

# SELECTING AN ANNUITY PROVIDER

in Conformance with Department of Labor Interpretive Bulletin 95-1



As of December 31, 2019

# WHY PACIFIC LIFE

Since 1868, individuals and businesses have relied on the strength of Pacific Life to protect their financial security. We have no publicly traded stock; we are an independent company that remains focused on long-term strategies, our financial strength, and on making decisions that benefit our policyholders and clients.

## OUR EXPERTISE

- Financial Protection
- Wealth Preservation
- Income for Life
- Wealth Accumulation
- Retirement Income

## OUR PRODUCTS

- Life Insurance
- Mutual Funds
- Annuities
- Investment Products and Services for Businesses

## 2020 World's Most Ethical Companies®

Pacific Life is designated as one of the 2020 World's Most Ethical Companies<sup>1</sup> by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices. Pacific Life was evaluated on five categories, including: compliance and ethics program; corporate citizenship and responsibility; culture of ethics; corporate governance; and leadership, innovation and reputation.



This marks Pacific Life's third consecutive recognition from the Ethisphere Institute, which honors companies who have purpose-based strategies that strive to create positive change in their communities.



<sup>1</sup>Based on the Ethisphere Institute's Ethics Quotient®. "World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC. Pacific Life is unaffiliated with Ethisphere Institute.

Insurance products are issued by Pacific Life Insurance Company in all states except New York, and in all states by Pacific Life & Annuity Company. Product availability and features may vary by state.

**For institutional plan sponsor/financial**

# MUTUALITY

Pacific Life Insurance Company's organization is relatively unique as we are part of a mutual holding company structure; therefore, policy and contract owners are members of the company, and we are not driven by stock price when making decisions. Our structure allows us to develop innovative products that evolve with the needs of the families and businesses we serve. Our support goes beyond just product innovation; we select businesses and markets that we understand well, can excel in, and can provide value to our customers.

Pacific Mutual Holding Company has \$171 billion in assets and \$12.9 billion in equity<sup>1</sup> as of December 31, 2019.<sup>2</sup>

- Pacific Life Insurance Company is organized under a mutual holding company structure and operates for the benefit of its policyholders and contract owners.
- We have achieved ongoing recognition<sup>3</sup> for high-quality service standards.
- We offer solutions that help you manage risks during all market environments.
- We maintain strong financial-strength ratings from major independent rating agencies.

## Financial-Strength Ratings

A+	A.M. Best
AA–	Fitch Ratings
A1	Moody's
AA–	Standard & Poor's®

*As of December 31, 2019*

Ratings may change. For more information and current financial-strength ratings, please visit our website.

Standard & Poor's® is a registered trademark of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P").

<sup>1</sup>Excludes accumulated other comprehensive income (loss) and noncontrolling interests.

<sup>2</sup>Based on generally accepted accounting principles (GAAP) in the United States of America.

<sup>3</sup>Recipient of multiple DALBAR Service Awards since 1997. Refer to [www.DALBAR.com](http://www.DALBAR.com) for more information regarding awards, certifications, and rankings.

# FACTORS TO BE CONSIDERED BY FIDUCIARIES

The selection of an annuity provider for purposes of a pension benefit distribution is a fiduciary decision governed by the Employee Retirement Income Security Act of 1974 (ERISA). The Department of Labor issued Interpretive Bulletin 95-1 (IB 95-1) Section 2509.95-1, as amended, to provide guidance in the selection of an annuity provider. The content in the following paragraphs provide information from Pacific Life to respond to the criteria of IB 95-1.

In accordance with IB 95-1, plan fiduciaries must conduct an objective, thorough, and analytical search for purposes of identifying providers from which to purchase annuities. The bulletin sets forth factors that should be considered by fiduciaries in evaluating a provider's claims-paying ability and creditworthiness, including but not limited to:

- **The quality and diversification** of the annuity provider's investment portfolio.
- **The size of the insurer** relative to the proposed contract.
- **The level of the insurer's capital and surplus.**
- **The lines of business of the annuity provider** and other indications of an insurer's exposure to liability.
- **The structure of the annuity contract** and guarantees supporting the annuities, such as the use of separate accounts.

Pacific Life is a highly rated and well-diversified insurance company, and an experienced and innovative annuity provider.

## SECURE ACT

### Setting Every Community up for Retirement Enhancement Act of 2019 (SECURE Act) for Individual Lifetime Income Contracts

According to ERISA section 404(e)(2), a fiduciary will be deemed to fulfilled their fiduciary duty regarding the selection of an annuity provider if they:

- Consider the financial capability of the annuity provider and the cost of the contract relative to the benefits and contract features and administrative services to be provided
- Based on those considerations, concludes at the time of selection that the insurer is financially capable of satisfying its obligations and the relative cost of the annuity is reasonable. The following addresses these points.

