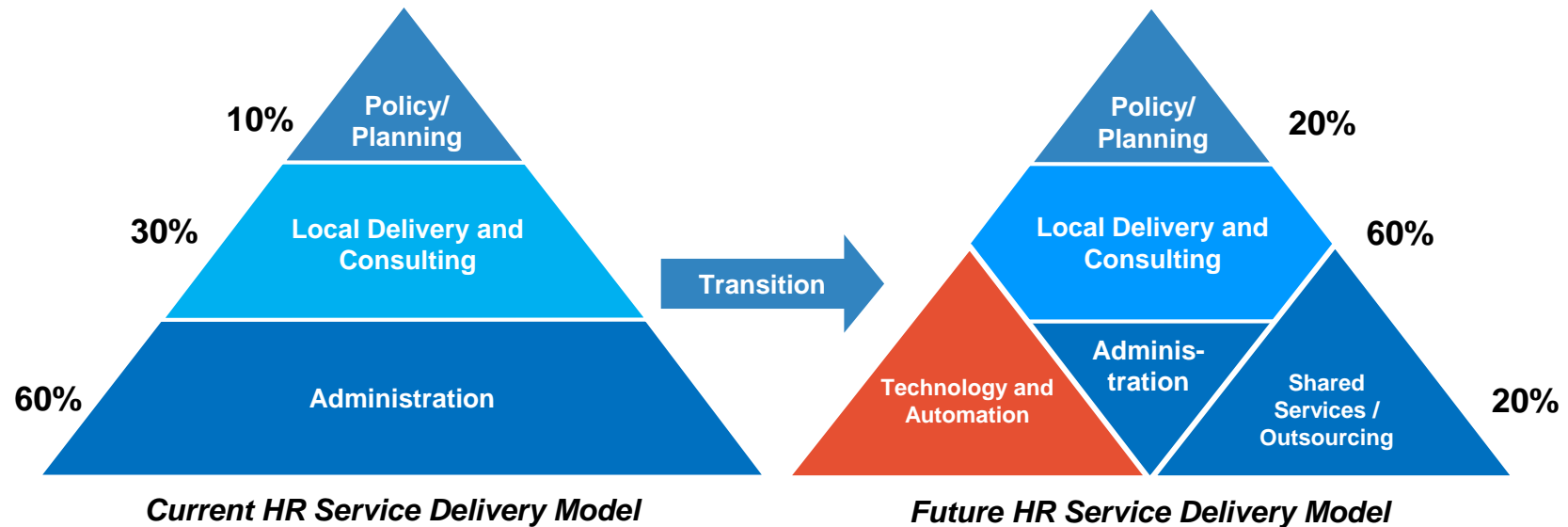Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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Future State HR Service Delivery Model
Four Integrated HR Teams

Focus: Alignment between HR and the business and field specific HR services

Field HR

Generalists and HRBPs

Centers of Expertise

HR Leadership Team

Focus: Expert HR design services; business and local fit; global best practices
- Compensation and Benefits
- Leadership and Organizational Development
- Talent Acquisition
- Employee Relations and Compliance

Focus: Reinforcement of one culture; consistency and standardization; value measurement; governance

HR Shared Services

Focus: High quality customer centric, cost-effective delivery of HR administration through centralized team

Future State Model Overview
What is changing?

Current HR Service Delivery Model

- 10% — Policy/Planning
- 30% — Local Delivery and Consulting
- 60% — Administration

Transition →

Future HR Service Delivery Model

- 20% — Policy/Planning
- 60% — Local Delivery and Consulting
- 20% — Technology and Automation / Administration / Shared Services / Outsourcing

- Less administration
- Improved and leveraged best-in-class technology
- More proactive problem solving
- More strategic workforce management
- More counsel to leadership on HR best practices and strategy

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Future State HR Service Delivery Model
Additional Technology Enablers

Technology	Functionality Summary
Portal*	• Provides a personalized, targeted employee access point for all HR content and transactions • Captures and displays timely and relevant information including transactions required
Knowledge Management (KM)*	• Stores and retrieves HR information, policies, and process documentation • Feeds information to HRMS tools, enabling employees and managers to find the answers to HR policy and process queries on their own • Supports HR Shared Services staff, enabling them to quickly find accurate, consistent HR information in response to employee and manager queries • KM content is be maintained by HR Shared Services and functional experts using defined governance process
Case Management*	• Enables full management of employee cases - logging, tracking, updating, closing • Provides HR Shared Services staff and employees with service and case history • Provides case management and service level reporting enabling continuous improvement
Document Management	• Supports the HR team with all document management requirements including storage, scanning, filing, archiving • Eliminates paper employee files • Complies with required security and data protection legislation requirements
Telephony	• Enables calls to be routed to the appropriate teams within the HR Shared Services or to outside vendors • Ability for customer to leave a message during non-working hours or busy periods • Provides call volume and management reporting and the ability to record calls for training/quality purposes

