

Sixth Annual

Study of Employee Benefits Trends

Findings from the National Survey of
Employers and Employees



MetLife[®]



Incremental changes in the angle of a sail can greatly impact the direction of the vessel. In the same way, even minor adjustments by employers to their benefits offerings and the level of guidance they provide to employees can make a significant difference in the plan's perceived—and actual—value.



MetLife has a proud tradition of investing in the financial and social well-being of the communities we serve. For 140 years, we have focused on understanding and serving our customers through various life stages and economic cycles.

MetLife builds on this tradition by delivering leading insights through nationally acclaimed research, subject matter experts and educational resources. We serve as a leading voice on employee benefits issues by actively influencing public policy, educating the media and developing intelligent product solutions.

By aligning yourself with a company that applies insights to deliver innovative solutions, things can go right.

Introduction

Amidst political, economic, and demographic change, employee benefits continue to play a significant role in helping Americans prepare for their financial future and may improve employee loyalty and retention in a competitive labor market.

The 6th annual MetLife Study of Employee Benefits Trends examines the attitudes of an increasingly diverse workforce toward financial and benefits-related issues. The Study also captures the benefits practices and perspectives of both small and large companies across a wide array of industries. Over a one-month period, MetLife surveyed 1,380 full-time employees and 1,652 benefits decision-makers nationwide about employee benefits and marketplace trends.

This year's results suggest that U.S. workers are increasingly concerned about their financial prospects. The good news is that they are poised to take a more proactive role in planning for their financial future, and are turning to their employers for help. This represents a prime opportunity for employers to strengthen employee loyalty and achieve greater employee retention.

The Study's findings suggest several possible courses of action available to employers, which are captured in the conclusion to each section as well as through a new feature toward the end of the Study entitled "What Employers Can Do Today."

MetLife is committed to helping executives, human resources and benefits professionals, brokers and consultants maximize the effectiveness of employee benefits plans. As one of the largest insurers in the country, MetLife has developed an exceptional understanding of workplace trends, life stage needs and innovative ways to structure, package and deliver new products and services.

This work represents the kind of insight MetLife offers to assist employers in making strategic decisions about their benefits plans. Benchmarking tools, additional industry-leading MetLife research and studies, as well as other valuable resources are available online at **whymetlife.com**.

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Executive Summary

This year's study uncovered several key findings:

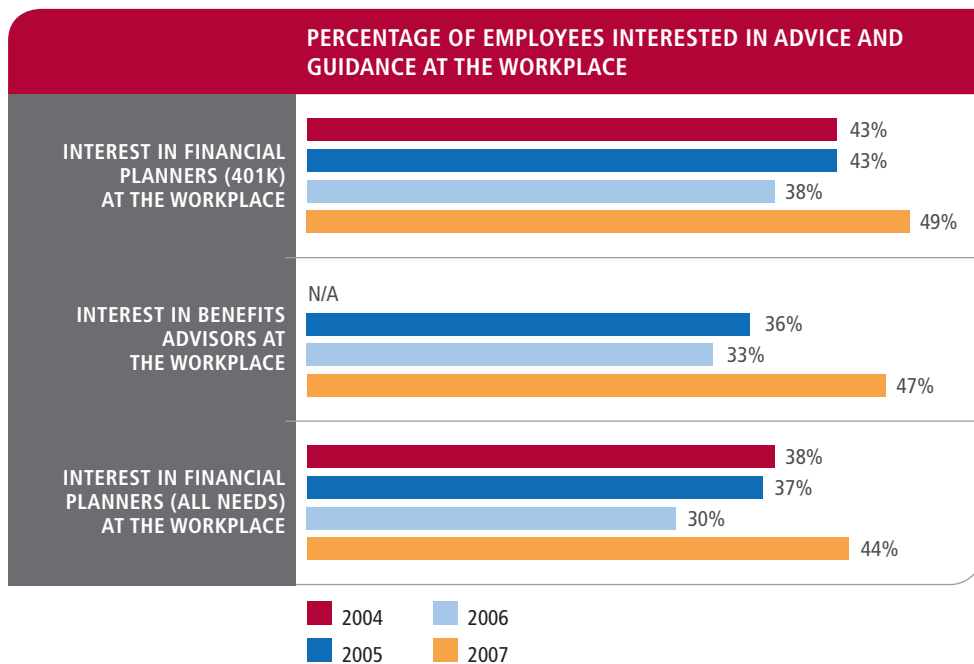
- Employees are poised to take a more proactive role in planning for the future, and are looking to their employers for advice and guidance
- While employers are seeing more of a link between benefits and employee retention than ever before, they still underestimate how important a factor benefits are in loyalty
- Employers' perception of how loyal they are to employees differs from employees' perception
- As employees focus on retirement, the need for employers to address benefits for retirees is growing

Employees Primed for Action as They Focus on the Future

In an era of personal responsibility, growing concerns about financial security are leading U.S. employees to take a more active role in planning for their financial future. Those employers that can support their workers in taking action are more likely to keep their most talented workers, particularly as benefits prove to be an even more important factor in employee loyalty and retention than ever before.

As workers become more engaged, their interest in receiving advice at the workplace on issues ranging from meeting general financial needs to planning retirement and making informed decisions about company benefits has reached the highest levels in the history of the MetLife Study of Employee Benefits Trends.

ALMOST HALF OF EMPLOYEES WANT ACCESS TO FINANCIAL PLANNERS AND BENEFITS ADVISORS AT THE WORKPLACE

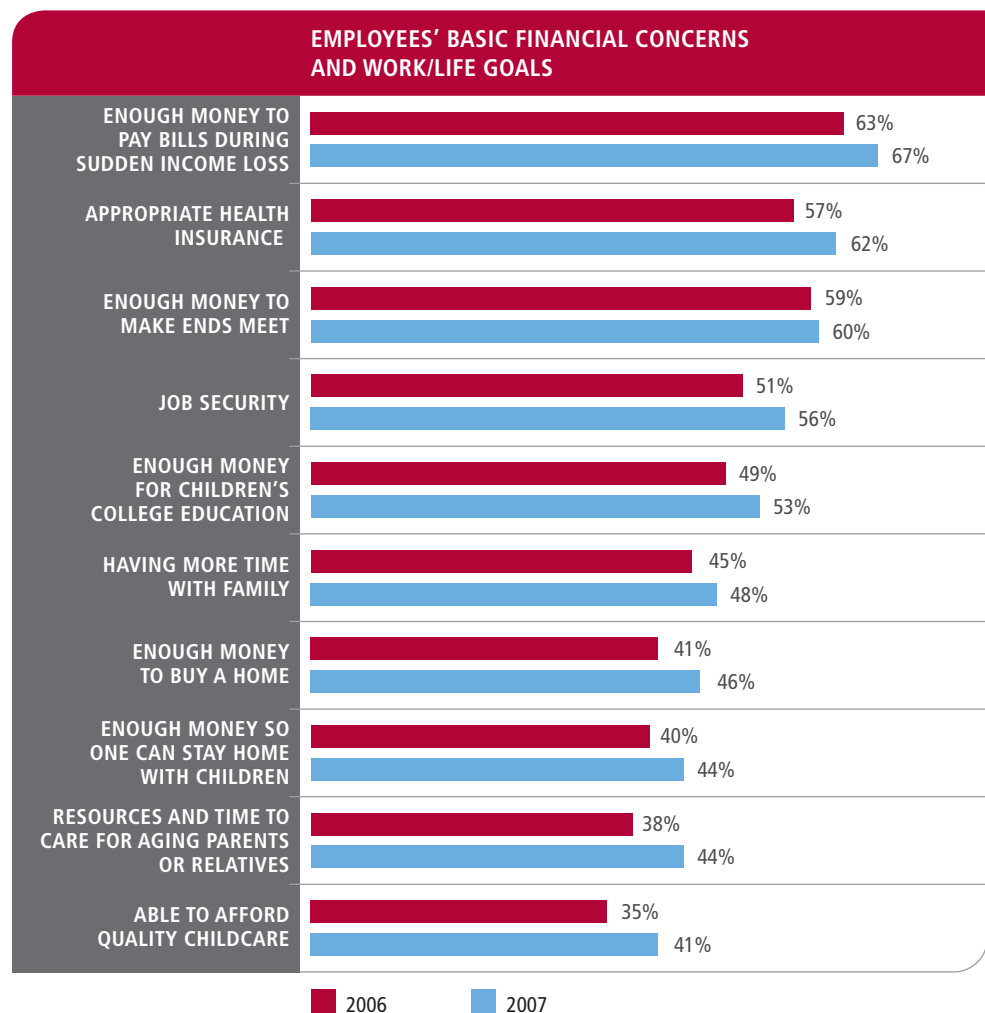


This increased appetite for advice at the workplace—one of the key findings of the 6th annual MetLife Study of Employee Benefits Trends—represents a significant shift for employees, many of whom have not sought this information from their employers in the past. It also represents a major opportunity for U.S. employers to optimize the value of their benefits plans, help meet the diverse needs of their employees and improve employee retention, which is the top benefits objective among employers surveyed for the second straight year.

Why Are Employees Motivated Now?

What is behind employees' change in attitude? The key factor appears to be a growing sense of concern about their future economic security. From 2006 to 2007, the percentage of employees expressing high degrees of concern about a variety of immediate and longer-term financial issues increased across several important topics, such as having appropriate health insurance, having the resources and time to care for aging parents and relatives, and having money in case of sudden income loss.

CONCERN OVER A WIDE ARRAY OF FINANCIAL ISSUES ROSE FROM 2006 TO 2007



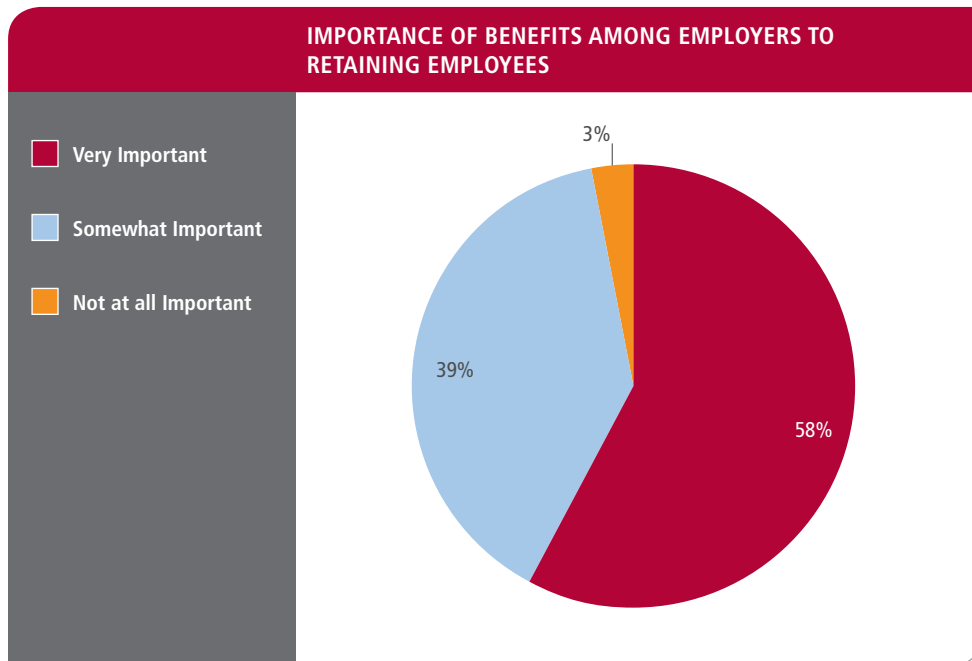
According to the 2008 MetLife *Study of the American Dream*, 64% of Americans continue to feel more pressure to provide for their financial security as a result of diminished confidence in government-sponsored benefits and programs such as Social Security and Medicare.¹ As these traditional safety nets continue to shrink, employees are taking more personal responsibility for planning for their financial future: 77% say they are taking action to create their own personal safety net.²

Bridging the Loyalty Gap With Benefits

Employers have a timely opportunity to help employees manage the responsibility for their financial security. Companies can help employees take action by offering quality benefits programs and educating their workers on how to use these benefits effectively. This is particularly important because the workplace has become the primary source for obtaining financial products and health benefits for an employee's entire family, from its youngest to its most senior members. More than half (52%) of employees obtain the majority of their financial products through the workplace, up from 46% of employees a year ago. In addition, the MetLife *Study of the American Dream* shows that over 90% of Americans believe that it is important for companies to continue to offer benefits, even if employees must pay most or all of the cost, with 71% saying it is "very important."³

Why should employers seize this opportunity? By meeting the diverse needs of their workforce with benefits, employers not only help their workers take the necessary action, but they can also improve employee retention, cited by 54% of employers surveyed as a top benefits objective. This year's study shows that employers recognize a causal link between benefits and retention. More than half (58%) of employers believe that benefits are very important in retaining their employees.

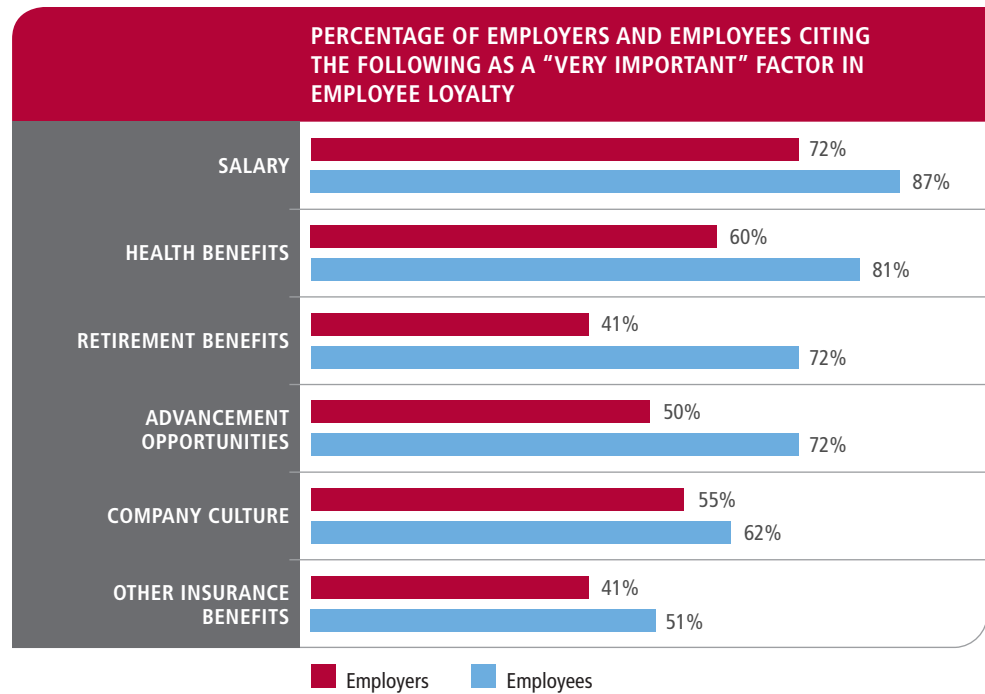
NEARLY 60% OF EMPLOYERS BELIEVE BENEFITS ARE VERY IMPORTANT IN RETAINING EMPLOYEES



However, while employers seem to recognize that benefits are an important factor in keeping their employees, they do not fully recognize the role benefits serve in building loyalty, which can serve as an underlying driver of retention. When asked to identify the importance of work-related elements that give employees a feeling of loyalty to their employers, 81% of employees surveyed cite health benefits as important, second only to salary/wages, while only 60% of employers say the same. Similarly, among employees, retirement benefits are tied with advancement opportunities as an important factor in loyalty, cited by 72% of those surveyed compared to just 41% of employers.

