THE NEW FACE OF HR:

New Perspectives, New Opportunities

April 29, 2015

TOWERS WATSON
Trends in HR Service Delivery & Technology
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?

- Yes: 33%
- No changes are anticipated: 67%

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

- 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
Anticipated changes to HR structure in 2014 or 2015

- 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
Future State HR Service Delivery Model
Four Integrated HR Teams

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

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

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

Future HR Service Delivery Model
- Administration: 60%
- Local Delivery and Consulting: 20%
- Policy/Planning: 20%
- Technology and Automation: 20%
- Shared Services / Outsourcing: 20%
- Administration: 20%

Transition

- 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
## Future State HR Service Delivery Model
### Additional Technology Enablers

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

*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

- **2010 (n = 453)**: 7% Much lower, 4% Lower, 5% About the same, 13% Higher, 10% Much higher
- **2011 (n = 437)**: 10% Much lower, 10% Lower, 10% About the same, 13% Higher, 10% Much higher
- **2012 (n = 599)**: 10% Much lower, 10% Lower, 13% About the same, 18% Higher, 10% Much higher
- **2013 (n = 994)**: 11% Much lower, 12% Lower, 10% About the same, 22% Higher, 19% Much higher
- **2014 (n = 1,018)**: 11% Much lower, 12% Lower, 10% About the same, 23% Higher, 8% Much higher

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
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%

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
Adoption of SaaS is on the rise

For the first time, we are seeing a plateau in the traditional CRP 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?

- Yes: 28%
- No: 72%

Source: Towers Watson 2014 HR Service Delivery and Technology Survey

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)
<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better functionality</td>
<td>64%</td>
</tr>
<tr>
<td>Easier to manage on an ongoing basis</td>
<td>47%</td>
</tr>
<tr>
<td>Quicker implementation</td>
<td>47%</td>
</tr>
<tr>
<td>Lower ongoing costs</td>
<td>40%</td>
</tr>
<tr>
<td>Scheduled upgrades where we receive the latest and greatest functionality</td>
<td>34%</td>
</tr>
<tr>
<td>Lower up-front costs</td>
<td>16%</td>
</tr>
<tr>
<td>Predictable ongoing costs</td>
<td>16%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
Self-service adoption continues to climb

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

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
Does Your Organization Utilize an HR Portal?

- Yes, we have an HR portal that is available to both HR and employees: 56%
- Yes, we have an HR portal that is available to HR only: 4%
- No, but we are working to develop an HR portal: 20%
- No, we have no plans to develop an HR portal: 20%

(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
What Is the Primary Reason You Deployed an HR Portal?

- 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%

How Effective Is Your HR Portal in Meeting Intended Objectives?

- Somewhat effective: 53%
- Very effective: 16%
- Somewhat ineffective: 13%
- Not at all effective: 3%
- Neither effective nor ineffective: 15%

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%
- No, but we are planning to within the next 12 to 18 months: 32%
- No, and we have no plans to within the next 12 to 18 months: 46%
- I don’t know: 8%

(n = 1,015)

46% of organizations are using or considering using mobile technology. This is an increase from 36% in 2013.

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%: 4%
- 25% to 50%: 12%
- 10% to 24%: 27%
- Less than 10%: 51%

*(n = 139)*

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
Activities available via mobile devices

- 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%

Source: Towers Watson 2014 HR Service Delivery and Technology Survey
Overview of Pacific Life
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
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.
Human Resources Organization

CEO

SVP, HR

Business Partners
- Life Insurance
- Retirement Solutions & ACG
- Corporate & Subsidiaries
- Organizational Effectiveness and Change Mgmt

Total Rewards
- Compensation
- Benefits and Payroll

Talent Management
- Talent Acquisition
- Learning and Development
- HR Communications
- Employee Relations
HR becomes “Strategic Partners” to the Business

- HR Functionally Aligned
- HR Vision/Mission Defined
- Core Values Re-Branded
- HR Generalists established
- HR Strategically Aligned
- HR Strategic Review Conducted
- Shift to HR Business Partners
- HR Organizational Realignment
- HR Strategies Defined
- HR Organizational Effectiveness
- Roadmap of Priorities Created
- Focus on Leadership Development
- Doing more with less Role Clarity Change Mgmt and Resiliency
- 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

✓ HR Aligned on Priorities
✓ HR Business Partners are sought out and valued by business
Technology is a Weak Link in HR Service Delivery

<table>
<thead>
<tr>
<th>Function/Service</th>
<th>Overall Importance</th>
<th>Overall Performance</th>
<th>Technology Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence</td>
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<tr>
<td>Benefits</td>
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<td>Compensation</td>
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<td>Employee Relations</td>
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<td>Payroll</td>
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<td>Time &amp; Labor</td>
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<td>Talent Acquisition</td>
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<td>Talent – Performance</td>
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<td>Talent – Development</td>
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<td>Talent – Learning</td>
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<tr>
<td>Talent – Succession</td>
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<tr>
<td>Core HR Data / ESS/MSS</td>
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<tr>
<td>Reporting/Analytics</td>
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</table>

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?”