*Can be one integrated tool

2014 Survey findings – key technology takeaways

Technology Spending is on the Rise

SaaS Adoption is Increasing

Self Service Adoption Continues to Climb

Mobile Access is Nascent But on the Rise

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Splitting their dime

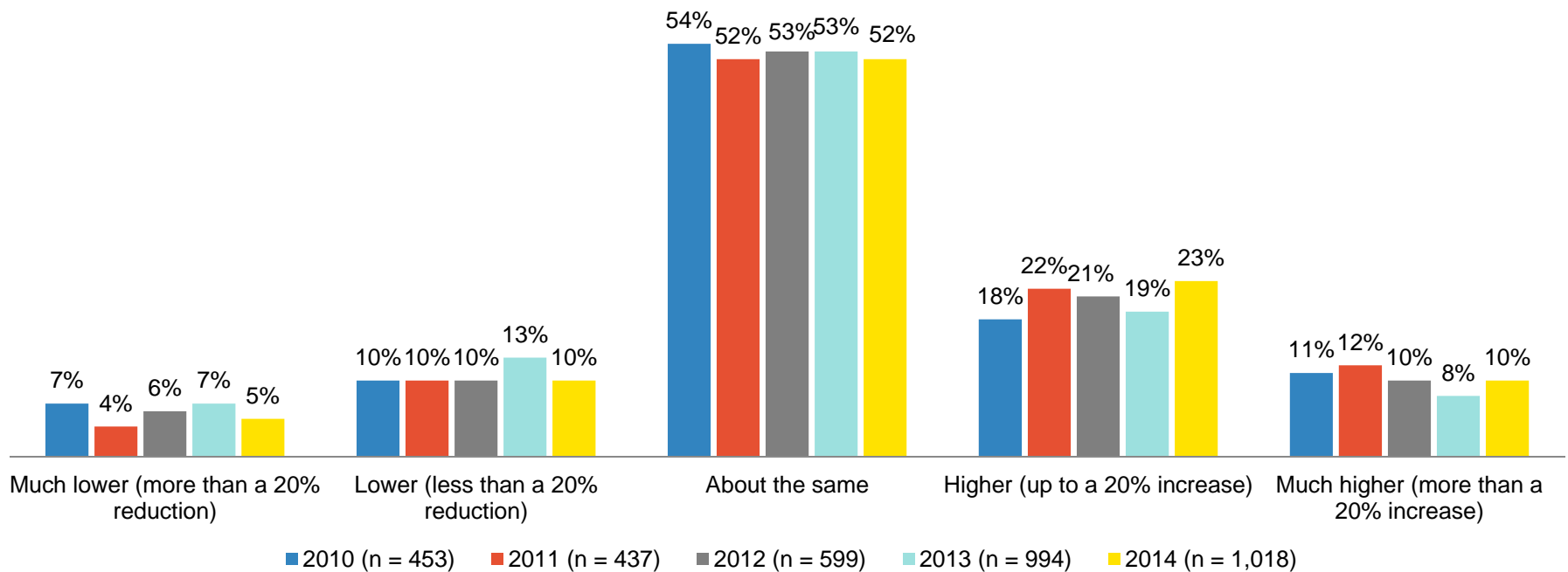## Technology spending categories (and focus on new HRMS)

1. Spending is on the rise for the first time since 2011.

2. Splitting their dime

Shoring up the basics — Combination of baseline (talent management, portals and payrolls) and investing in the next generation (integrated talent management, and HR data and analytics)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

HR technology spending in 2014 versus prior years

	Much lower (more than a 20% reduction)	Lower (less than a 20% reduction)	About the same	Higher (up to a 20% increase)	Much higher (more than a 20% increase)
2010 (n = 453)	7%	10%	54%	18%	11%
2011 (n = 437)	4%	10%	52%	22%	12%
2012 (n = 599)	6%	10%	53%	21%	10%
2013 (n = 994)	7%	13%	53%	19%	8%
2014 (n = 1,018)	5%	10%	52%	23%	10%

■ 2010 (n = 453) ■ 2011 (n = 437) ■ 2012 (n = 599) ■ 2013 (n = 994) ■ 2014 (n = 1,018)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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Biggest area of investment anticipated in 2014

Talent management	39%
HR data and analytics	33%
Integrated talent management and compensation	23%
HR portals	20%
Payroll	19%
Compensation	16%
Benefits	13%
Workforce planning	13%
Knowledge base	9%
Document management	7%
Case management	5%
HRMS	2%
Learning management system	2%
Recruiting	2%
Performance management	1%
Time	1%
Other	4%
None	1%

(n = 965)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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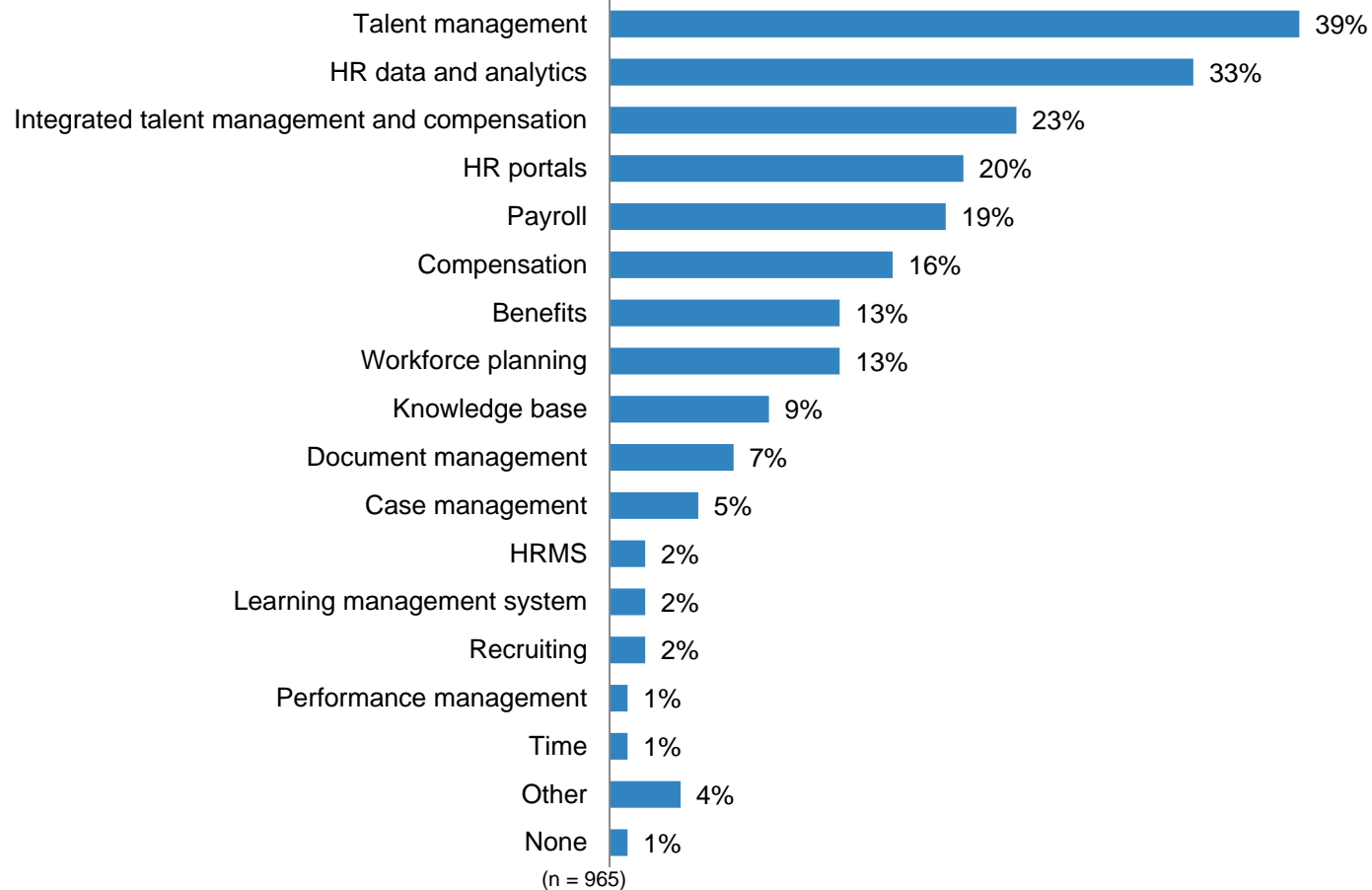
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Software as a Service (SaaS)

Adoption of SaaS is on the rise

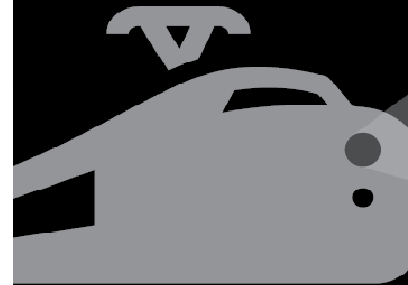For the first time, we are seeing a plateau in the traditional ERP as a primary HRMS.