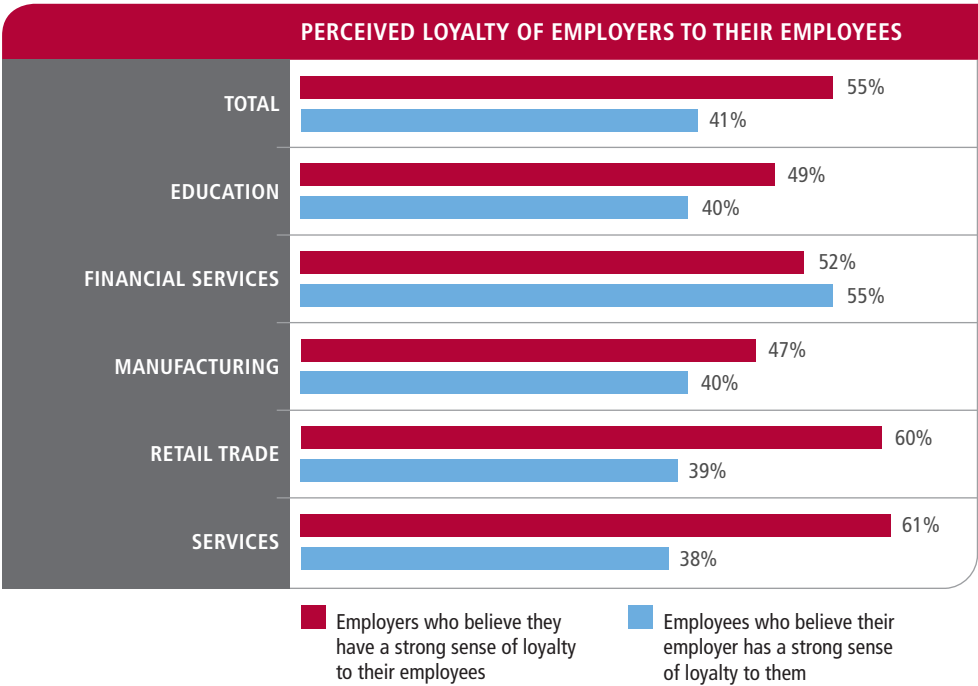
By closing this loyalty perception gap, and recognizing benefits as the important influencer of loyalty that they can be, employers can better position themselves to retain their most talented workers.

EMPLOYERS UNDERESTIMATE THE IMPACT OF BENEFITS ON EMPLOYEE LOYALTY



The Study also demonstrates that employers think of themselves as more loyal to their employees than their employees think they are. Fifty-five percent of companies report having a strong sense of loyalty to their workers, whereas only 41% of employees believe that their employer has a strong sense of loyalty to them. With a few exceptions, this gap in perception holds true across industries. For example, 49% of employers in the education industry say they are loyal to their employees, but only 40% of employees in this industry feel the same. Employers have an opportunity to bridge this loyalty perception gap by using benefits to address the increasing financial concerns of their workers and heeding their calls for financial advice and guidance.

EMPLOYERS ACROSS MANY INDUSTRY SECTORS BELIEVE THEY ARE MORE LOYAL TO THEIR EMPLOYEES THAN THEIR EMPLOYEES BELIEVE



The Evolving Workplace Dynamic: A Growing Focus on Retirement

Utilizing benefits as a way to meet employee needs and also retain workers is an increasingly complex task as the U.S. undergoes dynamic demographic shifts that are reshaping the American workforce. Today's workforce includes individuals at various life stages who range in age across multiple generations, and each demographic brings its own set of needs to the workplace.

Profile of Employee Life Stages

Throughout this report we refer to the needs and objectives of employees at various stages in their lives. This is an important distinction as people's attitudes, perceptions and values vary by age, marital status and family situation.

For the purposes of this report we characterize these different groups as follows:

SINGLES:

Never married

YOUNG FAMILIES:

Parents of children under age 6

BABY BOOMERS:

Born between 1946 and 1964

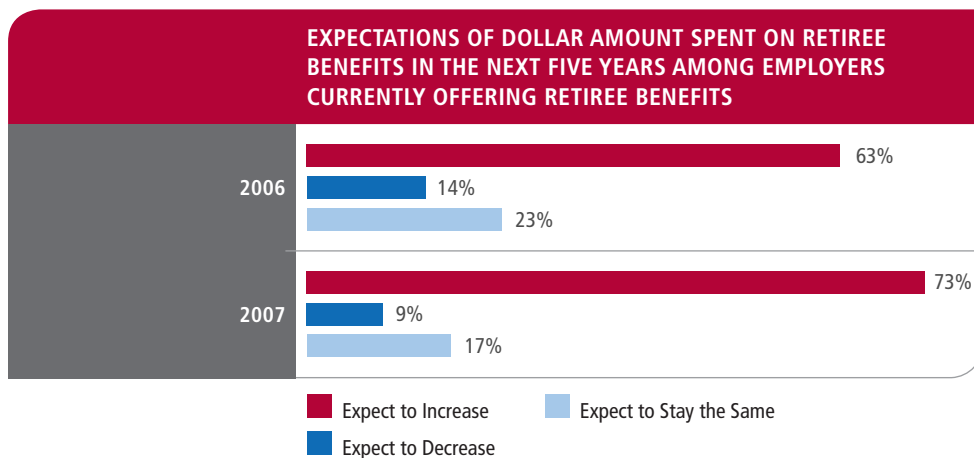
PRE-RETIREEES:

Ages 61 and over

The aging of the American population is driving concerns among both employers and employees, as the impact of the impending retirement of the Baby Boomers begins to be felt. Among employees, this year's study shows increases in financial concerns specifically related to retirement, including having or expecting to work in retirement and providing for long-term care needs.

The transition of the 75 million Baby Boomers—the oldest of whom turn 62 in 2008⁴—to their retirement years could produce a shortage of talent, challenging companies to provide for an unprecedented number of retirees. The departure of so many of the country's most experienced employees from the workforce over a relatively concentrated timeframe will likely create a “knowledge gap.” In order to attract and retain experienced workers, and as a business reality of supporting growing numbers of retirees, 73% of employers who currently offer retiree benefits say they plan to increase the dollar amount spent on retiree benefits over the next 5 years, compared to 63% of employers saying the same in 2006.

EMPLOYERS CURRENTLY OFFERING RETIREE BENEFITS EXPECT TO SPEND MORE ON RETIREE BENEFIT



Retiree benefits serve as a strategy to retain the critical knowledge of experienced workers and illustrate a commitment to younger workers. They also provide invaluable assistance to company retirees, who are assuming greater fiscal responsibility for their healthcare decisions, retirement planning and overall financial protection.

Plan Optimization: Tipping Employees Toward Action

Optimizing benefits can help employers achieve strategic business objectives. Benefits optimization means providing a benefits plan with a broad range of choices, as well as personalized advice and guidance that empower employees to make smart benefits decisions given their specific financial needs and concerns. Companies that successfully optimize benefits can improve employee participation in benefits, engender greater employee loyalty and differentiate themselves from the competition.

The Study suggests that there are a number of strategies that employers can consider to derive greater value from their benefits plan:

Personalization

Given the increasing diversity of the workforce, employers who invest in benefits tailored to different employee segments, including older workers and retirees, are better positioned to address the wide-ranging needs of their employees and instill in them a greater appreciation for the benefits they receive at the workplace.

Choice

Employers have an opportunity to provide employees with a range of benefits options that enable them to individualize their coverage and build a personal financial safety net. Voluntary benefits represent a cost-effective way for employers to provide workers with this kind of choice. In addition, programs that help employees better manage work/life balance and which focus on wellness as part of a “total rewards” structure can help add value for employees of all ages. Fifty-four percent of employers say that providing benefits designed to help employees better balance their work and personal lives remains an important benefits strategy.

Communication

The growing interest among employees in receiving advice and guidance from employers is also providing companies with a valuable opportunity to improve the effectiveness of benefits communications. Communications, such as targeted enrollment materials and total compensation statements, can improve the perceived value of benefits, which can be just as important as the actual value of the benefits.

Employers are starting to seize this opportunity: When asked about the importance of benefits strategies to their companies, over half (55%) indicate that “providing better decision support tools” is very important—up from 47% in 2005. Such tools could include product calculators as well as rules of thumb on what products and coverage levels are appropriate. According to MetLife’s *2007 Open Enrollment Study*, six out of 10 (59%) employees would like their employer to suggest benefits that would be appropriate for someone at their life stage.⁵ This interest is even stronger among Young Singles (age 21-34), with 78% interested in life-stage-driven benefits recommendations.⁶ In addition, more than one in five employees overall (22%) say guidelines or instructions for “people like me” would improve their overall open enrollment experience.⁷

EMPLOYERS ARE PLACING GREATER EMPHASIS ON HELPING WORKERS



Optimizing company benefits plans can lead to greater employee retention, as well as other positive outcomes for workers:

- Employees can become motivated to take the steps needed to create true financial security for themselves and their families
- Employees can become more knowledgeable about their financial plans and their benefits and better able to make informed decisions
- Employees can realize the value of the benefits offered by their employers, both in monetary terms and as important components of their ongoing economic security; this understanding among employees can result in improved employee loyalty and retention

SECTION II

Primed for Action

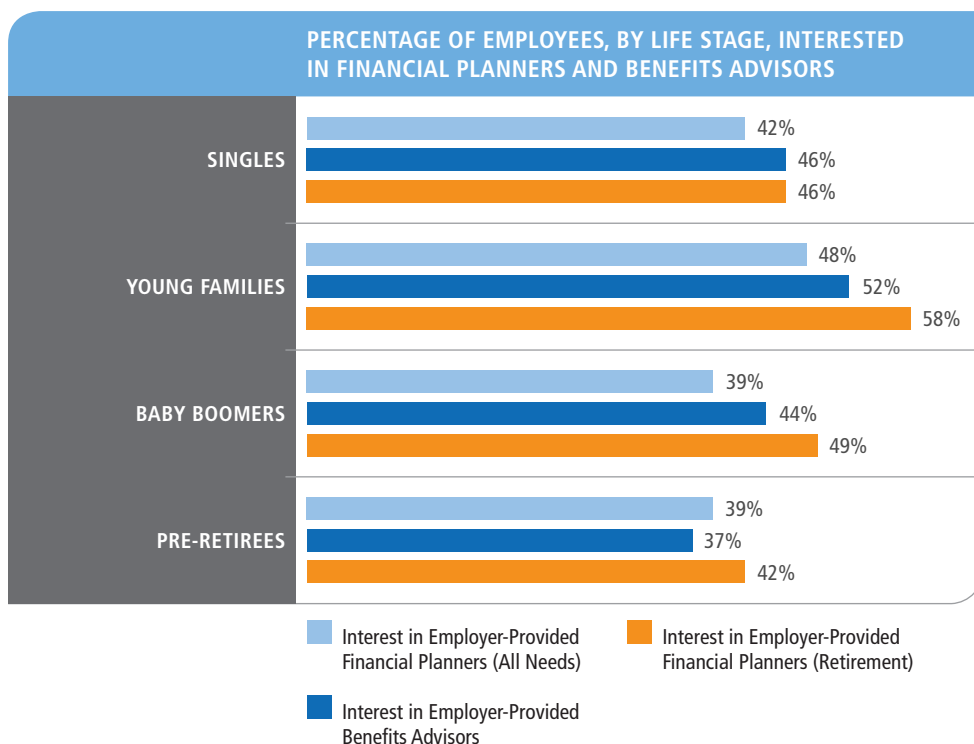
- As financial concerns drive changes in attitudes toward benefits, employees are increasingly interested in obtaining advice and guidance from their employers
- There is room to increase product ownership among different employee life-stage segments
- Though worried about their financial futures, many employees lack a formal retirement plan

Workers Want Help Planning for the Future

Employees Turn to Employers to Guide Them Down the Financial Road Ahead

According to this year's survey results, more employees than ever before indicate an interest in obtaining advice and guidance from their employers for their financial preparations. Employees are increasingly interested in professional advice regarding critical decisions about their benefits (47% versus 33% last year), their retirement savings (49% versus 38%), and their overall financial situations (44% versus 30%).

EMPLOYEES ARE INTERESTED IN ADVICE AND GUIDANCE AT THE WORKPLACE



Industry Perspective:

More employees in the Manufacturing sector (55%) say they consult someone about their personal financial matters than do employees in the Retail/Trade sector (32%).

Although employees are increasingly focused on retirement and general financial issues, their concerns have yet to materialize into widespread action:

- Almost half of employees (47%) describe themselves as “very concerned” about having a financial plan, which is fairly consistent with previous years
- Despite this concern, the portion of employees with a comprehensive financial plan has remained at about one in four (27%) over the past several years
- Only 37% of employers offer financial planning services, leaving room for employers to better meet the growing demand among employees for these services

Industry Perspective:

Almost half (47%) of employees working in the Sales/Trade field say they have trouble paying their bills. This number drops to 33% among employees in Heavy Industry and 29% among employees in Professional Services.

Regional Perspective:

Almost two-thirds (64%) of Southern employees say that they are very concerned about having enough money to make ends meet compared to 50% of employees in the West.

Growing Financial Concerns Drive Employees to Become Better Prepared

Why is this message resonating now? The data suggests one potential reason: Employees are increasingly uneasy about their prospects for financial security. The proportion of employees saying they are “very concerned” increased from 2006 to 2007 over a number of important categories, ranging from immediate worries such as being able to afford appropriate levels of health insurance to longer-term issues such as having enough money to purchase a home or to pay for their children’s college education.

These concerns may be the manifestation of a combination of global events, including rising fuel costs, declining home values, a weakening U.S. economy, conflict abroad, and changes in government leadership. Perhaps as a result of these factors, employees are feeling anxious about the future, leaving employers with a timely opportunity to help employees plan and protect their financial future and gain their loyalty in the process.

Paycheck-to-Paycheck Living

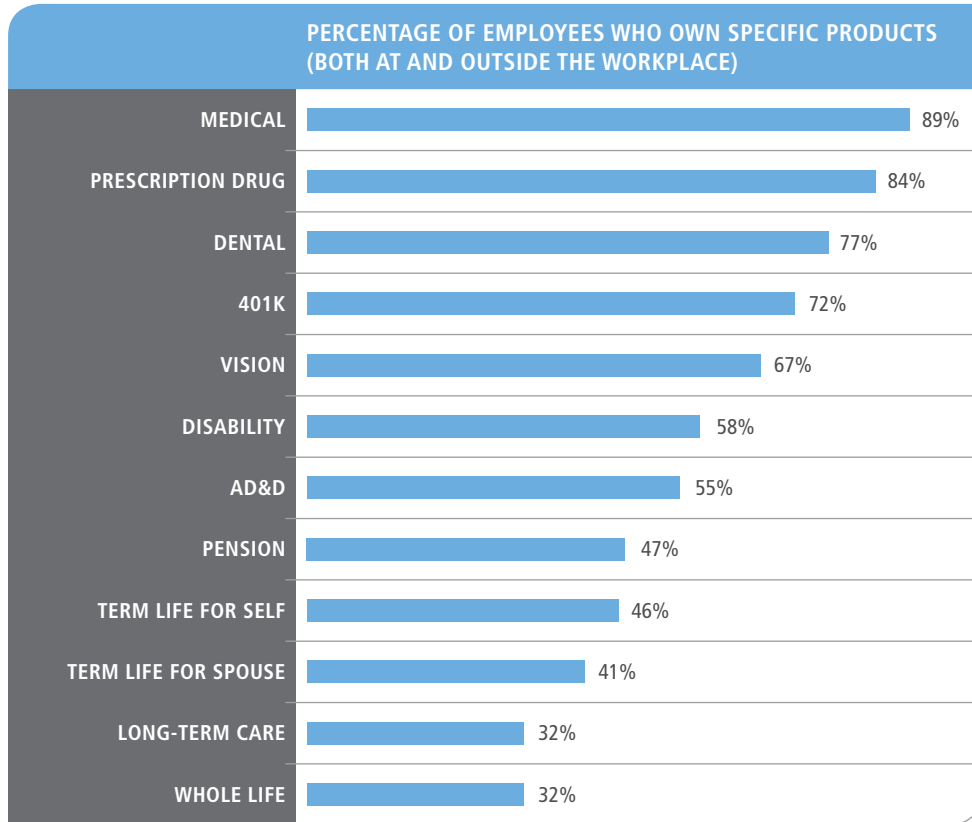
Amid growing financial concern, more employees find themselves with less money to save for the future. Forty-four percent of employees say that they live “paycheck to paycheck,” up from 37% in 2006. Women are more likely than men to say this (49% versus 40%, respectively), as are Young Families (59%) compared to other employee segments.