Pacific Life Insurance Company is licensed to offer annuity contracts and at the time of selection for each of the immediately preceding 7 years has operated under a certificate of authority from the insurance commissioner of our domiciliary state of Nebraska. Pacific Life Insurance Company has filed audited financial statements and maintains reserves which satisfy all states where it does business and meets the requirements of the insurance laws and regulations of the state of Nebraska and are at least as great as the minimum aggregate amounts required by any state in which this company is licensed. We are not operating under an order of rehabilitation, supervision or liquidation. We provide the auditors of the state of Nebraska with reports (and draft reports) of examinations completed or an update on those in process between regulators and the Company. Pacific Life Insurance Company will notify the fiduciary of any change of circumstances that would preclude the insurer from making the same representation at the time of issuance of the contract.

# THE STRUCTURE OF THE ANNUITY CONTRACT

## AND GUARANTEES SUPPORTING THE ANNUITIES

The structure of the annuity contract should be examined by a fiduciary to understand the guarantees supporting the annuity. The general account is supported by the creditworthiness of the company's general account. A separate account can further secure the assets by using a portfolio of separate account assets insulated from the claims of other policyholders and creditors of the insurer. Any shortfall in the separate account is supported by the assets in the general account.

### Pacific Transferred Buy-Out®

Completely transfer all pension risk and benefit liability from the plan sponsor to Pacific Life on either a partial (a portion of plan participants) or full (complete termination) basis.

### Pacific Secured Buy-In®

Transfer the risk of investment performance, mortality, and plan experience from the plan sponsor to Pacific Life. The contract remains an asset of the plan, and thus it does not reduce the plan's funded status or trigger settlement accounting like a buy-out. A buy-in contract can be converted to a Pacific Transferred Buy-Out contract at any time with no additional charges.

### Experience and Innovation

Pacific Life has been an innovator in pension risk-transfer solutions. Few firms offer our breadth of solutions or provide the same deep level of pension risk-transfer expertise. You can rely on Pacific Life as a single, trusted source to help you de-risk your plan, reduce plan volatility and its related impact on your company's balance sheet and financial statement, and secure lifetime retirement income for your employees.

- Experienced investment and actuarial staff
- First to offer Pacific Insured LDI®, an innovative and guaranteed alternative to best-efforts liability-driven investing
- First U.S. insurer to transact all three pension de-risking solutions:
  - Pacific Insured LDI
  - Pacific Secured Buy-In
  - Pacific Transferred Buy-Out
- First U.S. insurer to convert a buy-in contract to a buy-out contract
- Consultative approach to understanding your specific needs and identifying an appropriate customized solution
- Reputation for outstanding installation and ongoing annuity servicing
- Strict standards and documented procedures to maintain data integrity and privacy

We aspire to capitalize on our investment and mortality expertise to capture a growing share of the pension de-risking market.

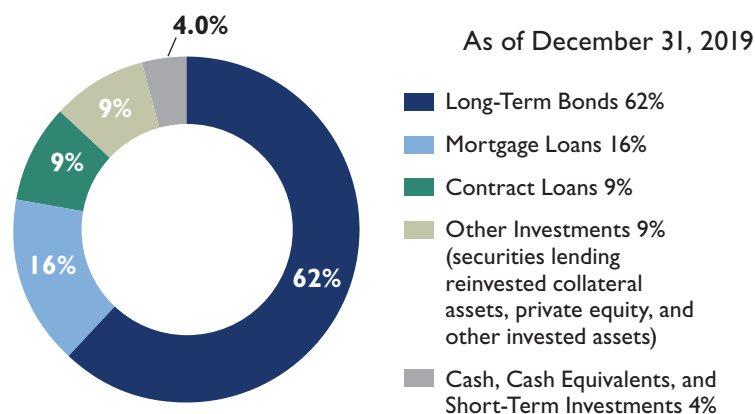
# PORTFOLIO QUALITY AND DIVERSIFICATION

(STATUTORY BASIS)

## DISTRIBUTION OF INVESTED ASSETS

To maintain the quality of Pacific Life Insurance Company's underlying assets, we primarily invest in high-quality securities and commercial mortgage loans, and we closely monitor these investments. Pacific Life Insurance Company has a seasoned management team with experience in a variety of market environments.

Our investment approach limits our exposure to any single industry issuer or asset type, and ensures we are prepared to fulfill our commitments to our clients.



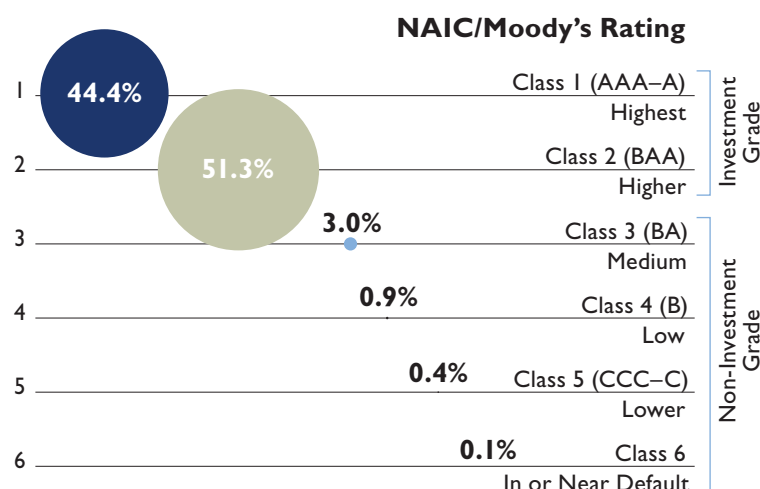
## BOND<sup>1</sup> QUALITY— PERCENTAGE OF ASSETS IN EACH CLASS