Adoption of SaaS is **up** from last year, with the biggest gainer being Workday.
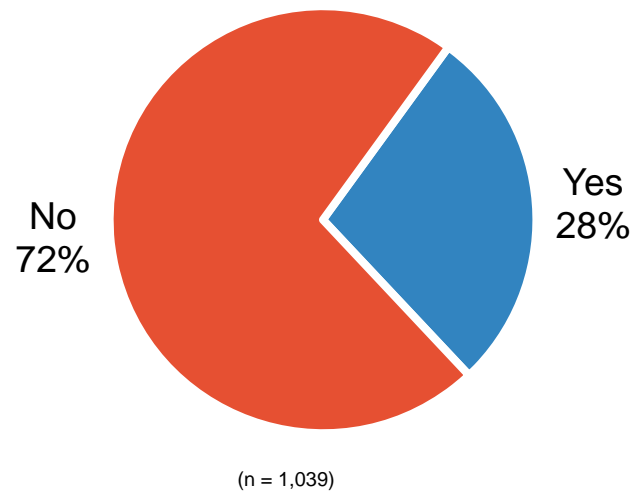
Moving forward: 40% of companies are only considering SaaS-based solutions for their new HRMS, with better functionality as their **#1 expected benefit.**

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Is your organization implementing or planning to implement a new primary HRMS?

New HRMS Chosen

Workday	13%
SAP/ SuccessFactors…	8%
Oracle/PeopleSoft	7%
SAP	7%
Oracle/HCM Cloud	6%
Oracle (Legacy Oracle…	2%
IPL	1%
NorthgateArinso euHReka	1%
Ultimate Software/Ultipro	1%
yonyou (Legacy UFIDA)	1%
Custom/In-house	7%
Currently evaluating	31%
Other	15%

(n = 261)

No 72%

Yes 28%

(n = 1,039)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
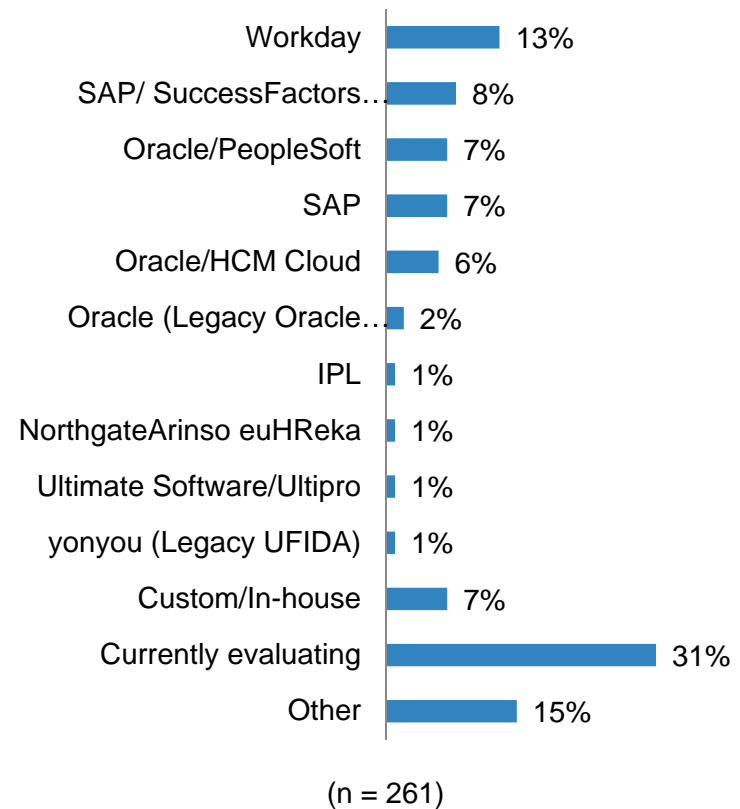
Primary benefits expected with a SaaS solution

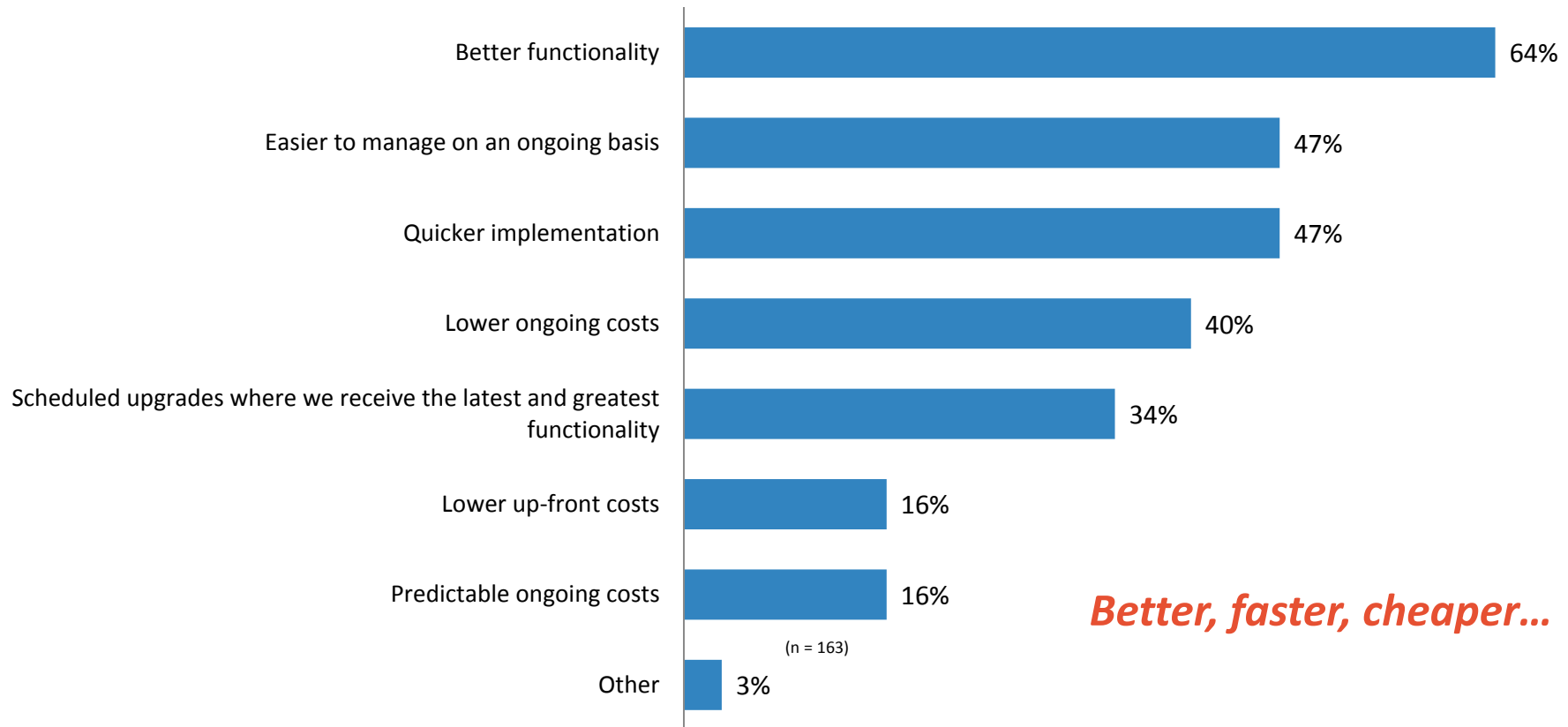| Benefit	Percentage
Better functionality	64%
Easier to manage on an ongoing basis	47%
Quicker implementation	47%
Lower ongoing costs	40%
Scheduled upgrades where we receive the latest and greatest functionality	34%
Lower up-front costs	16%
Predictable ongoing costs	16%
Other	3%