Those with limited disposable income are especially vulnerable to uncertain economic times. Employers can play a critical role in helping them reevaluate their spending and saving behavior, and in understanding where benefits might fit within their financial situation. In the long run, insurance products that can protect against unexpected events may be beneficial to those who currently live from one paycheck to the next and lack a solid nest egg for the future. Additionally, as paycheck-to-paycheck living persists, the need for employers to help employees create a bridge from savings to income in retirement will grow.

Targeting Benefits to Employees with Prime Needs

While employees' concerns about their financial security are rising, many of those surveyed have yet to take full advantage of products such as life, disability, and long-term care insurance that can be important for preserving economic well-being and protecting against the unexpected.

ROOM TO IMPROVE OWNERSHIP OF ESSENTIAL PRODUCTS SUCH AS LIFE, DISABILITY AND LONG-TERM CARE INSURANCE



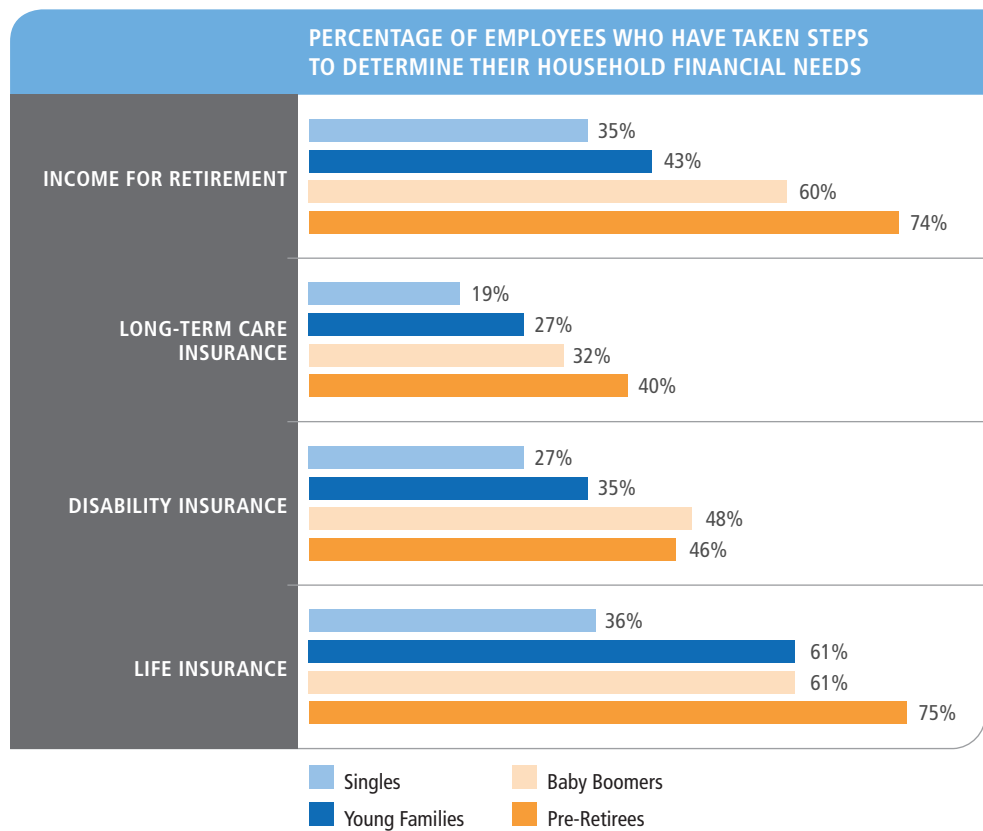
Did You Know?

According to the U.S. Department of Labor, life insurance and other types of insurance represented only 0.8% of the typical U.S. household's annual expenditures in 2005—less than the 1.2% of spending that went toward personal care products and services.⁸

Certain products, however, can be especially important for employees at specific life stages, suggesting an opportunity for companies to take a segmented approach to offering benefits. For instance, 53% of Singles currently own disability insurance, leaving room to increase ownership of this product among this group. Disability insurance can be especially important for single employees since they cannot rely on a spouse or partner's income if they are unable to work for a period of time due to an unexpected disability.

Yet even though 69% of Singles say they are very concerned about having enough money to pay bills during sudden income loss, only about one quarter (27%) have taken any steps to determine their household's disability needs.

EMPLOYERS CAN HELP EMPLOYEES ASSESS THEIR FINANCIAL PROTECTION NEEDS



When it comes to Young Families, life insurance can be important given the need to provide for children in the future. However, although 61% of Young Families say they are very concerned about having financial security for their family in the event of premature death, four in ten (39%) have not taken steps to determine their life insurance needs, and almost half (48%) of those who own life insurance either do not believe that their amount of coverage is adequate or are not sure.

Life insurance calculators, rules of thumb, and other types of decision-support tools can help Young Families better assess their life insurance needs and coverage levels on an ongoing basis as they experience different life events. This is an especially important process given that 60% of Young Families have also expressed concern about paying for their children's education. Communications geared toward Young Families can illustrate how life insurance can help ensure funding for children's schooling and their other financial needs in case of a parent's unexpected death.

Long-term care insurance can represent a valuable part of Baby Boomers' financial safety nets. As they look toward paying for retirement and their own elder years, 47% of Baby Boomers say they are very concerned about having the resources and time to enable them to care for aging parents or relatives. Yet 56% of Baby Boomers do not own long-term care insurance, and 68% of them have not taken steps to determine their long-term care insurance needs.

Overall, employers generally offer eight products at the workplace. They should continue to provide a diverse benefits offering that can accommodate a range of employee needs at different life stages. In addition, employers can target specific solutions to employees for whom those products are the most relevant.

Employers can also provide appropriate advice and guidance to help workers at certain life stages understand their insurance needs as part of their total financial picture. Tailored communications should contain content that clearly explains how benefits solutions can address the specific needs of employees at different points in their lives.

Employees in Need of Direction as They Approach Retirement Crossroads

Beyond the increasing employee concerns about meeting immediate and near-term expenses lies perhaps the greatest long-term question for all employees: How do I maximize my savings and ensure that I do not run out of money in retirement?

Indeed, employees continue to show concern over whether their money will last through retirement. This year, 55% of employees say they are worried about outliving their retirement money, a percentage that has remained about the same over the past three years. Furthermore, research from GfK Roper Consulting prepared for MetLife indicates that the personal finance issue individuals would most like to address is "saving for retirement."⁹

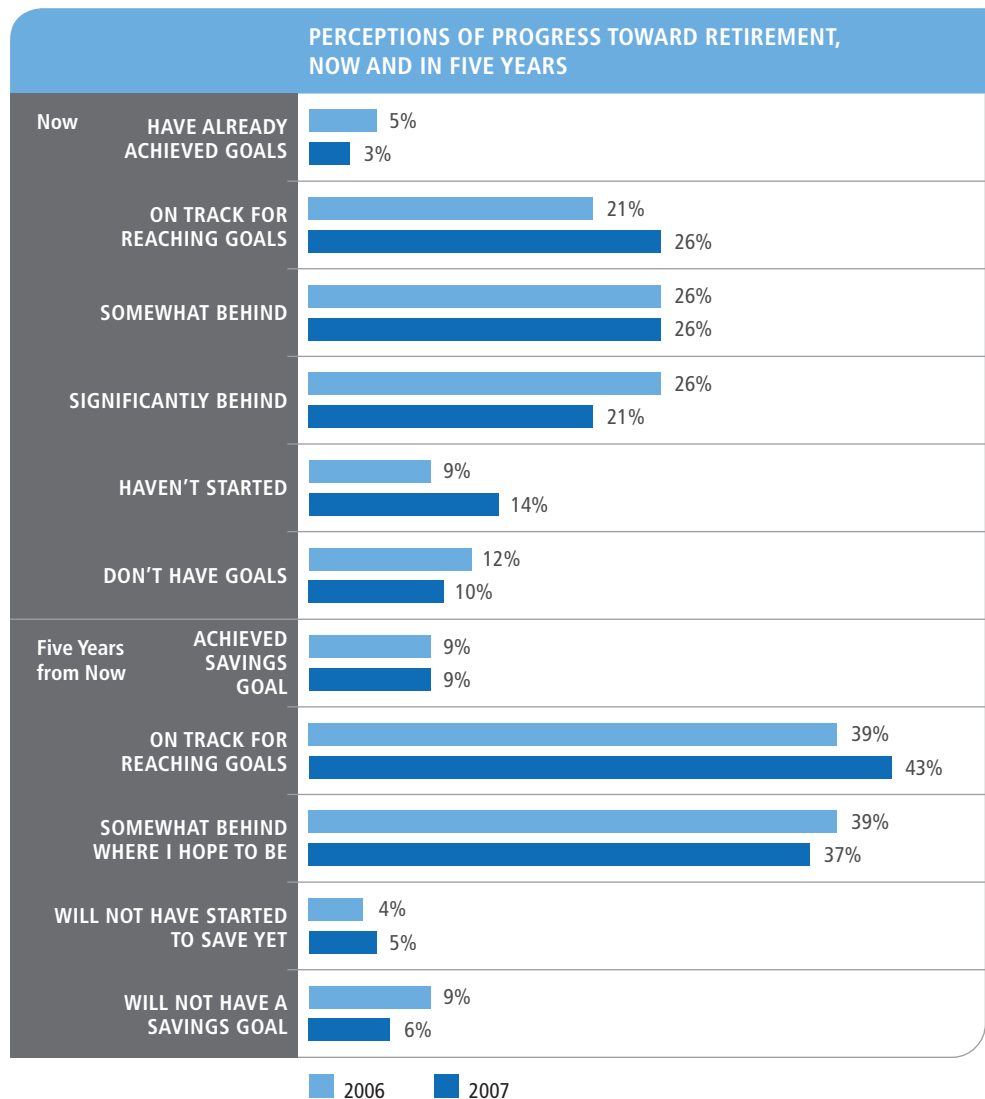
Gender Perspective:

70% of women are very concerned with having financial security for their family in the event of their spouse's premature death. Only 49% of men share this concern.

According to this year's Study of Employee Benefits Trends, employees are well aware of the challenges:

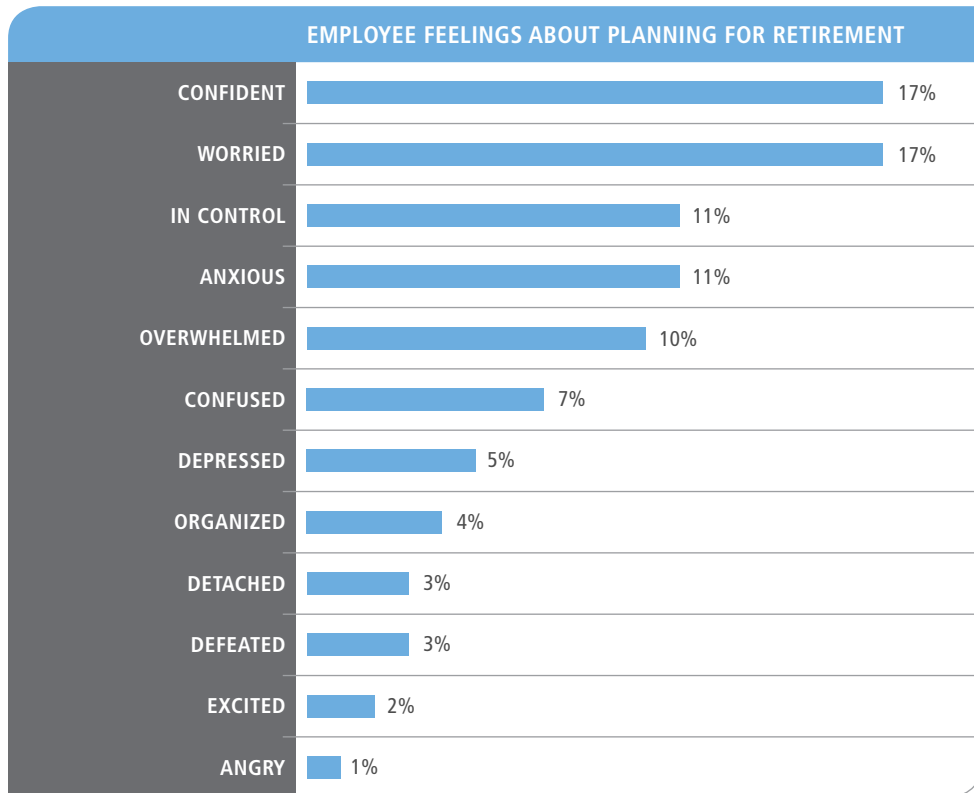
- Nearly half of employees, 47%, say they are behind schedule in saving for retirement, while 14% say they have yet to begin that process
- Seventeen percent of Singles and Young Families, on average, have not begun to save for retirement, while only an average of 10% of older workers, Baby Boomers and Pre-Retirees, have not begun saving

NEARLY HALF OF EMPLOYEES ARE CURRENTLY BEHIND ON SAVING FOR RETIREMENT, BUT OPTIMISTIC ABOUT THE FUTURE



While employees exhibit a range of emotions when it comes to retirement planning, only 17% feel “confident” and only 11% feel “in control.” Communications that can address employees’ emotions while providing useful advice and guidance can help employees feel more informed and secure as they prepare for retirement.

FEW EMPLOYEES FEEL “CONFIDENT” OR “IN CONTROL” ABOUT PREPARING FOR RETIREMENT



Regional Perspective:
 Only 34% of employers in the West say their company offers retirement advice and/or planning to employees approaching retirement. More than half of the employers surveyed in the South and the Midwest (51% and 53%, respectively) offer these services.

Gender Perspective:
 64% of women say they are very concerned about having to work full- or part-time into retirement, compared to only 46% of men.

Regional Perspective:

More employees who live in urban areas (29%) utilize a financial planning service, versus only 18% of employees who live in rural areas.

Company Size:

About one-quarter (27%) of employees at companies with 500 or fewer workers say they plan to spend only five years or less in retirement. At larger companies with 10,000 or more employees, only 17% of employees anticipate such a brief retirement.

Thirty percent of employees overall, and only 32% of Baby Boomers, say they have a formal retirement plan in place, a situation that could place a strain on the nation's overall support system as the Baby Boomers head toward retirement, and as employers continue to shift from offering defined benefit to defined contribution plans.

At the same time, nearly half of all employees (49%) say they are interested in advice on retirement plans, and 44%, up from 30% in 2006, say they would be interested in having their employer provide access to a financial planner to help them make decisions about all of their financial needs. Other MetLife research shows that among Pre-Retirees in particular, advice on how to generate income from retirement savings and investments is a top need.¹⁰

Employers have an opportunity to help employees develop a comprehensive retirement plan that accounts for the costs of healthcare and prescription drugs, expenses associated with long-term care for individuals and their spouses/partners, and a host of other factors related to finances and quality of life. A key factor in this plan is how much income a 401(k) plan can provide along with Social Security and a defined benefit plan, if applicable.

A retirement plan should also take into account how insurance can work in combination with an investment strategy to create a reliable and sustainable income stream in retirement. Even more important, however, is the question of ensuring that one's retirement savings last as long as they are needed. Providing ways for employees to take a more holistic look at their plan is a clear opportunity for employers.

Conclusions

- With U.S. employees expressing increasing levels of concern about many financial, retirement and benefits issues, employers can address this concern by increasing access to professional planners and advisors at the workplace.
- Employers that offer financial planning services may be able to differentiate themselves from the competition given the increasing appetite among employees for these services.
- Employers should be mindful of life-stage differences among their employees as they develop flexible benefits plans, targeted communications, and relevant education programs.

SECTION III

Benefits and Retention in the War for Talent

- A stronger apparent link exists between benefits and employee retention than ever before
- Benefits satisfaction, job satisfaction, and employee loyalty are all on the rise
- Benefits appear to be a more important contributor to employee loyalty than employers presume
- There is a gap between employer and employee perceptions of employers' loyalty to their employees
- As Baby Boomers approach retirement, greater attention will be given to benefits and programs geared toward aging workers and retirees

Greater Employee Retention Challenges Bring Benefits to the Forefront

Benefits as the Key to Retention

Companies can help retain their most talented employees by not only providing a broad benefits offering but also supporting employees in using these benefits as they take personal responsibility for their financial future. In last year’s study, MetLife pointed out that retention was the top benefits objective cited by employers—an assessment that holds true in this year’s study as well.

A correlation between benefits and retention appears stronger than in the past. Benefits satisfaction among employees has risen to 44% compared to 36% in 2004, and 58% of employers view benefits as important to retaining their employees.