<table>
<thead>
<tr>
<th>Satisfaction</th>
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<tbody>
<tr>
<td>Low</td>
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<tr>
<td>Medium</td>
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<tr>
<td>High</td>
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</table>
Road to an HR Systems Review

**Step 1**
- Culture
- Talent Management
- Execution Excellence

**Step 2**
- Current State ‘Pain Points’
- Maturity Model
- Future State Capabilities
- Case for Change

**Step 3**
- Data Cleanup
- Job and Position Code Structure
- Competency Framework for Jobs

**Step 4**
- Project Governance
- Requirements
- RFP
- System Demo’s
- Business Case
- Implementation Pre-planning

**Step 5**
- Project Resourcing
- Timelines and Governance
- Service Delivery Model Review
- Design
- Configuration and Testing

**Change Management**
Defining Clear Objectives and Guiding Principles

<table>
<thead>
<tr>
<th>Project Objectives</th>
<th>Guiding Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
<td>Our guiding principles will assist us in decision making:</td>
</tr>
<tr>
<td>✓ Transactional efficiency and process automation</td>
<td>✓ Be open to new approaches</td>
</tr>
<tr>
<td>✓ Intuitive navigation and ease of access for a mobile and global workforce</td>
<td>✓ Provide integrated technology solutions that align and support HR’s long term capabilities</td>
</tr>
<tr>
<td>✓ Meaningful workforce analytics and dashboards</td>
<td>✓ Minimize the number of technology solutions</td>
</tr>
<tr>
<td>✓ Decision support capabilities for employees and managers</td>
<td>✓ Improve the customer experience by focusing on the employee and manager as end users.</td>
</tr>
<tr>
<td>✓ Secure, compliant systems</td>
<td>✓ Simplify and streamline how work gets done</td>
</tr>
<tr>
<td></td>
<td>✓ Provide practical, cost efficient solutions that balance standardization with flexibility</td>
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</tbody>
</table>
HR Systems Vendor Selection Process

Project team

- **Project Advisor**
- **Project Steering Committee**
- **Executive Sponsor**
- **Project Stakeholders**
  - Business Leaders, Employees/Managers, IT, Finance
- **Subject Matter Experts**
  - TW (Functional, Technical)
- **Project Support**

Activities and timing

<table>
<thead>
<tr>
<th>Week</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
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</thead>
<tbody>
<tr>
<td>Step 1: Current State Review</td>
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<tr>
<td>Conduct project kick-off meeting</td>
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<tr>
<td>Conduct stakeholder interviews</td>
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<tr>
<td>Step 2: Future State Requirements Development</td>
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<td></td>
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<tr>
<td>Document system requirements / evaluation criteria</td>
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<tr>
<td>Build Use Cases</td>
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<tr>
<td>Validate current state / finalize RFP requirements</td>
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<tr>
<td>Step 3: RFP Development and Distribution</td>
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<tr>
<td>Select vendors to include in RFP</td>
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<tr>
<td>Develop and finalize RFP</td>
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<tr>
<td>Notify vendors and distribute RFP</td>
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<tr>
<td>Step 4: Vendors Evaluation and Selection</td>
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<tr>
<td>Vendor Q&amp;A / vendors submit proposals</td>
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<tr>
<td>Review proposals and down-select</td>
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<tr>
<td>Contact vendor clients / select preferred vendor</td>
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<tr>
<td>Step 5: Business Case and Planning</td>
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<tr>
<td>Develop high-level roadmap and business case</td>
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<tr>
<td>Business case, roadmap, and change planning session</td>
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<tr>
<td>Deliver executive summary report</td>
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</table>

Overall scoring results

<table>
<thead>
<tr>
<th>BFP Sections</th>
<th>Vendor 1</th>
<th>Vendor 2</th>
<th>Vendor 3</th>
<th>Vendor 4</th>
<th>Vendor 5</th>
<th>Vendor 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Score Possible - 2005</td>
<td>183.3%</td>
<td>183.3%</td>
<td>183.3%</td>
<td>183.3%</td>
<td>183.3%</td>
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<tr>
<td>Overall Score</td>
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<td>2443</td>
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<td>Compensation</td>
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<td>Payroll</td>
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<td>830</td>
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<td>Time &amp; Labor</td>
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<td>Leave Tracking</td>
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<td>Health &amp; Welfare</td>
<td>296</td>
<td>277</td>
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<tr>
<td>Talent Acquisition</td>
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<td>217</td>
<td>253</td>
<td>239</td>
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<td>Talent Management</td>
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<tr>
<td>Security</td>
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<td>164</td>
<td>163</td>
<td>151</td>
<td>162</td>
<td>160</td>
</tr>
</tbody>
</table>
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
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