(n = 163)

Better, faster, cheaper…

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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Self-service adoption continues to climb

54%
47%

71%
61%

47%
37%

60%

Organizations that report they can increase usability of their MSS tools

Adoption rates for manager self-service have grown significantly since 2013.

2014   2013

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
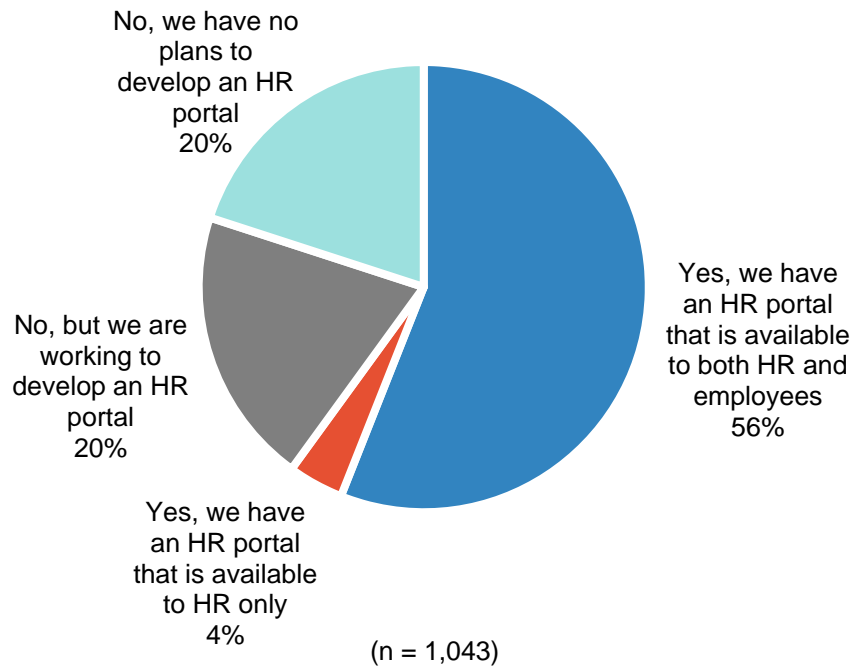
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HR portal utilization and deployment

Does Your Organization Utilize an HR Portal?

No, we have no plans to develop an HR portal
20%

No, but we are working to develop an HR portal
20%

Yes, we have an HR portal that is available to HR only
4%

Yes, we have an HR portal that is available to both HR and employees
56%

(n = 1,043)

How Is Your Primary HR Portal Deployed?

Hosted by a third-party vendor
23%

Installed product, residing in our organization's data centers
77%

(n = 604)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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17
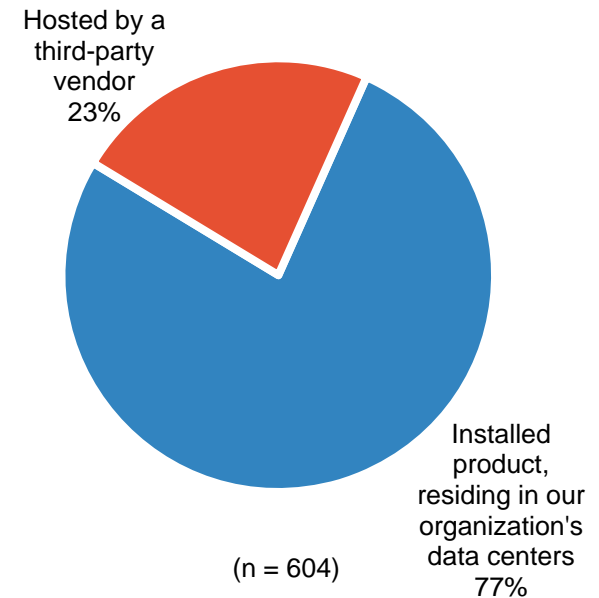
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Current portal technology

What Is the Primary Reason You Deployed an HR Portal?