In addition, among those who are highly satisfied with their benefits, 85% plan to be working for their current employer 18 months from now, compared to just 50% among those who are not satisfied with their benefits.

BENEFITS SATISFACTION HAS INCREASED YEAR OVER YEAR



Benefits Have Become a More Important Reason for Workers to Join and Stay With a Company

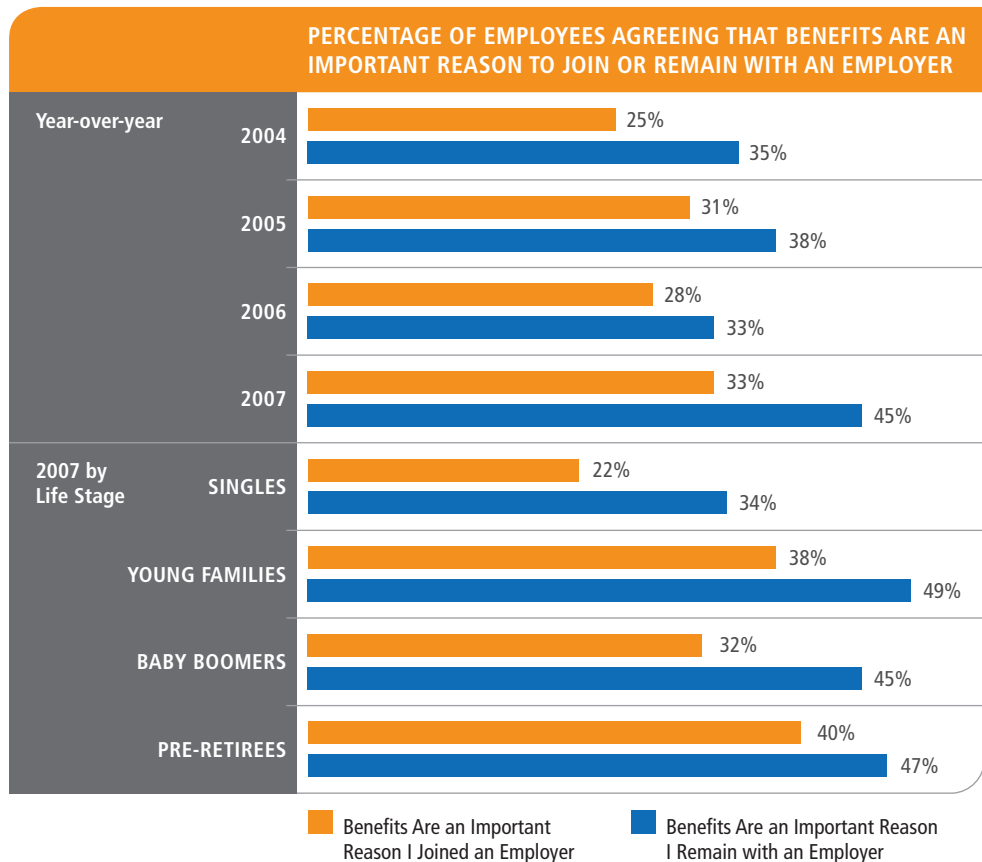
At the same time that benefits satisfaction has risen, employees are increasingly saying that benefits play an important role in their decision to join or remain with an employer:

- Forty-five percent of all employees say benefits are an important reason they remain at their current job, up from 33% in 2006 and 35% in 2004
- One-third say benefits were an important reason for taking the job in the first place, up from 25% in 2004
- Of those who are satisfied with their benefits, 70% say benefits are an important reason to remain with an employer, compared to just 14% among those who are not satisfied with their benefits
- Benefits have the greatest influence on Young Families (49%) as a main reason to stay at their current job, compared to only 34% of Singles

Gender Perspective:

More than half (54%) of women say that the benefits offered to them are an important reason why they remain with their employer, compared to only 38% of men who feel the same.

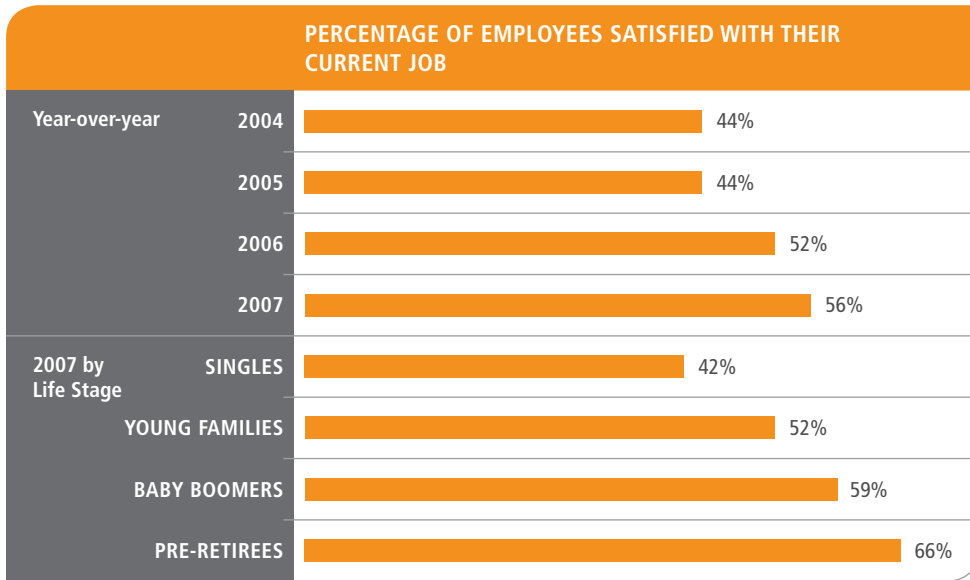
BENEFITS CAN BE A POWERFUL TOOL FOR ATTRACTING AND RETAINING TALENT



Benefits Satisfaction Continues to Be a Potential Factor in Job Satisfaction

Over the past four years, job satisfaction has risen at the same time that benefits satisfaction has risen. The alignment of these two trends continues to suggest that benefits may help keep workers happy with their jobs. Of those who are satisfied with their benefits, 75% are satisfied with their current job, compared to just 25% who are satisfied with their jobs among those who are not satisfied with their benefits.

EMPLOYEE JOB SATISFACTION IS ON THE RISE



By life stage, Pre-Retirees are the most satisfied with their job (66%) while Singles are the least satisfied (42%). It is worth reiterating that Pre-Retirees also show the highest benefits satisfaction (48%) while Singles show the least (39%).

As employers focus on retaining employees, one potential approach is to begin with benefits. A robust benefits offering combined with effective benefits education could improve workers' overall benefits satisfaction, which may translate into greater job satisfaction. Indeed, as benefits and job satisfaction have both risen to unprecedented levels in 2007, almost three-quarters (71%) of employees now say they plan to be working for their current employer 18 months from now.

Company Size:

68% of employees who work at companies with 10,000 or more employees say they have not changed jobs in the past 5 years, compared to 56% of employees overall.

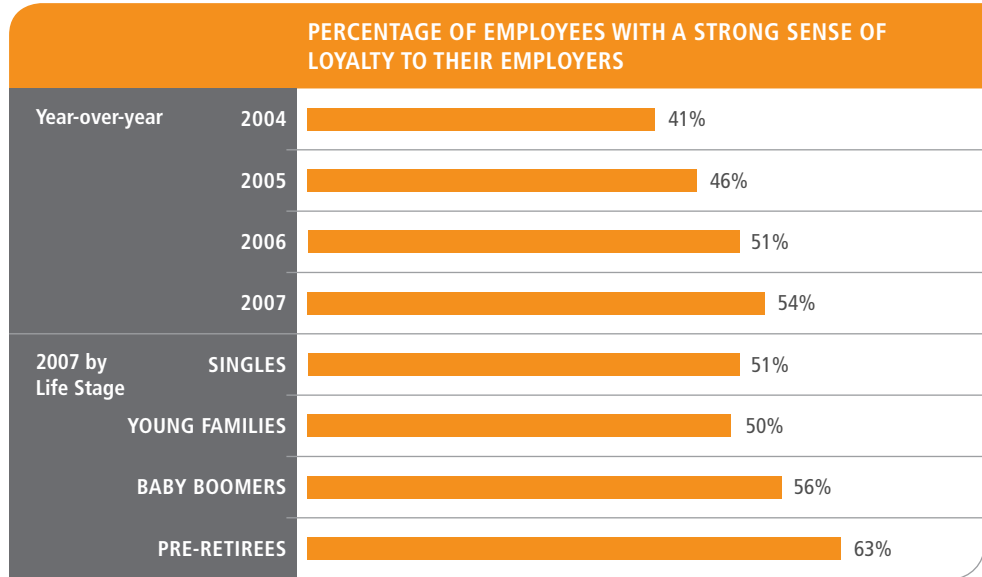
Industry Perspective:

71% of employees who work in Education say they have not changed jobs in the past 5 years, compared to 56% of employees overall.

Narrowing the Loyalty Gap With Benefits

Employee loyalty is often viewed as an important driver of retention. And when it comes to loyalty, benefits may play a more important role than employers think. At the same time that benefits and job satisfaction have risen, so has loyalty to employers.

EMPLOYEES' LOYALTY TO THEIR COMPANIES IS INCREASING



Gender Perspective:

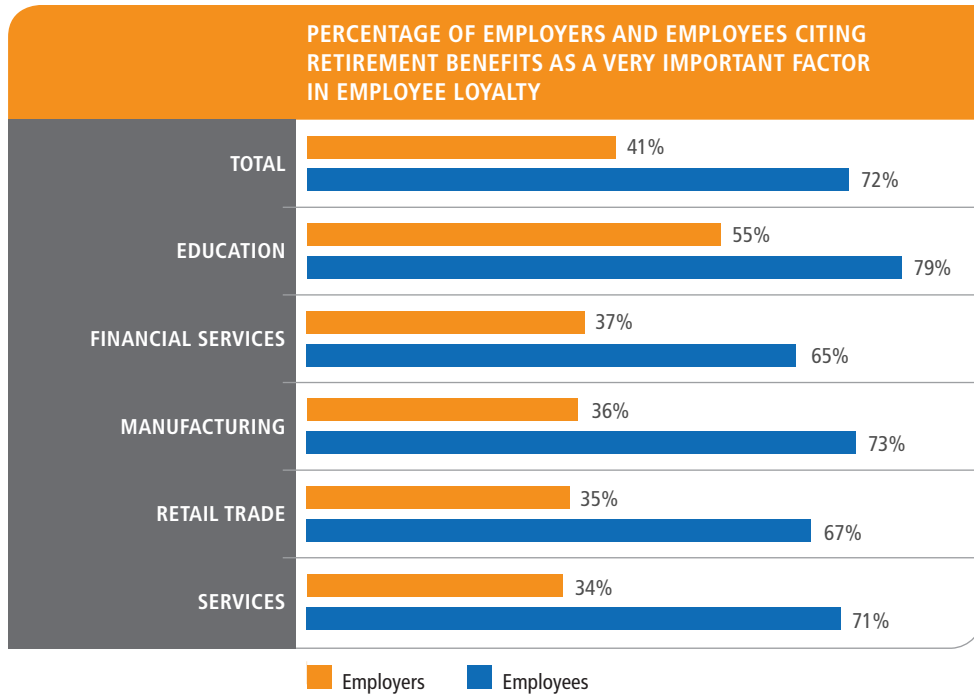
This year's study indicates that women in particular say benefits influence their feelings of loyalty to their employers. Asked their views regarding various benefits and other factors in terms of loyalty, 85% of women surveyed cited health benefits as "very important," versus 77% of men. More women than men, 78% versus 68%, also cited retirement benefits as "very important."

However, this year's study identifies what appears to be a gap between what employers and employees perceive as the contributing factors to this loyalty.

- Overall, 81% of employees say health benefits are an important factor in workforce loyalty, but only 60% of employers say the same
- 72% of employees say that retirement benefits are an important factor in workforce loyalty, but only 41% of employers say the same
- 51% of employees say that other insurance benefits such as life, dental, and disability insurance are an important loyalty factor, whereas only 41% of employers say the same

This gap persists across all the industries surveyed; for example, only 37% of financial services companies cite retirement benefits as an important loyalty factor, compared to 65% of employees in this industry who say the same.

EMPLOYERS UNDERESTIMATE THE IMPACT OF RETIREMENT BENEFITS AS A CONTRIBUTOR TO EMPLOYEE LOYALTY



Company Size:
84% of employees working for companies with 10,000 or more employees feel that retirement benefits affect how loyal they feel toward their employer.

This disconnect is also evident in the fact that while salary and health benefits seem to be the most important factors in loyalty to both employees and employers, employers place more importance on company culture and less on retirement benefits, whereas employees cite retirement benefits as more important than company culture.

Employers have an opportunity to better understand and respond to workers’ mindsets when it comes to loyalty. By viewing factors such as retirement and health benefits as important components of what they provide and communicate to employees, employers stand to increase loyalty and retention overall. Not only will they be able to address meaningful aspects of employees’ experience in the workplace, but they may also be able to meet their own strategic business objectives around keeping talented, skilled employees.

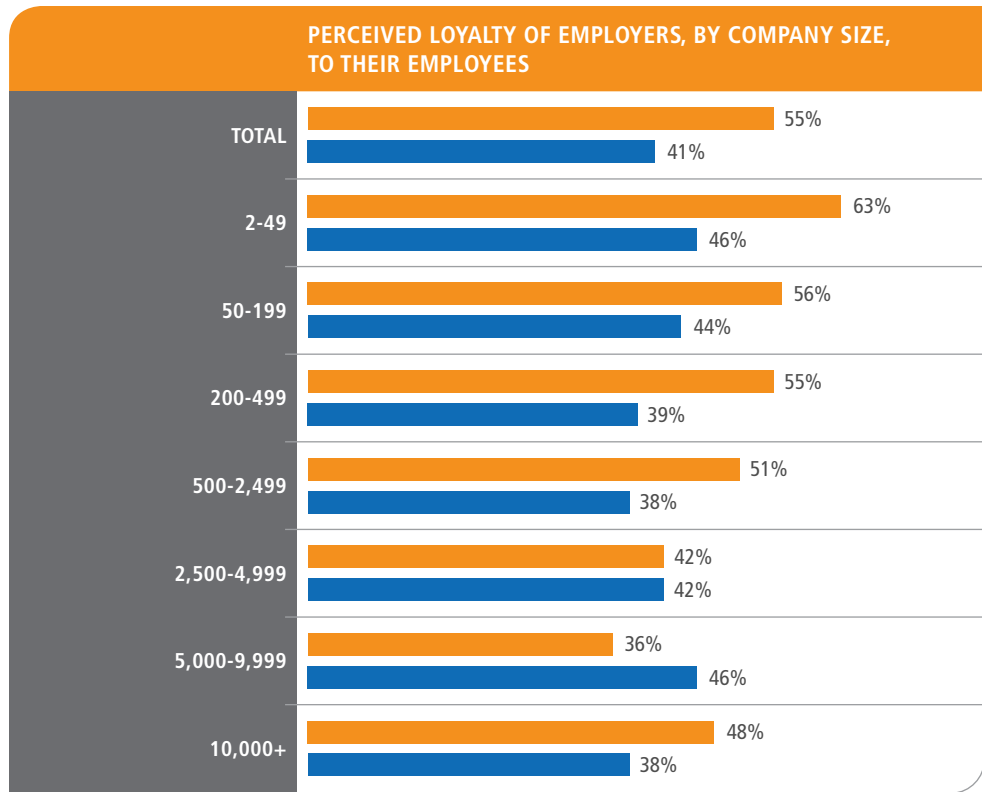
Companies' Perception of Their Own Loyalty to Workers May Not Match Employees' Perception

Employers' underestimation of benefits as a critical loyalty factor for employees may explain, in part, why employers perceive themselves to be more loyal to their employees than their employees actually think they are. Overall, 55% of employers say they feel loyal to their workers, whereas only 41% of employees feel that their employer is loyal to them.

With a few exceptions, this perception gap holds true across all company sizes. For example, 48% of employers with 10,000 or more workers say they are loyal to their employees, but only 38% of employees in this company size segment say that their employer is loyal to them. At the opposite end of the market, 60% of employers with fewer than 500 employees say they are loyal to their employees, but only 44% of employees in this group say that their employer is loyal to them.