The Securities Valuation Office of the National Association of Insurance Commissioners (NAIC) assigns quality ratings (corresponding to ratings from Moody's) to bonds held by insurance companies. Pacific Life Insurance Company's ratio of non-investment-grade bonds (NAIC 3–6) to total cash and invested assets of \$86.2 billion was 3.0%.

**Total Bond<sup>1</sup> Investments**     **\$53.0 billion**

### Bond<sup>1</sup> Quality

Investment Grade	95.6%
Non-Investment Grade	4.4%

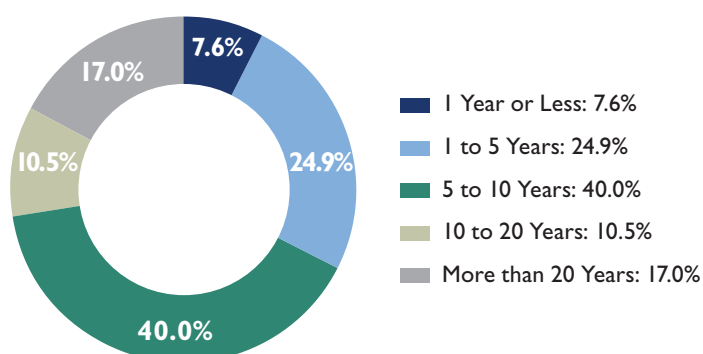


Total does not equal 100% due to rounding.

## BOND<sup>1</sup> BY MATURITY

Sophisticated risk-management programs and hedging strategies are employed to maintain net income and statutory capital levels even under extreme market conditions.

Bond maturity is closely matched with projected liabilities to reduce volatility and interest-rate risk.



<sup>1</sup>Bonds include short-term investments unless otherwise noted.

# FINANCIAL SUMMARY

## PACIFIC LIFE INSURANCE COMPANY

### Statutory Assets, Liabilities, Capital, and Surplus (\$B)

General Account	\$ 88.4
Separate Account	57.3
<b>Total Admitted Assets</b>	<b>\$145.7</b>
Liabilities	\$135.2
Capital and Surplus	10.5
<b>Total Liabilities, Capital, and Surplus</b>	<b>\$145.7</b>

### Statutory Capital, Surplus, and AVR (\$B)

Capital and Surplus	\$10.5
Asset Valuation Reserve (AVR)	0.7
<b>Total</b>	<b>\$11.2</b>

### Statutory Assets (\$B)

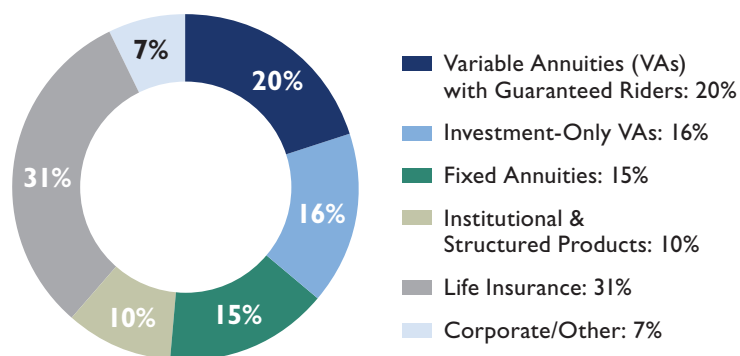
Variable Annuities (VAs) with Guaranteed Riders	\$29.5
Investment-Only VAs	23.9
Fixed Annuities	21.7
Institutional & Structured Products	14.2
Life Insurance	45.4
Corporate/Other	10.9
<b>Total</b>	<b>\$145.7</b>

As of December 31, 2019

### Total Statutory Assets



### Total Statutory Capital, Surplus, and AVR



We have very strong statutory capital levels. We manage our risk by diversifying our investments and our lines of business.

### How to Contact Us:

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Pacific Life refers to Pacific Life Insurance Company (Newport Beach, CA) and its affiliates, including Pacific Life & Annuity Company. Insurance products are issued by Pacific Life Insurance Company in all states except New York, and in all states by Pacific Life & Annuity Company. Product availability and features may vary by state. Each insurance company is solely responsible for the financial obligations accruing under the products it issues. Group annuity products are available through licensed third parties.

Contract Form Series: 80-1188, 80-1276, 80-1291, 80-1297, GR-8134-B (and state variations)

PRC0140-0320

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