Reason	%
Promote employee/manager self-service	34%
One-stop shop for access to all HR systems	22%
Single point of communication for HR to employees	22%
Information sharing/Knowledge…	14%
Ensure compliance/policy communication	5%
Other	2%
Social/Collaboration across enterprise	1%
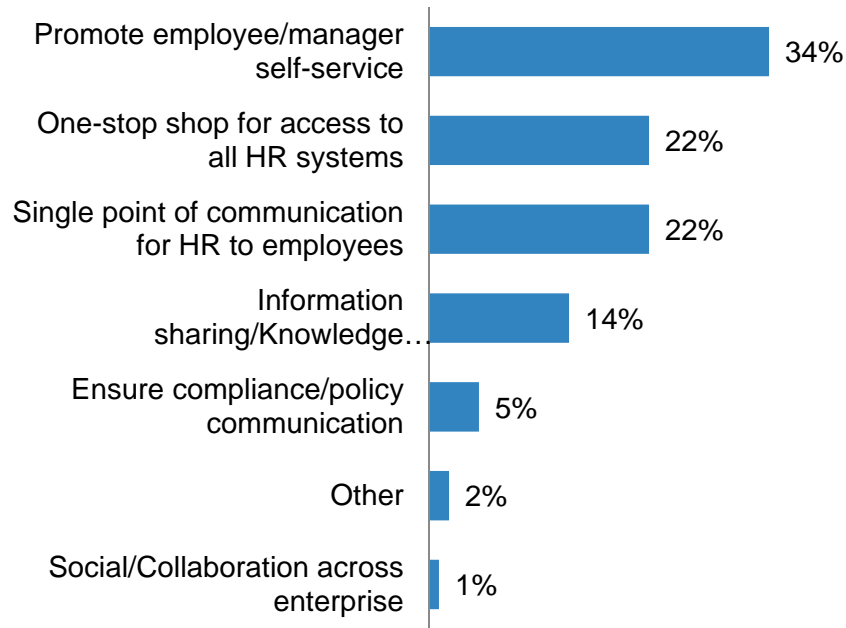
(n = 595)

How Effective Is Your HR Portal in Meeting Intended Objectives?

- Very effective 16%
- Somewhat effective 53%
- Neither effective nor ineffective 15%
- Somewhat ineffective 13%
- Not at all effective 3%
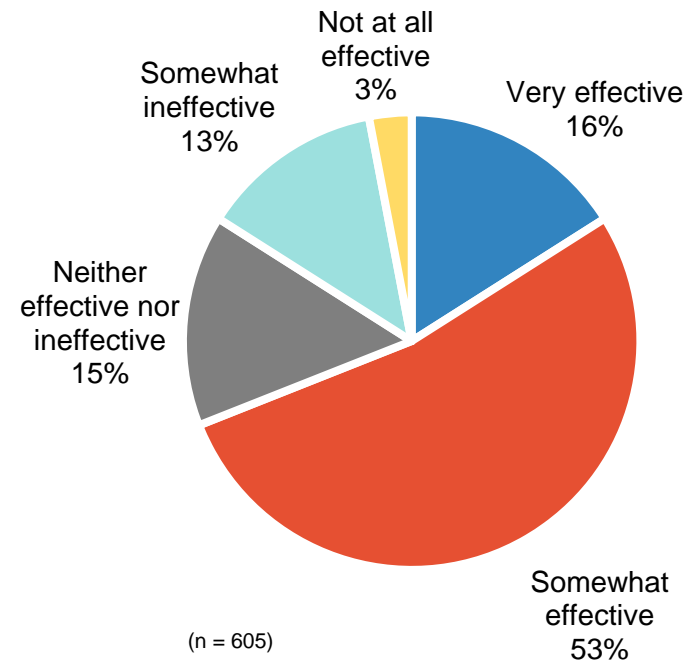
(n = 605)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Mobile access is on the go

HR is on the **GO...**

46%

of HR organizations are increasing their use of mobile applications (up from 36% in 2013).

...with room to **Grow.**

10% use mobile for the majority of transactions.

20% will expand their HR portal to mobile.

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Does your organization use mobile applications for HR purposes?

Yes, we are leveraging mobile technology for HR purposes
14%

I don't know
8%
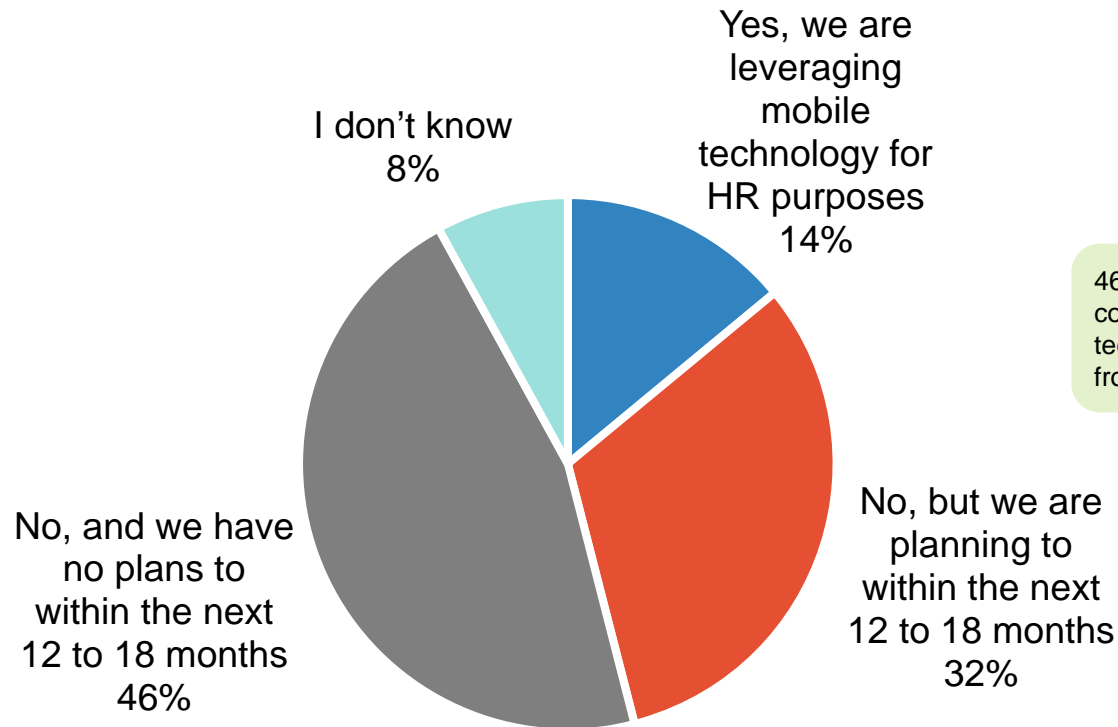
46% of organizations are using or considering using mobile technology. This is an increase from 36% in 2013.