Employers can help demonstrate their loyalty to their workers and potentially begin to narrow this gap by focusing on benefits, which employees cite as an important contributor to loyalty.

EMPLOYERS ACROSS MOST COMPANY SIZES BELIEVE THEY ARE MORE LOYAL TO THEIR EMPLOYEES THAN THEIR EMPLOYEES BELIEVE



Employers who believe they have a strong sense of loyalty to their employees

Employees who believe their employer has a strong sense of loyalty to them

Regional Perspective:

When asked how various factors affect employee loyalty, only 50% of employers in the Northeast believed company culture to be a very important factor, compared to 62% in the West.

The Advantages of Personalization

A one-size-fits-all benefits plan is not likely to be enough for employers hoping to increase loyalty and retention. A level of personalization is rapidly becoming a necessity for companies looking to maintain and improve employee retention rates in an increasingly diverse workforce. Consider the following statistics:

- In 2006, the percentage of U.S. households made up of married couples fell below 50% for the first time when it dropped to 49.7%¹¹
- Single-parent families made up 9% of U.S. households in 2006, up from 5% in 1970¹²
- The share of U.S. households consisting of a single person living alone increased to 26% in 2006, from just 17% in 1970¹³
- Unmarried heterosexual couples account for 5% of U.S. households¹⁴
- The number of unmarried opposite-sex couples increased by 14% since 2000. The number of male couples was up 24% from 2000 to 2006 and the number of female couples rose 12% over the same period¹⁵

From the employer's perspective, the implications of the evolving demographic make-up of today's workforce are clear. Employees' increasingly diverse needs necessitate benefits plans that are broad and deep enough to provide an adequate level of choice, based on different life stages.

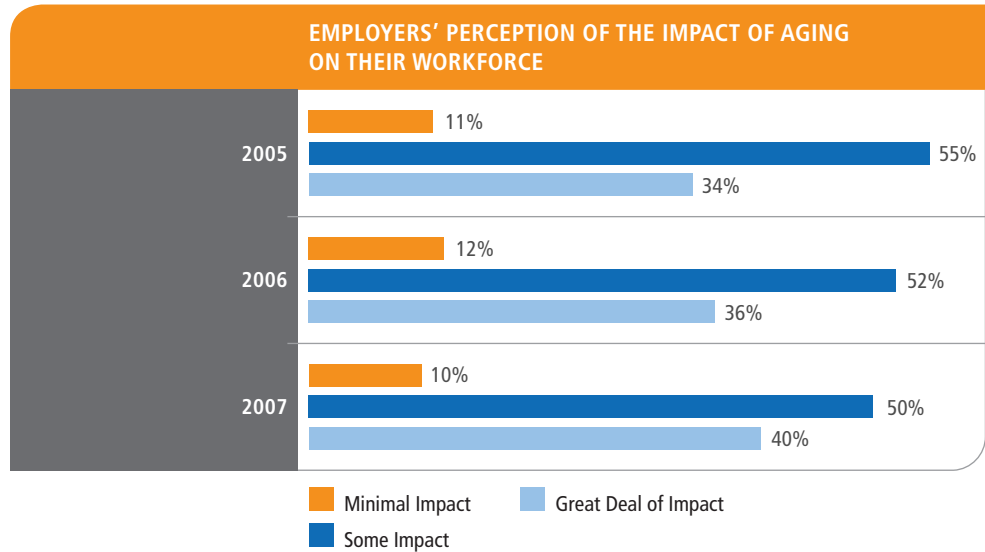
Gender Perspective:

65% of women and 50% of men say it would be easier to make benefits choices if they received a personalized benefits package that outlined the costs of different options.

The Baby Boomer Impact

Perhaps the most important demographic trend playing out in the United States is the aging of the population. While each of the four generations comprising today's workforce has a unique set of concerns, all will likely be affected by the approaching retirement of the Baby Boomers.

EMPLOYERS' BELIEF THAT THE AGING POPULATION WILL HAVE A GREAT DEAL OF IMPACT HAS INCREASED OVER THE LAST THREE YEARS



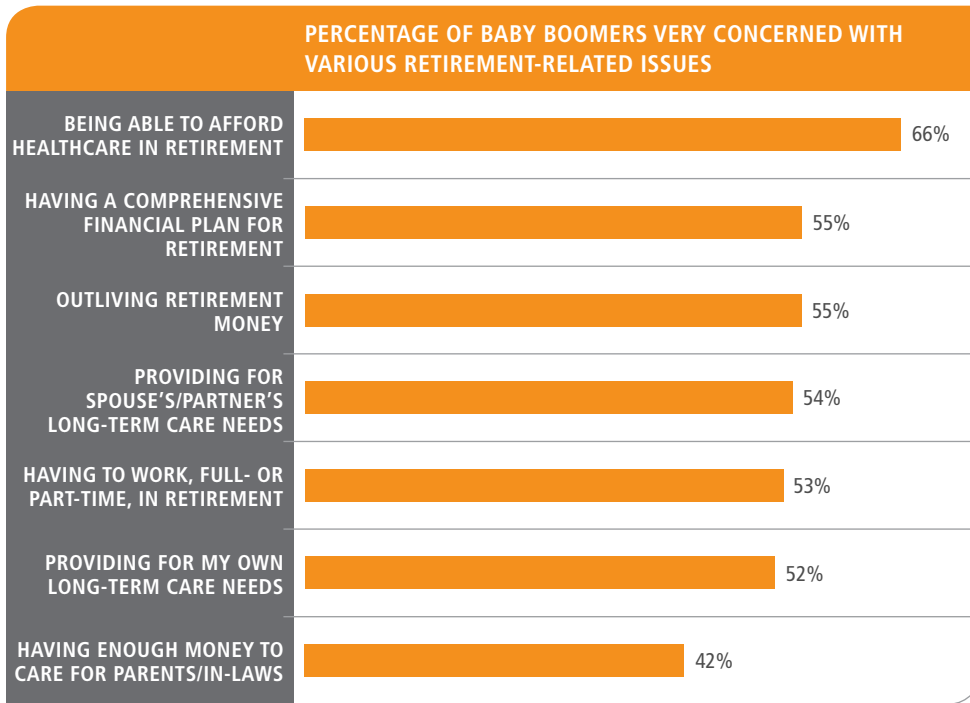
Did You Know?

Some people feel optimistic and positive about their retirement prospects. According to the MetLife study, *It's Not Your Mother's Retirement*, more than half (56%) of women with a retired mother believe their retirement will be better than that of their mothers. What's more, 41% of mothers believe that their daughters will enjoy a better retirement than they will.¹⁶

Employers expect the departure of the Baby Boomers from the workforce to shrink the size of the U.S. labor pool and strain resources, particularly the supply of valuable knowledge and experience that older workers possess. Ninety percent of employers say they believe the aging of the U.S. population will have at least some impact on the workforce, with 40% believing it will have "a great deal of impact," up from 36% in 2006 and 34% in 2005.

At every stage of life, the large population of Baby Boomers has had far-reaching economic and cultural impact. They will bring to retirement the same economic and societal clout they have wielded throughout their lives. Indeed, Baby Boomers make up 26% of the U.S. population and have estimated spending power of \$1.1 trillion.¹⁷

BABY BOOMERS' GREATEST CONCERN IN RETIREMENT IS AFFORDING HEALTHCARE



The intensifying competition for talented workers will place a premium on employers' ability to attract and retain the best employees. A possible labor shortage driven by the aging of the U.S. population in general, and the pending retirement of the Baby Boomers in particular, poses undeniable challenges, but also provides some unique opportunities for employers to supplement the workforce by increasing retention rates among older employees, who are less likely than young workers to be thinking about changing jobs.

- 77% of Baby Boomers say they plan to be working for their current employers in 18 months, compared to only 59% of younger workers age 21-30

Case Study: Weyerhaeuser Helps Workers Prepare for Retirement

The MetLife *Searching for the Silver Bullet* study provides a case study of Weyerhaeuser, an international forest products firm which, like some other companies, is helping employees over age 50 proactively plan how they want to spend their retirement years.

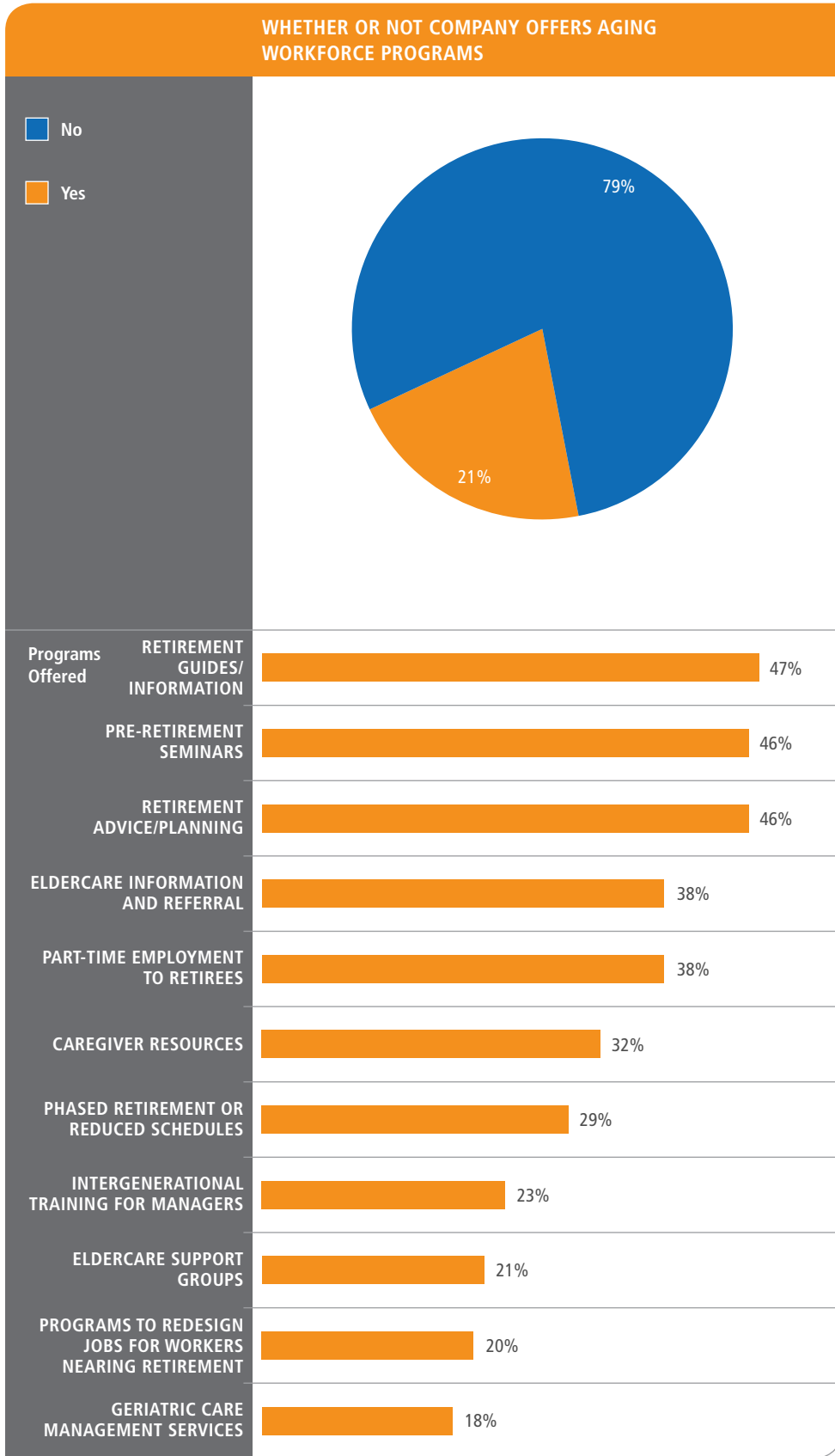
To help older workers prepare more effectively for this new life stage, Weyerhaeuser offers programs such as “Healthy, Wealthy & Wise.” This highly interactive three-day seminar for employees and their spouses/partners covers the psychological, social, and financial aspects of retirement, encouraging them to consider the next stage of their lives.

Helping employees plan for the transition to retirement can reduce anxiety, as they clarify the complex issues and decisions they will need to address. Companies that help employees move through this transition will inevitably contribute to a greater sense of loyalty among their workforce, which helps in recruiting and retention.¹⁸

As the Study suggests, two in five employers expect the aging population to have a great impact on the workforce, but only one in five since 2004 has taken any action to address this dynamic by offering resources designed for the needs of aging workers. Of the companies that do offer these resources, the most prevalent programs are:

- Retirement guides and information at 47%
- Pre-retirement seminars and retirement advice/planning at 46%

MOST COMPANIES STILL DO NOT OFFER PROGRAMS GEARED TOWARD AN AGING WORKFORCE

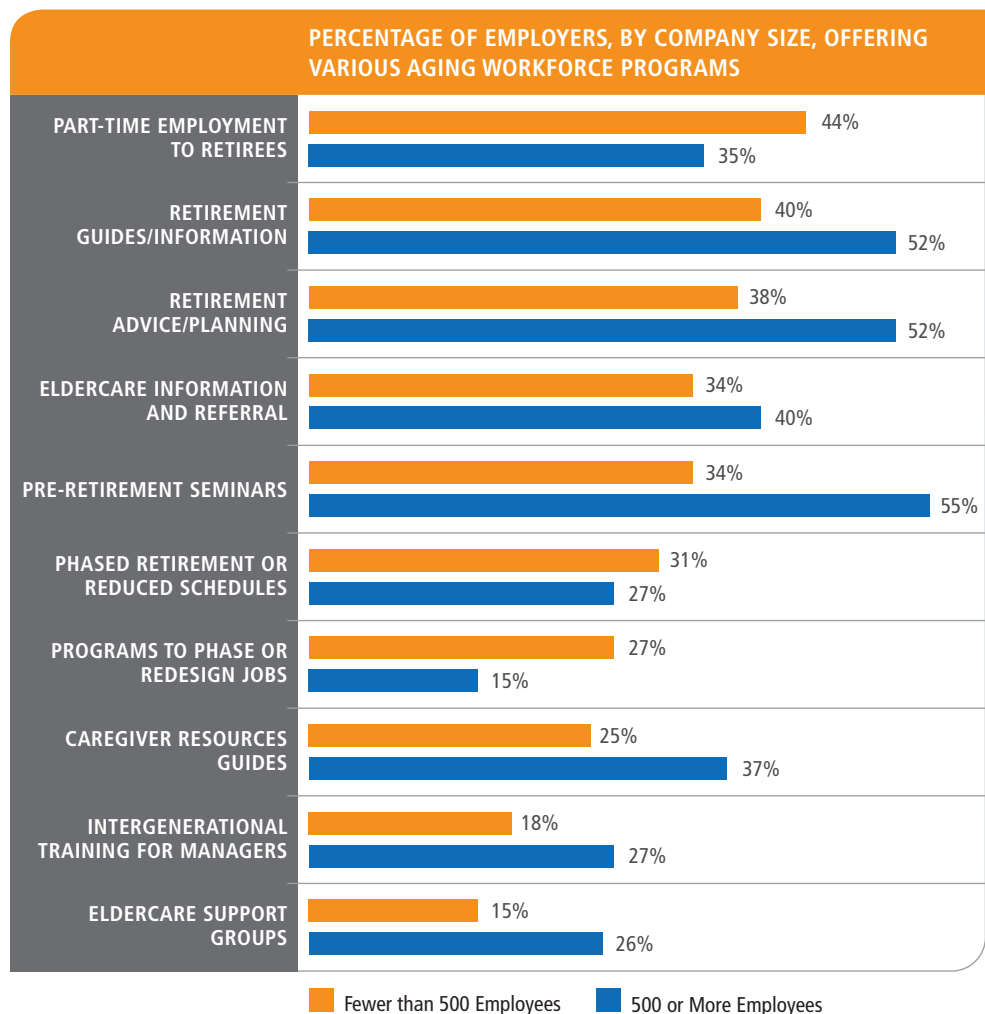


While larger companies are more likely to provide a wide range of resources for an aging workforce, smaller companies show greater flexibility in offering programs related to job design:

- 44% of companies with fewer than 500 employees offer part-time employment to retirees, compared to just 35% among companies with more than 500 employees
- 27% of smaller companies offer programs to phase or redesign jobs, versus just 15% among companies with more than 500 employees

Such programs for older workers not only can help prepare those employees for their retirement, but also may benefit employers looking to keep their most productive, seasoned workers who have knowledge and skills that are not easily replaced. This may be especially critical for such sectors as energy, government, aerospace and defense, and healthcare, which are all faced with large increases in retirement rates within the next five years.¹⁹

SMALLER COMPANIES ARE MORE LIKELY TO OFFER PHASED/PART-TIME EMPLOYMENT AND JOB REDESIGN FOR AGING WORKERS



The High Cost of Healthcare Remains a Prevalent Employee Concern

Employees of all life stages and generations are becoming increasingly concerned about having enough resources and time to care for aging family members:

- From a low of 40% in 2004 to 50% in 2007, employees surveyed are “very concerned” about their ability to provide for their spouse’s or partner’s extended long-term needs
- About four in ten employees are “very concerned” about their ability to afford care for elderly parents or relatives

Only 20% of employees currently own long-term care insurance through the workplace even though almost half of employers (46%) offer it. Companies can help their workers better understand the role of long-term care in their lives, especially since it is expected that the number of people with long-term care needs will more than double between 2000 and 2050.²⁰

Some employers are offering solutions such as critical illness insurance to help employees and their dependents address the financial implications of a catastrophic illness, such as loss of income and out-of-pocket deductible costs. Traditionally, critical illness insurance has been a voluntary product, but some employers today pay part or all of the cost.