No, and we have no plans to within the next 12 to 18 months
46%

No, but we are planning to within the next 12 to 18 months
32%

(n = 1,015)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Percentage of HR transactions *actually* performed via mobile devices

Greater than 75%
4%

51% to 75%
6%

25% to 50%
12%

Less than 10%
51%

10% to 24%
27%

(n = 139)
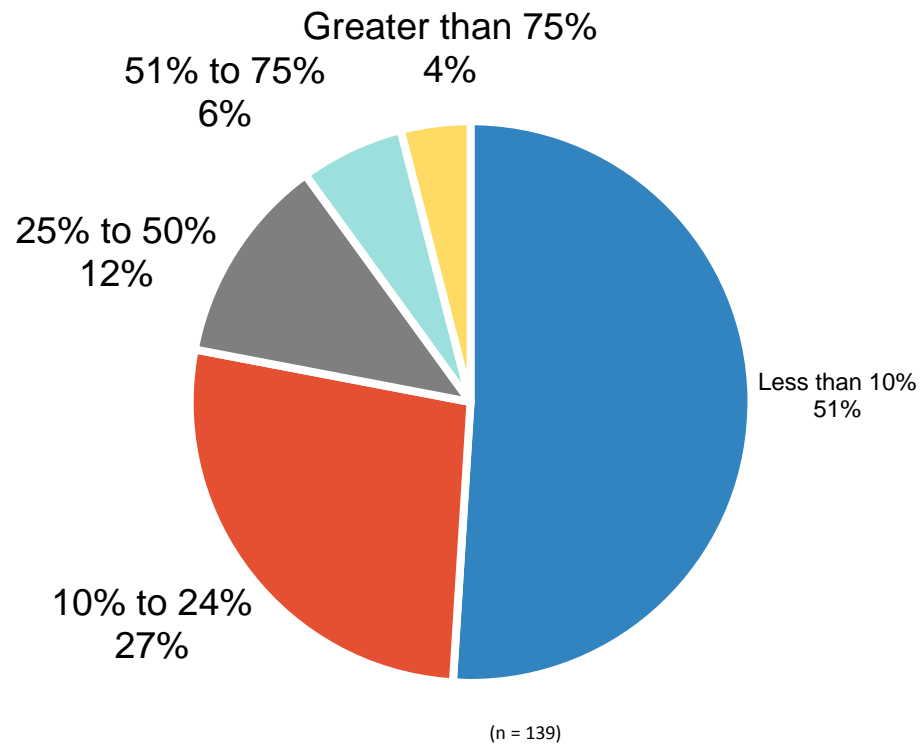
Source: Towers Watson 2014 HR Service Delivery and Technology Survey

Activities available via mobile devices

Activity	Percentage
Employee directory	47%
Time and attendance	41%
Manager and HR approvals of prior-initiated transactions	28%
Organizational charts	27%
Wage statement viewing	24%
Manager and HR initiation of staffing transactions	22%
Expense management	21%
Training	21%
Performance management/Appraisals	20%
HR analytics/metrics	18%
Benefit enrollment	16%
Recruiting/Applicant management	16%
Compensation planning/Ad hoc changes	11%
Total rewards statement viewing	10%
Talent review/Succession planning	9%
Other	6%

(n = 141)

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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Overview of Pacific Life

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Pacific Life –
The Power to Help You Succeed

Since 1868, hundreds of thousands of individuals, families, businesses have trusted Pacific Life to help with their financial future.

- Pacific Life provides a wide range of life insurance products, annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses, and pension plans.

- Our Mutual Holding Company structure allows Pacific Life to remain independent to focus on long-term strategies and financial strength; decisions that benefit our policyholders and clients.

- 3,100 employees, headquartered in Newport Beach, CA with employees globally

- 333rd FORTUNE 500® Company*

- Approximately $137 Billion in assets

*Fortune ranking as of June 2014 is of the top 500 U.S. firms by gross revenue

Wealth Preservation

Wealth Accumulation

Retirement Income

Financial Protection

Income for Life

Our Expertise

Our Products

Life Insurance

Investment Products and Services for Businesses

Annuities

Mutual Funds

Our Culture and Values in Action

Pacific Life Values

- **People**
- **Accountability**
- **Customer Focus**
- **Integrity**
- **Financial Strength**
- **Innovation**
- **Community**

Translated to Action: PL By the Numbers

- 1st in indexed universal life and universal life insurance sales
- 4th largest in total life insurance sales
- 10th largest variable annuity sales
- 16th largest fixed annuity sales
- Over 7,200 volunteer hours last year to community projects
- $84 Million donated over the last 30 years to our local communities

Life insurance sales rankings from LIMRA International, 2014 Confidential Annual Sales Survey of Participating Companies.
Sales rankings for Pacific Life Insurance Company are based on planned recurring premiums as measured against 83 participating companies.
Fixed annuity sales rankings from Beacon Research, Fixed Annuity Premium Study.
Variable annuity sales rankings from Morningstar, Inc., Variable Annuity Sales and Asset Survey.

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Human Resources Organization
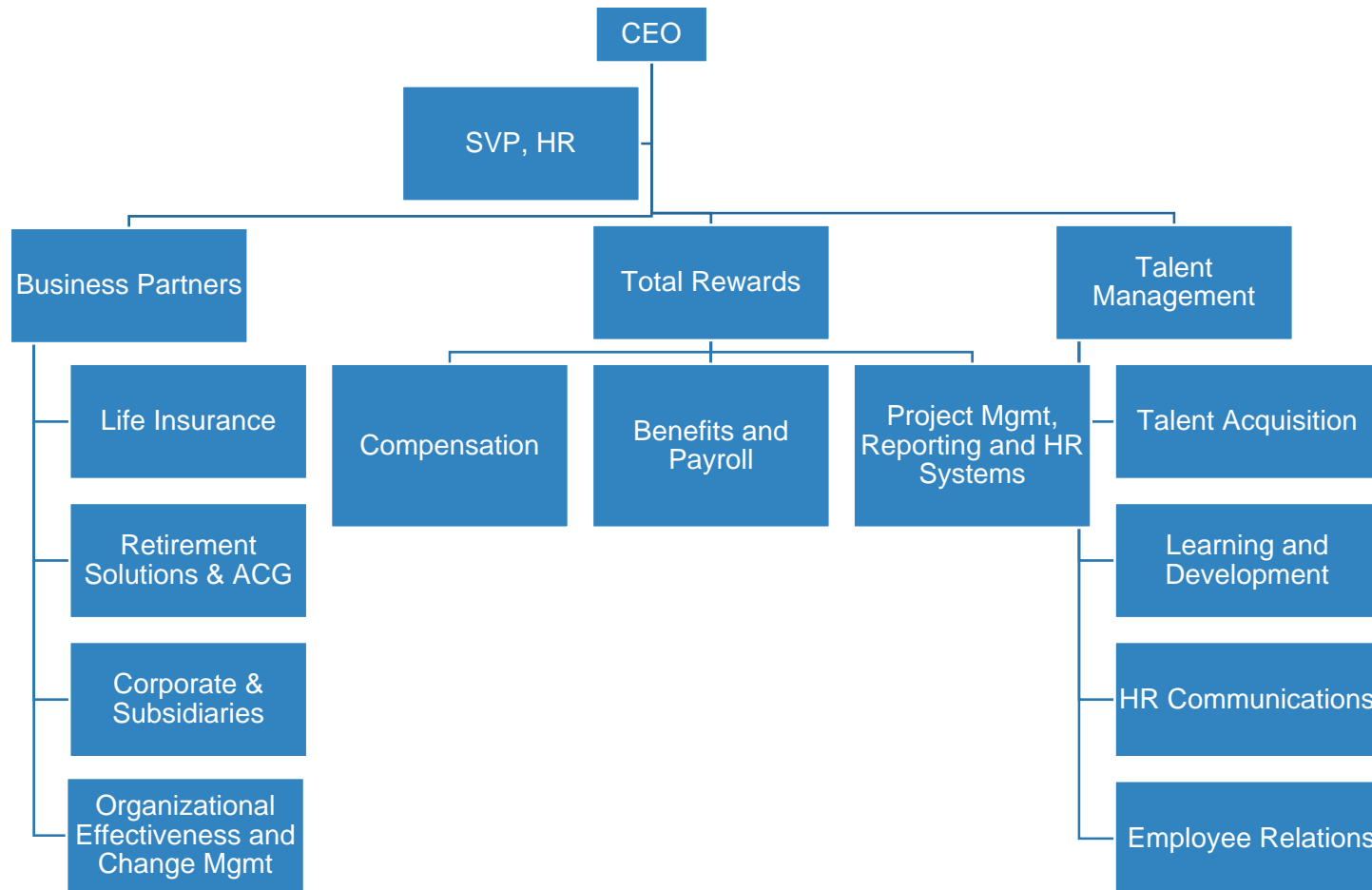
HR becomes "Strategic Partners" to the Business