Over the past few years, less than one in ten employers reported that they paid the entire cost of critical illness coverage regardless of company size. However, in 2007, the proportion of smaller versus larger employers paying part of the cost of critical illness insurance was significantly different at 11% and 29%, respectively.

As rising healthcare costs continue to be a challenge for employers, offering wellness programs could help curb these costs in the long term by helping workers lead healthier lives.

Gender Perspective:

A comprehensive financial plan is a greater concern for women, 62% of whom say they are very concerned about having one for retirement, compared to 49% of men.

Retiree Benefits in Today's Market

Less than half (42%) of U.S. employers currently provide benefits to retirees. Of these, nearly three-quarters (73%) say they expect to increase the dollar amount they spend on retiree benefits, up from the 63% that expected such an increase last year. This anticipated rise in spending is likely a reflection of a demographic reality in which large numbers of Baby Boomers are expected to retire in the coming years. However, it may also be an indication of employers' desire to retain talented older workers using benefits solutions. In addition, for the more paternalistic companies, retiree benefits can be a way to help those who have provided many years of service prepare financially for their retirement.

Currently, of those companies who offer retiree benefits, 33% offer health insurance, while just 20% offer dental insurance and 18% offer life insurance.

The aging of the workforce has the most immediate financial and fiduciary effect on companies that have traditionally provided a full slate of company-paid retiree benefits including healthcare coverage, pensions and other products. However, benefits for retirees and other offerings that help employees address their retirement concerns provide much-needed diversification for employers looking to increase participation and differentiate their plan in a highly competitive marketplace.

Retiree healthcare is a key area that requires monitoring by both employers and employees. In December 2007, the Equal Employment Opportunity Commission settled a long-standing issue with its determination that employers could take Medicare into account in the health benefits they offer retirees at age 65 when retirees become eligible for Medicare. This move has been viewed as a key step toward enabling employers to continue providing these benefits to those who retire before age 65 and are not yet eligible for Medicare.²¹

Conclusions

- As the reliance on benefits at the workplace grows, employers can potentially narrow the loyalty gap by promoting benefits, which may lead to improved employee retention.
- Similarly, companies can improve employees' perception of how loyal their employers are to them by providing health and retirement benefits, and by communicating the merits of these important offerings.
- As the Baby Boomers move toward retirement, many employers are adopting benefits geared to the needs of an aging workforce and extending their benefits plans to their own retirees. Offering retiree benefits, such as dental, critical illness and long-term care insurance, can serve a critical social function while simultaneously providing employers with a valuable retention tool for older employees and perhaps demonstrating employer commitment to younger workers.

SECTION IV

Raising the Stakes With Benefits

- Employers can maximize the effectiveness of benefits programs by gearing these programs to specific life stages and employee segments
- Voluntary benefits can help employers manage costs while broadening plan options
- Wellness programs can help workers lead healthier lives while helping employees control healthcare costs over the long term
- Employees continue to show interest in programs designed to address work/life balance
- Employers are exploring new strategies to help employees generate income for retirement
- Communications are crucial to delivering the advice and guidance requested by employees and to ensuring participation in the benefits companies provide

Optimizing Plan Value

Deriving More Value From Benefits

Considering that they appear to be ready for proactive involvement with planning for their financial future, if employees utilize company benefits smartly, they can empower themselves to address many of their ongoing financial concerns. Employers who promote the proper application of benefits products through targeted education and communication may increase employee participation rates and enhance business strategies that are focused on increasing employee loyalty.

For these reasons, optimizing the value of employee benefits plans for both employers and employees is becoming a strategic business imperative.

Building the Optimized Benefits Plan

Building an effective employee benefits plan to address employee financial concerns, support retention initiatives and control costs is an increasingly challenging task. The costs of providing healthcare and other benefits remain high, and workers' needs are even more diverse.

Three factors play a key role in benefits plan optimization strategies:

- **Breadth and Depth:** Offering a comprehensive safety net for all employees with a broad slate of benefits that can be personalized to the diverse needs of individual employees
- **Cost Efficiency:** Pursuing differentiating strategies for controlling costs—the second most important benefits objective for employers—through the use of voluntary benefits, work/life balance and wellness programs
- **Decision Support:** Working to ensure the proper application and wide adoption of employee benefits through effective communications, advice and guidance

Did You Know?

According to AARP, replacing experienced workers can cost at least 50% of an individual's annual salary in turnover-related expenses. The cost is even higher in jobs requiring specialized skills.²²

Industry Perspective:

29% of employers in the Education sector express interest in targeting benefits communications based on demographics and/or life stage, compared to 20% among all employers.

Personalized Benefits: Creating Value for “People Like Me”

As the workforce evolves, employers would do well to align their benefits strategies with employees’ needs at different life stages. This is consistent with the results of MetLife’s 2007 *Open Enrollment Study*, which found that employees are interested in receiving information geared toward “people like me,” that is, people from the same life stage:

- 59% of employees would like their employer to suggest benefits geared to someone in their life stage²³
- 22% say that life stage-specific guidelines or instructions would improve their overall open enrollment experience²⁴
- Younger Singles (42%) are least likely to say their benefits meet their life stage needs, while Young Families (57%) are most likely²⁵

At least some level of customization that enables employees to choose from a broad range of benefits will help ensure that employers’ expenditures actually result in plans that are both relevant to a diverse constituency and well-positioned to have a positive business impact.

Another compelling reason to personalize: Many employees have come to see “core” products such as health insurance and, to some extent, retirement savings plans, as expected components of an acceptable benefits package. In order to differentiate their plans from competitors’, employers are offering new, non-medical options that can provide employees with broad financial security.

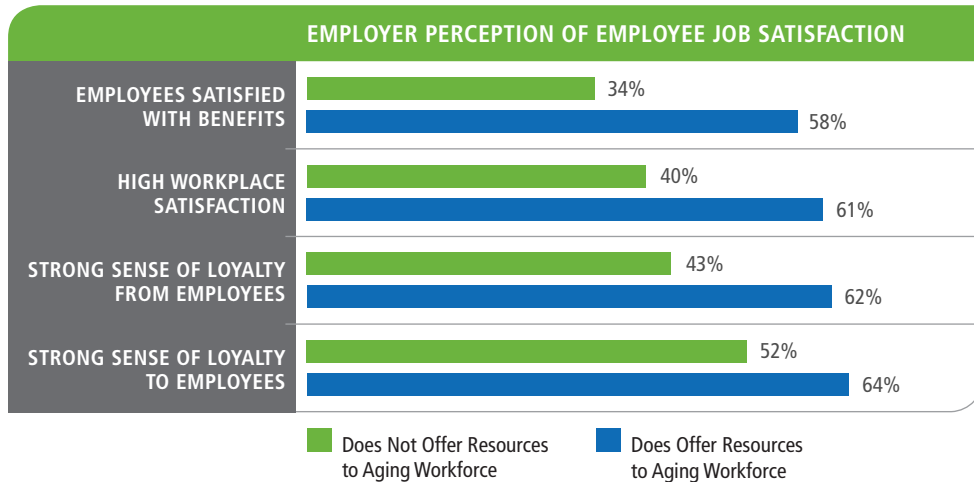
A Prime Demographic for Targeted Strategies—Older Employees

Focusing specific benefits offerings on older workers is a proactive way to optimize a benefits plan given the aging of the U.S. workforce.

- Sixty-one percent of employers that offer resources specifically targeting aging workers believe their employees are highly satisfied with their jobs, compared to just 40% of employers who do not offer these resources
- Among employers offering resources tailored to the needs of aging workers, 62% believe their employees have a strong sense of loyalty to the company; among companies not offering these resources, that share falls to 43%

By rolling out new products and programs aimed at meeting the needs of aging workers, such as long-term care referrals and elder care support groups, employers can help differentiate their plans and appeal to an increasingly powerful demographic group.

OFFERING BENEFITS TO AN AGING WORKFORCE MAY AFFECT EMPLOYERS' PERCEPTION OF EMPLOYEE SATISFACTION AND LOYALTY



Regional Perspective:
47% of Southern employees, versus only 36% in the West, say they would consider voluntary benefits because they trust their employer to screen insurance carries to find the best products.

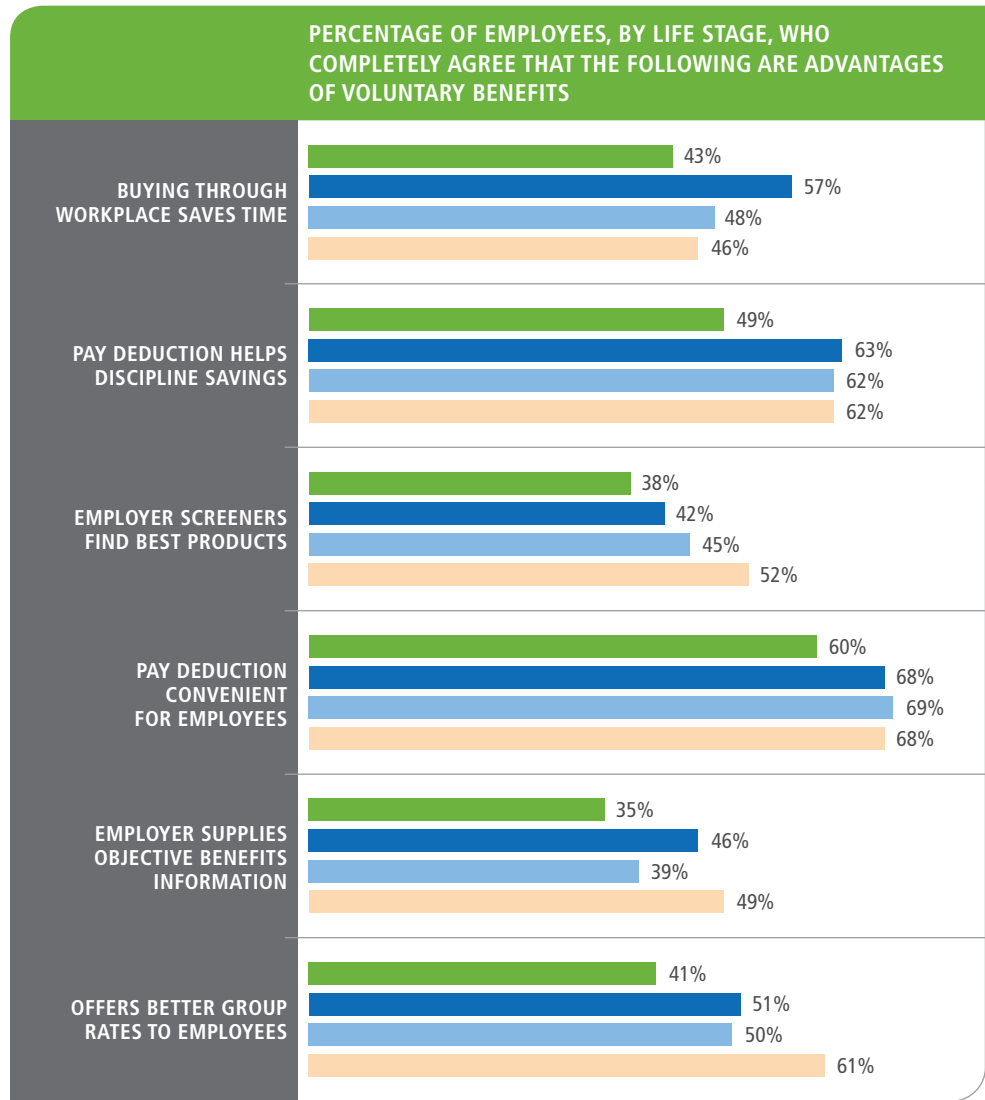
Voluntary Benefits: The Power of Choice

Adding voluntary benefits to a plan is one way employers can broaden their offering and address individual preferences without adding to their overall benefits costs. Thirty-six percent of employers cite providing a wider array of voluntary benefits as an important benefits strategy. At the same time, 44% of employees are interested in their companies offering a wider array of voluntary benefits, compared to 31% of employees last year. The value of voluntary benefits to employees—flexibility, convenient payment through payroll deduction, quality vendors, and better group rates—may offset any potential concerns they may have about paying most or all of the costs. According to the *MetLife Study of the American Dream*, over 90% of those surveyed feel that it is very important for companies to continue to offer benefits, even if employees have to pay most or all of the cost.²⁶

- Fifty-six percent of U.S. employers offer at least one voluntary benefit option, including 49% of companies employing fewer than 500 people and 64% of companies employing 10,000 or more
- Companies that provide voluntary benefits generally offer three voluntary benefits products
- According to the *MetLife Study of the American Dream*, retiree health insurance, retirement savings plans and income annuities are the most appealing voluntary benefits, highlighting a growing focus on preparing for retirement among Americans²⁷
- The percentage of companies offering Group Variable Universal Life Insurance to highly-compensated employees has gradually risen, from 12% in 2004 to 15% in 2007

Employees at different life stages perceive different advantages of voluntary benefits. For example, pay deduction and better group rates are seen as less valuable by Singles than by Pre-Retirees. These variations in attitude point to an opportunity for employers to tailor communications about voluntary benefits to each life stage using messages and positioning points that will resonate with that particular group the most.

PERCEIVED ADVANTAGES OF VOLUNTARY BENEFITS DIFFER BY LIFE STAGE



■ Singles ■ Baby Boomers
■ Young Families ■ Pre-Retirees

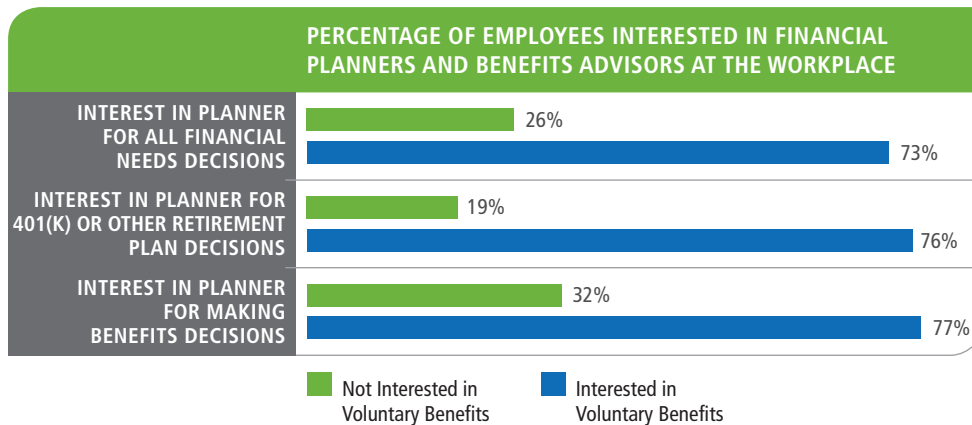
Voluntary Benefits and Employees' Interest in Advice and Guidance

Also of note is the fact that employees who express interest in voluntary benefits also express high levels of interest in advice and guidance in the workplace:

- 73% of employees who are interested in voluntary benefits are also interested in access to planners for all financial decisions
- 77% of employees who are interested in voluntary benefits also show high interest in planners to make benefits decisions

Voluntary benefits offer employees a wider array of choice, but employers must support their workers in making the smartest benefits decisions for them.

EMPLOYEES INTERESTED IN VOLUNTARY BENEFITS SHOW HIGH INTEREST IN DECISION SUPPORT FROM EMPLOYERS



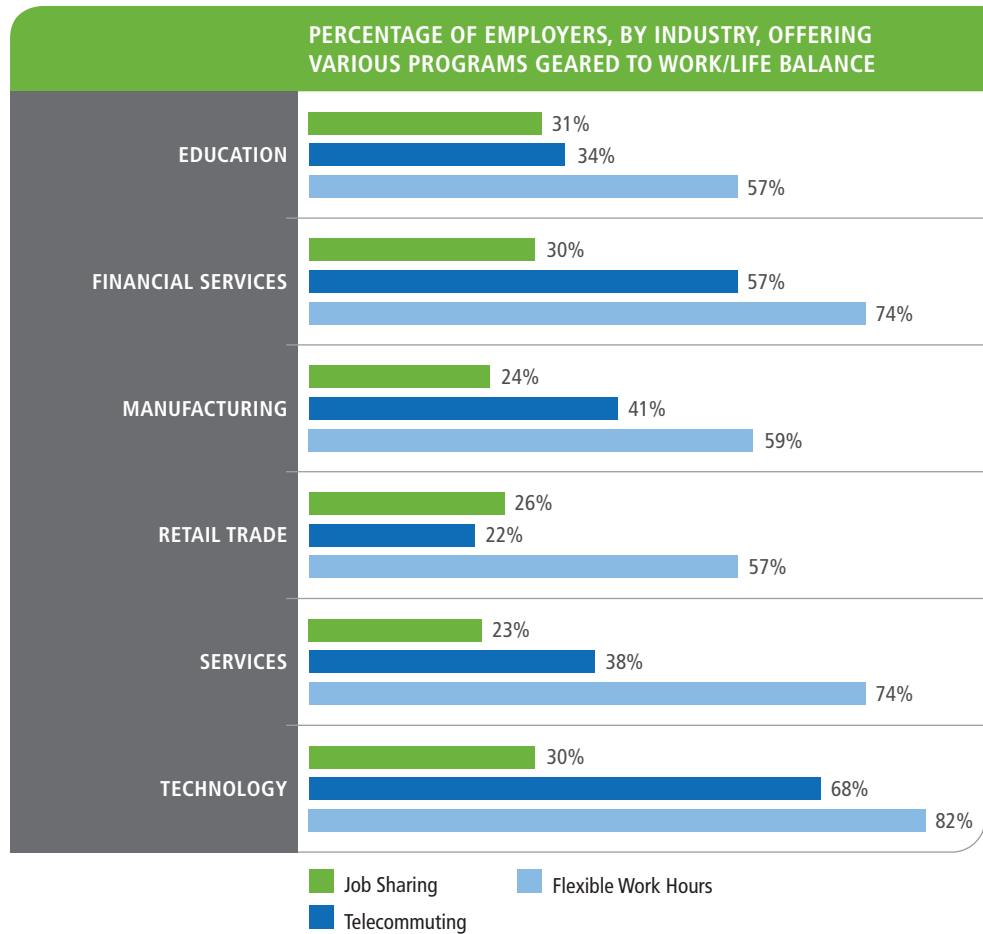
Work/Life Balance: Recognizing the Value of Time

There is likely as much diversity in how employees spend their time as there is among their financial needs. Today, many employers are introducing programs designed to help employees address this work/life balance. Employers participating in this year's study cite "providing employees with benefits designed to better balance their work and personal lives" as their top benefits strategy, followed by "providing better decision support tools."

Flexible work hours and job sharing can be particularly appealing to female employees who, without flexible work solutions, often leave the workforce temporarily or permanently to raise their children. These programs highlight the needs of today's workforce for personalization and are valuable tools that encourage employee loyalty and can lead to increased retention rates.

- 68% of employers offer flexible work hours and 41% offer telecommuting, which is consistent relative to the last two years
- For the past few years, about one in four companies has offered job sharing

AVAILABILITY OF PROGRAMS THAT CONTRIBUTE TO WORK/LIFE BALANCE VARIES BY INDUSTRY

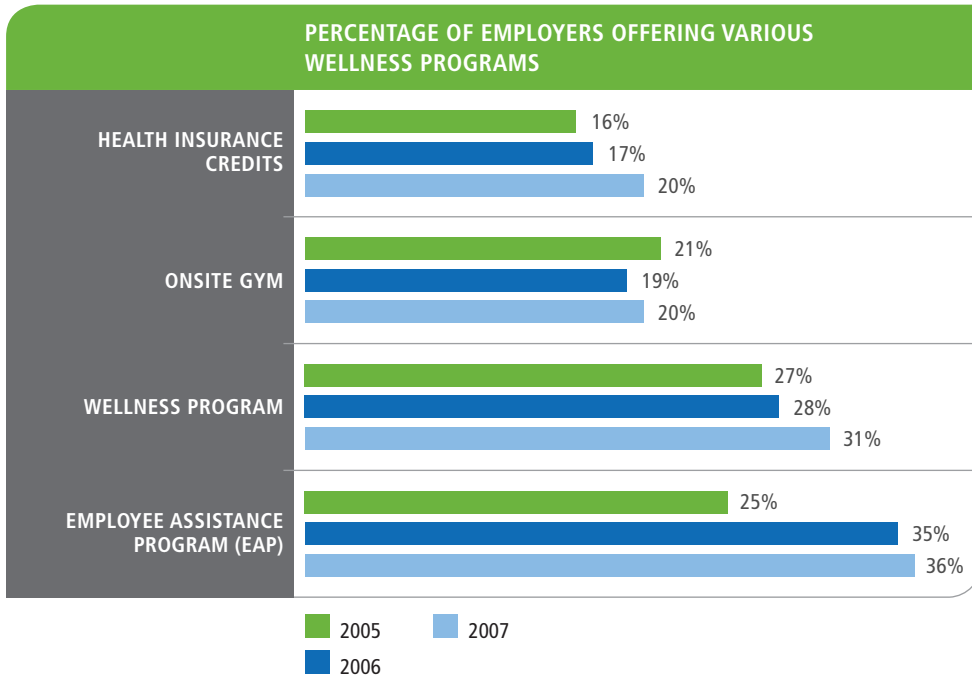


Creating a Culture of Health and Financial Security

Health continues to be a complex issue for employers. Companies are not only concerned with controlling the rising cost of healthcare coverage, but at a broader, more holistic level, they are also focusing on how to encourage employees to behave in ways that help them lead healthier lives. Employers are beginning to transcend their relationship with healthcare insurers by taking responsibility for health “assurance” themselves through wellness strategies and programs for workers.

Wellness and employee assistance programs (EAPs) are emerging as popular ways of enhancing a benefits offering with options that can meet a variety of employee needs and contribute to better health. In fact, the percentage of employers offering EAPs has increased to 36% in 2007 from 25% in 2005.

WELLNESS PROGRAMS CONTINUE TO INCREASE



In the long run, wellness and prevention programs can be beneficial for both employees and employers. If employees lead healthier lives, they may increase the potential for avoiding future costly medical procedures, which can help them amass greater wealth to address other needs and goals. Healthy employees are more productive and help curb employers' medical and disability costs. The availability of wellness programs helps employees take proactive steps toward improved health and can help strengthen employees' financial safety nets by cutting down on the need for premature withdrawal of savings for healthcare expenses.

EMPLOYERS ARE STARTING TO ENCOURAGE BETTER HEALTH AND WELLNESS THROUGH INCENTIVES



Did You Know?

In a Hewitt poll, two-thirds of companies said that wellness programs helped rein in their health costs by an average of \$5-\$12 per employee, per condition annually. Other statistics put business returns in the range of \$1.50 to \$17 per dollar invested.²⁸

Wellness programs are especially attractive to health-conscious employees and can encourage others to focus on health. Employers that support healthy lifestyle choices and make a commitment to controlling healthcare costs may attract employees who share these same values. Accordingly, wellness is becoming an innovative way to engage employees in company health initiatives.

Through their potential to reduce absenteeism, the incidence of disability, and costly medical treatments and procedures in the future, wellness programs have the potential to control long-term healthcare costs and improve workforce productivity. Robust rehabilitation and return-to-work services are becoming increasingly important to retrain employees for new job functions if they are unable to re-assume their original job function. Training a highly-skilled worker who is familiar with the company rather than a new hire can save time and costs.

Retirement Income: Optimizing Use of the 401(k) Plan

Innovative products and strategies are emerging in the way employers manage employee 401(k) plans—facilitated by the Pension Protection Act of 2006, which features numerous incentives to enhance and protect retirement savings for millions of employees.²⁹

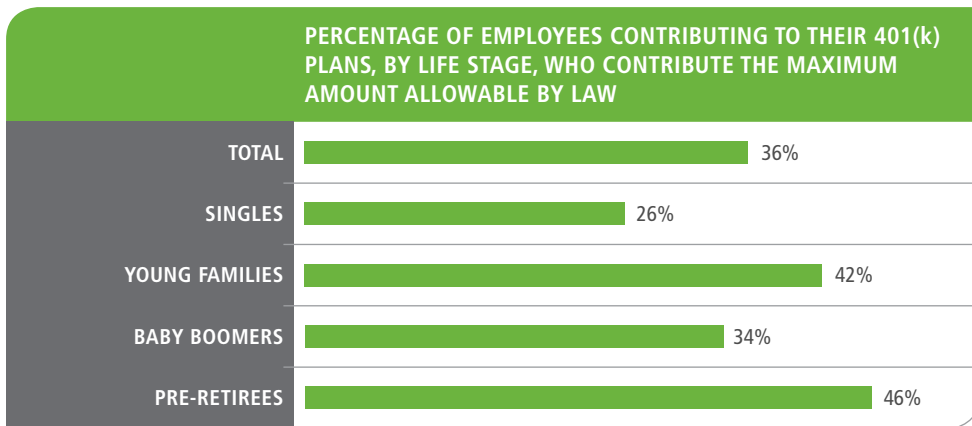
With many companies moving away from traditional defined benefit pension plans, 401(k) plans have become the primary retirement program for millions of U.S. employees. Increases in longevity, the persistently high cost of healthcare, a volatile global economy, and questions about the future solvency of Social Security have increased the need for 401(k) plans to meet the retirement income objectives of employees in the future.

While the majority of employees participate in a 401(k) plan, many do not appear to be taking full advantage:

- Since 2005, about 7 in 10 employees report that they participate in an employer-sponsored 401(k) plan, while less than half participate in pension plans
- Only 36% of participating employees make the maximum annual contribution allowed by law. Of those who do not contribute the maximum, 61% do contribute the maximum that their employers will match. These shortfalls may be understandable given a context in which 44% of employees surveyed describe themselves as living “paycheck to paycheck”

- While 90% of mid-sized companies (1,000 to 4,999 employees) and 93% of large companies (10,000+ employees) offer 401(k) plans, just 71% of small companies (2-499 employees) do so. Offering a retirement plan may differentiate smaller employers from their competitors

MANY EMPLOYEES DO NOT CONTRIBUTE THE MAXIMUM ALLOWABLE AMOUNT TO THEIR 401(K) PLANS



Employers Institute New Actions

To improve the effectiveness of their retirement benefits, many employers are complementing existing education and planning programs with products that relieve employees of the burden of having to make savings and investment decisions on their own:

- Almost 24% of all 401(k) plans had adopted automatic enrollment by 2006, up from 7% in 2002³¹
- New Department of Labor (DOL) rules that took effect in December 2007 in connection with provisions of the Pension Protection Act make it easier to automatically enroll employees in 401(k)s. The DOL estimates that the new regulations will add an additional \$134 billion in 401(k) accounts in 2034 for a total of as much as \$2.6 trillion in 2006 dollars³²
- For employers who only offer a 401(k) plan to their workers, or who have recently reduced or are planning to reduce defined benefit plans, there is an opportunity to re-position the 401(k) plan as the primary retirement program that generates income and is not simply a savings vehicle

Did You Know?

Over the last two decades, the number of defined benefit pension plans has declined precipitously. In the mid-80s, the number of pension plans had reached a peak of 112,000, with about one-third of American workers covered and sponsored by companies of all sizes. According to the Pension Benefit Guaranty Corporation, today only 30,000 defined benefit pension plans remain.³⁰

Income Annuities: An Important Retirement Income Distribution Strategy Poised for a Comeback

One way for employers to help employees manage the uncertainty associated with saving for retirement is to implement a retirement income distribution strategy, such as an income annuity.

Income annuities can help employees make the most of what they have in retirement. Although only 19% of employees currently say they own annuities, and only 7% of employees obtain annuities through their employers, revised fiduciary standards set forth by the Department of Labor as directed by the Pension Protection Act may pave the way for plan sponsors to take a renewed look at offering income annuities as a defined contribution plan distribution option.³³

According to this year's study, one in five employers with more than 10,000 employees would consider offering an annuity as a distribution option, with companies in the financial services industry most likely to offer the product.

Income annuities provide guaranteed income for life, and may represent a better alternative for employees than taking a lump-sum distribution from a 401(k) plan to ensure their retirement nest eggs will last as long as they need them to.

Benefits Communications: Delivering the Message

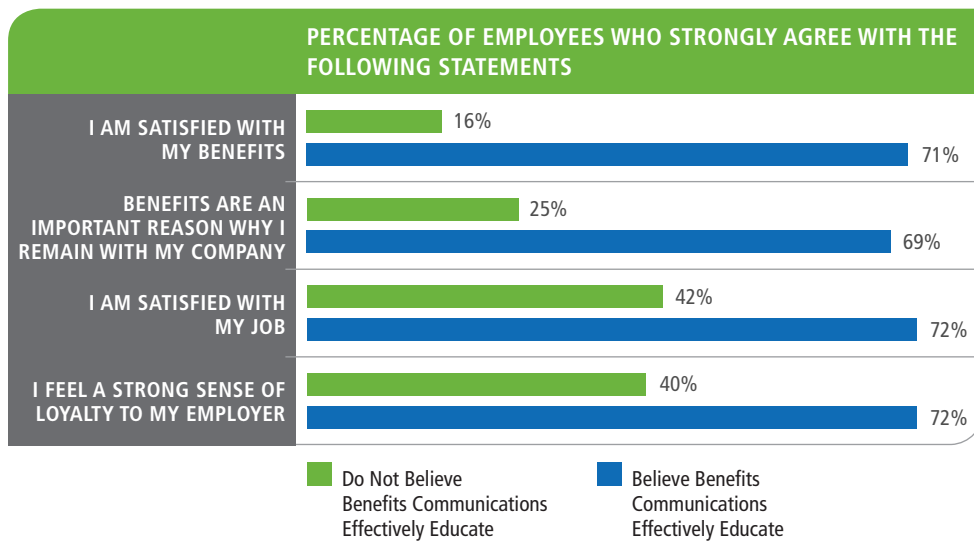
Delivering the education necessary to help employees make informed benefits decisions at different life stages is as important as the design and implementation of the plan as a whole.

Simply put, communications should be clear and concise. Employers seeking to improve communications can take advantage of multiple-media platforms and utilize techniques that cater to both visual and verbal learning styles. DVDs, streaming video and podcasts should all be considered viable methods for sharing benefits information. Other possibilities for enhancing benefits communications include multilingual support, life stage-based enrollment meetings, and intuitive, user-friendly information design.

Benefits communications can be powerful drivers of key business goals, such as employee loyalty and retention. The Study reveals:

- Of employees who believe their benefits communications are effective, 69% say that benefits are an important reason why they stay with their company, compared to just 25% among those who do not feel their benefits communications are effective

RELATIONSHIP BETWEEN BENEFITS SATISFACTION AND EFFECTIVE COMMUNICATION



Employers should take advantage of workers' new openness to assistance to push for even bigger gains:

- Forty percent of employees say their company's benefits communications effectively educate them and enable them to make selections that best meet their needs, up from 30% in 2005 and 33% in 2006

Advice is a Matter of Trust

Benefits communications need to be perceived by employees as a clear source of trustworthy advice. From that perception employees may become motivated to avail themselves of professional guidance through the workplace.