✓ HR Aligned on Priorities
✓ HR Business Partners are sought out and valued by business

✓ HR Organizational Realignment
✓ HR Strategies Defined

✓ HR Strategic Review Conducted
✓ Shift to HR Business Partners

✓ HR Vision/Mission Defined
✓ Core Values Re-Branded
✓ HR Generalists established

✓ HR Functionally Aligned

Transactional

Doing more with less
Role Clarity
Change Mgmt and Resiliency

Roadmap of Priorities Created
Focus on Leadership Development

Performance Management Emphasized
Broader Succession Planning and Talent Reviews
Organizational Effectiveness Sessions

HR Systems Review
HR Execution Excellence
Talent Management
Culture of Health and Accountability

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Technology is a Weak Link in HR Service Delivery

Function/Service	Overall Importance	Overall Performance	Technology Performance
Absence	🔵 Medium	🔵 Medium	🔵 Medium
Benefits	🟢 High	🟢 High	⚪ Low
Compensation	🟢 High	🔵 Medium	⚪ Low
Employee Relations	🟢 High	🟢 High	⚪ Low
Payroll	🟢 High	🔵 Medium	🟢 High
Time & Labor	🟢 High	🔵 Medium	🔵 Medium
Talent Acquisition	🟢 High	🔵 Medium	🔵 Medium
Talent – Performance	🟢 High	🔵 Medium	⚪ Low
Talent – Development	🟢 High	🔵 Medium	⚪ Low
Talent – Learning	🟢 High	🔵 Medium	🔵 Medium
Talent – Succession	🟢 High	⚪ Low	⚪ Low
Core HR Data / ESS/MSS	🔵 Medium	🔵 Medium	⚪ Low
Reporting/Analytics	🔵 Medium	⚪ Low	⚪ Low

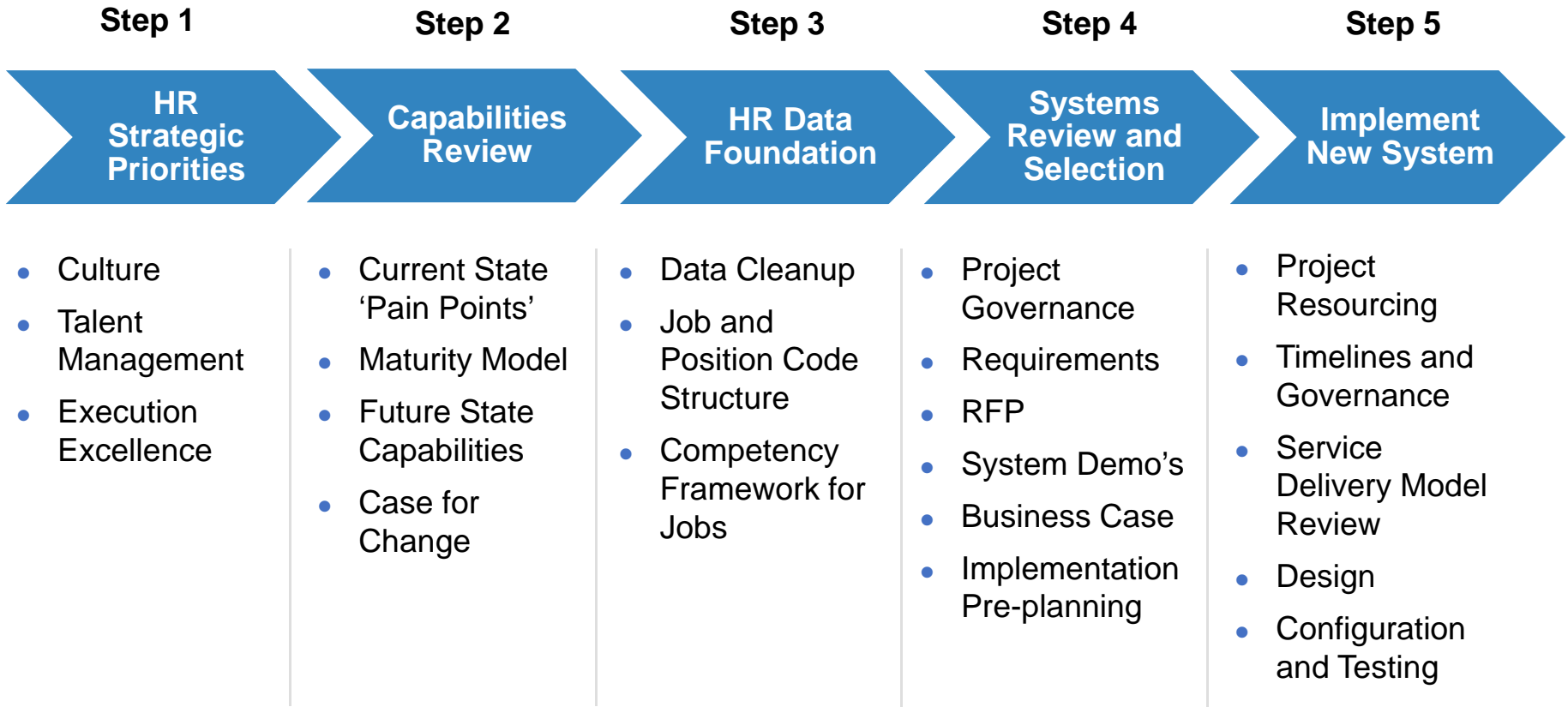**Feedback from the business:**

"We do that on paper today"

"Technology is painful, slow, unintuitive, clunky and cumbersome"

"It feels like the early '90s"

"What is workforce planning?"

Satisfaction	
⚪	Low
🔵	Medium
🟢	High

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Road to an HR Systems Review

Step 1	Step 2	Step 3	Step 4	Step 5
HR Strategic Priorities	**Capabilities Review**	**HR Data Foundation**	**Systems Review and Selection**	**Implement New System**
• Culture • Talent Management • Execution Excellence	• Current State 'Pain Points' • Maturity Model • Future State Capabilities • Case for Change	• Data Cleanup • Job and Position Code Structure • Competency Framework for Jobs	• Project Governance • Requirements • RFP • System Demo's • Business Case • Implementation Pre-planning	• Project Resourcing • Timelines and Governance • Service Delivery Model Review • Design • Configuration and Testing

Change Management

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Defining Clear Objectives and Guiding Principles

Project Objectives

To be *"valued business partners providing strategic HR solutions for the success of Pacific Life"* our HR technology and processes must evolve to keep up with the demands of our users.

✓ **Transactional efficiency and process automation**

✓ **Intuitive navigation and ease of access for a mobile and global workforce**

✓ **Meaningful workforce analytics and dashboards**

✓ **Decision support capabilities for employees and managers**
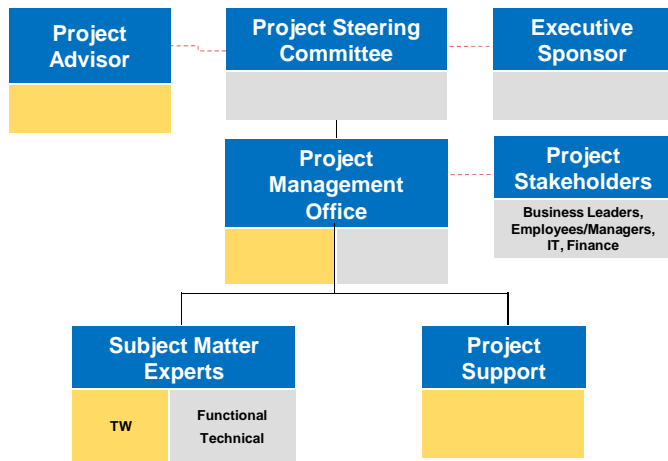
✓ **Secure, compliant systems**

Guiding Principles

Our guiding principles will assist us in decision making:

✓ **Be open to new approaches**

✓ **Provide integrated technology solutions** that align and support HR's long term capabilities

✓ **Minimize the number of technology solutions**

✓ **Improve the customer experience** by focusing on the employee and manager as end users.

✓ **Simplify and streamline how work gets done**

✓ **Provide practical, cost efficient solutions** that balance standardization with flexibility

HR Systems Vendor Selection Process

Project team

Towers Watson	Pacific Life

Project Advisor

Project Steering Committee

Executive Sponsor

Project Management Office

Project Stakeholders

Business Leaders, Employees/Managers, IT, Finance

Subject Matter Experts

TW	Functional Technical

Project Support

Activities and timing

Week	Month 1	Month 2	Month 3	Month 4
Step 1: Current State Review				
Establish guiding principles / Collect current state data	▓			
Conduct project kick-off meeting	★			
Conduct stakeholder interviews	▓			
Step 2: Future State Requirement Development				
Document system requirements / evaluation criteria		★▓		
Build Use Cases		▓		
Validate current state / finalize RFP requirements		★		
Step 3: RFP Development and Distribution				
Select vendors to include in RFP		▓		
Develop and finalize RFP		▓★		
Notify vendors and distribute RFP		▓		
Step 4: Vendor Evaluation and Selection				
Vendor Q&A / vendors submit proposals		▓		
Review proposals and down-select		▓★		
Conduct vendor demos / select preferred vendor			★▓	
Step 5: Business Case and Roadmap				
Develop high-level roadmap and business case				▓
Business case, roadmap and change planning session				★
Deliver executive summary report				▓

★ **Major core team working sessions**

Overall scoring results

RFP Sections	Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5	Vendor 6
Maximum Score Possible – 2865	94.31%	85.27%	85.06%	64.88%	95.57%	91.87%
Overall Score	2702	2443	2437	1859	2738	2632
HCM	388	406	397	352	405	420
Compensation	139	121	150	145	142	150
Payroll	833	830	756	282	821	772
Time & Labor	251	256	85	79	233	241
Leave Tracking	76	32	27	31	69	77
Health & Welfare	296	277	248	205	279	258
Talent Acquisition	239	217	253	239	243	144
Talent Management	335	140	358	375	384	410
Security	145	164	163	151	162	160

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Decision Making Criteria

✓ **'Best Odds' for Success**

- User experience (manager, employee, HR administrators)

- Intuitive navigation

- Mobile capabilities

- Functional capabilities

- Implementation

- Architecture

- Security

- Integrations

✓ **Long Term Partner**

- Service and support

- Innovation in HCM

- Roadmap and R&D investment

✓ **Total Cost of Ownership**

Benefits of a new HCM System

Automation through Technology

- Automated processes and integrated workflows
- Reduced financial and compliance risk
- Simplified programming, maintenance and support of the HR system in the long term.

Improved User Capabilities

- Intuitive navigation and MSS/ESS capabilities
- Consumer-grade mobile design and capabilities
- Paperless environment with improved document storage and retrieval

Forward-looking Analytics

- Reports at the click of a button
- Better pulse on our talent pipeline and future leaders
- Global capabilities and headcount reporting

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HCM Systems will improve our ability to Attract, Retain, and Develop our Talent

Succession Planning — Enterprise view of talent; assessment and analytics capabilities

Performance Management — Clear goals, shared accountability, living documents

Talent profiles — Includes competencies, skills; used for all talent management activities

Job and Positions — Structure of jobs, positions, levels to include skills