Although a growing share of employees say they would welcome advice from their employers when making benefits decisions, 49% still list their spouse or partner as their most frequent source of input and 39% turn to the printed benefits material their employer provides, while 24% and 21%, respectively, seek out co-workers or a human resources professional. A combination of education, awareness and accessibility may change this behavior.

As a component of an overall upgrade of decision support communications, this challenge may require employers to promote the advantages of seeking qualified advice when making decisions that have lasting impact on financial security.

Company Size:

At 65%, companies with 500 or more employees are more likely to offer employees a total compensation statement than companies with 2-499 employees, at 35%.

Communicating Value

In addition to educating employees about their benefits options and providing clear action steps around benefits decision-making, benefits communications should represent the company's commitment to the employee's needs. This commitment is demonstrated by the relevance of the benefits options to the individual and by their monetary value, explained in clear and straightforward terms.

In the rush to provide employees with the logistical details associated with their benefits, many employers overlook the opportunity to deliver this message of financial commitment. Employees who understand that their benefits have financial worth may be more attentive to them. In many ways this is the most essential message: Benefits not only have to be valuable, they have to be perceived as valuable.

Total Compensation Statements

Some employers today are viewing workforce management more holistically, moving from a traditional focus on pay and benefits to a "total reward" structure, which considers all the incentives available in the workplace, such as opportunities for learning and development and the quality of the work environment.³⁴

One of the simplest and most cost-effective tools to communicate the "total rewards" an employer provides to its employees is the total compensation statement. These statements, which are typically distributed on an annual basis, list employees' base pay, incentive compensation, the full costs of the company benefits they receive and a summary of all additional benefits. They are an explicit and easy-to-grasp breakdown of the full value of the compensation and benefits they receive from their employers. Forty-six percent of employers surveyed now say they provide their employees with total compensation statements, up from 42% in 2006.

Beyond the “Big Envelope”

While some companies put their benefits information on intranet sites or online portals, most rely on print materials and directories — i.e., the “Big Envelope” — to communicate benefits options.³⁵

Enrollment materials typically describe the benefits offered, provide some educational content and include the necessary enrollment forms. Taken as a whole, the packet of options can be difficult to use and can discourage employees from studying their options carefully. According to The MetLife “Big Envelope” White Paper, employees can experience a wide gamut of emotions during this period—from happiness to anger.³⁶ The Study of Employee Benefits Trends finds that 47% of all employees, up from 33% in 2006, expressed interest in having their employer provide them with access to benefits advisors to help them make decisions about their benefits options.

The “Big Envelope” study also found that while some employees approach the enrollment process in a systematic manner by performing their own cost-benefit analysis, most employees are not so meticulous.³⁷ Many employees’ increased concern over their financial security does not correlate with the time they spend considering their benefits options during open enrollment. Since 2004, the time spent on these important decisions has gone unchanged at approximately 30 minutes.

Employees who experienced a major event in the 18 months before completing the survey reported spending varying amounts of time making benefits decisions, based on the event. For example:

- Those who had a baby or bought a home spent about the same amount of time as all employees (27.5 minutes for both)
- Considerably more time was spent by those who were out of work on disability (55.8 minutes); began providing daily care to a friend or relative (55 minutes); or started a business (87.5 minutes)

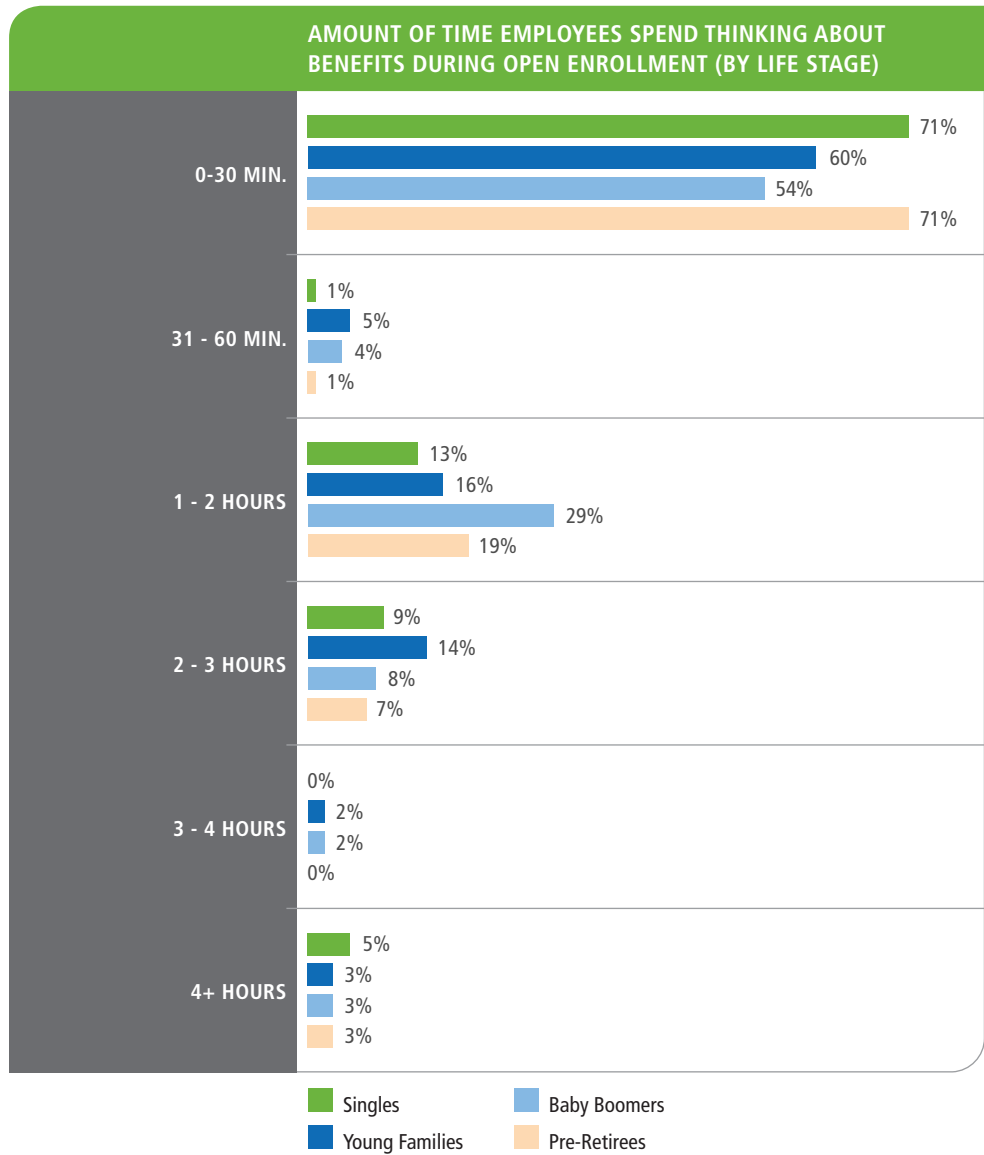
Company Size:

A much greater percentage of larger companies with 10,000 or more employees (72%) consider implementing or expanding self-service capabilities as a “very important” benefits strategy, compared to smaller companies with 2-499 employees (31%).

Did You Know?

Men and women spend about the same amount of time making benefits decisions during enrollment season (about 30 minutes) even though women typically show higher levels of financial concern.

MANY EMPLOYEES ARE SPENDING VERY LITTLE TIME ON BENEFITS DECISIONS



Did You Know?

Forty percent of women say time constraints limit their ability to conduct research and make good financial decisions, compared to 30% of men.

When it comes to experimenting with communications and providing access to tools beyond printed materials, employers are taking a decidedly proactive approach. For example, 51% of employers offer a benefits website where employees can access information and/or enroll in benefits programs and 38% say an employee benefits website is an important strategy.

EMPLOYERS' TOP COMMUNICATIONS-RELATED BENEFITS STRATEGIES



Conclusions

Employers seeking to optimize the performance of their benefits plans for their company and their employees have at least four main considerations:

- Ensure that benefits options, including voluntary benefits and work/life balance programs, meet the increasingly diverse needs of employees and are tailored to address the specific concerns of employees in various life stages.
- Develop communications programs that effectively educate employees so they are empowered to take action and obtain the most value from their benefits.
- Demonstrate the company's commitment to employees' financial security by communicating total compensation, including benefits, so that the perceived value of the benefits they receive is enhanced.
- Provide professional advice and guidance so employees can assess their current and future needs and make informed decisions. As employees become increasingly proactive in their financial preparations, adding or expanding financial planning and advisory services can be an effective means of optimizing plan performance.

SECTION V

Report Summary

What Employers Can Do Today

U.S. workers are ready to take a more proactive role in preparing to make benefits decisions, and want to improve their ability to make sound financial choices.

As they become increasingly engaged in planning their financial futures, employees are expressing more interest in receiving benefits guidance from their employers.

In response to increased employee interest, providing advice and guidance at the workplace is one clear action that employers can take to improve the performance of their plans. Additionally, employers can differentiate their plans by offering a broad range of both medical and non-medical benefits that address the diverse needs and priorities of a multi-generational workforce. These options can allow employees to optimize their benefits to meet their goals for short- and long-term financial security, while helping employers retain top talent.

Communications continue to play a major role in the optimization of benefits plans. Whether the goal is to engage employees in the process of benefits decisions, deliver advice, or to improve the understanding of benefits as a key component of a total rewards package, well-implemented and distributed communications are necessary. Providing the educational support employees need to take advantage of their benefits can have a lasting effect on their financial preparedness and confidence about the future.

Employer Action Steps

From the results of this year's study, the following are strategies that employers can consider as they optimize their employee benefits plans.

Strategy Assessment

- Conduct a comprehensive strategic review of your benefits plan and its ability to meet diverse employee needs and achieve company business goals. Evaluate the best means of funding additional benefits—whether they should be paid for by employees or by the company.
- Perform a detailed audit of your workforce to determine the value of enhancing demographically targeted programs, voluntary benefits and wellness programs as a means of differentiating the plan.
- Assess whether there are any gaps among your employees with regard to their company loyalty and their own financial security, and consider how to optimally use benefits to bridge those gaps.

Plan Optimization

- Consider adding benefits and resources that address the needs and challenges of the multi-generational workforce, including the expanding population of older workers and retirees.
- Maximize the versatility of work/life solutions such as flexible work hours, telecommuting and job sharing, which appeal to a broad cross-section of employees and can increase the overall value of benefits offered.
- Investigate the benefits of employee assistance and other wellness programs, which can lower healthcare costs and reduce the incidence of employee disability and absence over the long term.
- Consider taking advantage of favorable rule changes enacted as part of the Pension Protection Act to increase the efficacy of 401(k) plans. Consider adding features such as automatic enrollment and income annuities as a distribution option.

Decision Support and Education

- Explain to employees in simple terms how their benefits help “people like me.” Even customized benefits plans may not see higher levels of participation if targeted messages are not incorporated into high-quality employee communications.
- Make communications simple and personal by providing clear roadmaps for action that utilize familiar communications channels.
- Extend communications beyond the proverbial “Big Envelope” of traditional printed material, and provide value-added communications all year long. Adopt total compensation statements to fully explain the total rewards an employee receives.
- Seize the moment. Employees’ newfound willingness to accept financial planning assistance and become more involved in benefits decisions gives employers an opportunity to address business objectives while helping their employees create a personal financial safety net, thereby providing a valuable service to workers and society.

Methodology

The 6th annual MetLife Study of Employee Benefits Trends was conducted during the third quarter of 2007 and consisted of two distinct studies fielded by GfK Custom Research North America.

The employer survey comprised 1,652 interviews with benefits decision-makers at companies with a minimum of two employees. The employee survey polled 1,380 full-time employees, age 21 and over, at companies with at least two employees.

DEMOGRAPHIC PROFILE OF THE EMPLOYER SAMPLE

EMPLOYERS SPAN A BROAD RANGE OF INDUSTRIES, SIZES AND GEOGRAPHIC LOCATIONS.

INDUSTRY

Services	26%
Heavy Industry	17%
Sales/Trade	12%
Finance, Insurance, Real Estate	11%
Technology, Software and Services	11%
Education	8%
Public Administration	6%
Transportation, Communications, Electric, Gas, Sanitary Services	6%
Pharmaceutical/Biotech/ Life Sciences	4%

GEOGRAPHY

South	35%
Midwest	25%
West	21%
Northeast	20%

EMPLOYER SIZE (STAFF SIZE)

2-9	20%
10-49	20%
50-199	19%
200-499	5%
500-999	3%
1,000-4,999	13%
5,000-9,999	10%
10,000+	10%

UNION MEMBERSHIP STATUS

Have no union members	71%
Workforce includes union members	29%

Union breakdown:

Less than 30% of workforce	11%
30% to 69% of workforce	9%
70% or more of workforce	9%

Totals do not always equal 100% due to rounding.

DEMOGRAPHIC PROFILE OF THE EMPLOYEE SAMPLE

THE EMPLOYEES POLLED REPRESENT AN EQUALLY BROAD CROSS-SECTION OF RESPONDENTS. EMPLOYEE DATA ARE WEIGHTED TO REFLECT THE TOTAL U.S. WORKING POPULATION, EXCLUDING THOSE WHO ARE SELF-EMPLOYED.

GENDER

Male	56%
Female	44%

MARITAL STATUS

Married	59%
Single	18%
Divorced/Separated	12%
Domestic Partnership	9%
Widowed	1%

ETHNIC BACKGROUND

Caucasian	69%
Hispanic	13%
African-American	11%
Asian	5%
Other/No Response	1%

FAMILY STATUS

Do Not Have Children Under 18	60%
Have Children Under 18	40%

INDUSTRY

Services	23%
Heavy Industry	20%
Sales/trade	14%
Transportation, Communications, Electric, Gas, Sanitary Services	11%
Education	10%
Finance, Insurance, Real Estate	10%
Technology	5%

GEOGRAPHY

South	37%
Midwest	23%
West	22%
Northeast	19%

EMPLOYER SIZE (STAFF SIZE)

2-9	8%
10-49	15%
50-199	14%
200-499	9%
500-999	8%
1,000-4,999	15%
5,000-9,999	7%
10,000+	25%

WORK STATUS

Executive	41%
White Collar	31%
Blue Collar	17%
Other	11%

AGE

21-30	18%
31-40	26%
41-50	29%
51-60	20%
61 and over	7%

HOUSEHOLD INCOME

Under \$30,000	10%
\$30,000 to \$49,999	20%
\$50,000 to \$74,999	25%
\$75,000 to \$99,999	17%
\$100,000 to \$149,999	18%
\$150,000 and over	10%

Totals do not always equal 100% due to rounding.

About MetLife

MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is a leading provider of insurance and financial services with operations throughout the United States and the Latin America, Europe and Asia Pacific regions. Through its domestic and international subsidiaries and affiliates, MetLife, Inc. reaches more than 70 million customers around the world. MetLife is the largest life insurer in the United States (based on life insurance in force). The MetLife companies offer life insurance, annuities, auto and home insurance, retail banking and other financial services to individuals, as well as group insurance, reinsurance and retirement & savings products and services to corporations and other institutions.

For additional information about the 6th annual MetLife Study of Employee Benefits Trends, please visit whymetlife.com/trends1 or contact Neil Marcus, Director of Marketing Research, at 212-578-7713 or nmarcus@metlife.com.

Online Resources

Visit whymetlife.com/trends1 for additional resources to help you navigate and use the Study of Employee Benefits Trends. There you will find downloadable charts, interactive polls on the latest benefits issues, press releases, information about events featuring the Study, and other tools for employers and intermediaries.

Other MetLife published reports and press releases, including those referenced in the Study, can be found at whymetlife.com:

- The MetLife Benefits Benchmarking Tool
- The 2008 MetLife Study of the American Dream
- The “Big Envelope” White Paper: Benefits Open Enrollment—The Employee Experience
- Searching for the Silver Bullet: Leading-Edge Solutions for Leveraging an Aging Workforce
- It’s Not Your Mother’s Retirement: A MetLife Study of Women & Generational Differences

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