



ReFocus2009
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...March 1-4, 2009, Four Seasons, Las Vegas, NV

A Global Gathering for Senior Life Insurance and Reinsurance Executives

ReFocus 2009

March 1-4, 2009

Las Vegas, NV

**C2 – Opportunities in the Voluntary Health
Benefits Market**

Janet Buzil, [David MacLean](#)

Moderator

Andrew Perkins

Benefits and Employee Retention in an Age of Personal Responsibility

MetLife[®]



Findings from the 6th Annual MetLife Study of Employee Benefits Trends

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MetLife

Employee Benefits Trend Study Methodology

Objective: To gain insight into current and future issues that impact employer and employee benefits needs

- Employer Study:
 - 1,652 benefits decision makers
 - Companies with at least 2 employees
 - Mix of industries and geographic regions
- Employee Study:
 - 1,380 full-time employees
 - Employed at companies with at least two employees
 - Age 21 and over

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The World We Live In

- Family dynamics are changing
 - Married couples slipped below majority threshold of all U.S. households in 2005 from 52% to 49.7%
 - Single-parent Families increased to 9% in 2006 from 5% in 1970
- Social Security and Medicare may no longer be sure bets
- The population is living longer and working longer
- Many Americans haven't saved enough for retirement
- Healthcare costs continue to rise
- Technology is driving new benefits communication possibilities

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Changing Employee Demographics

- For purposes of the Employee Benefits Trend Study, we characterized the four generations in the workplace as follows:
 - Singles – Never married
 - Young Families – Parents of children under 6
 - Baby Boomers - Born from 1946 to 1964
 - Pre- Retirees – Ages 61 and over
- Employers should recognize the changing dynamics of four generations in the workforce; approximately 90% of employers agree that the aging population will have at least some impact on their workforces

*The New York Times, To Be Married means to Be Outnumbered, October 15, 2006, www.nytimes.com/2006/10/15/us/15census.html?_r=TopReference/Times%20Topics/Subjects/H/Housing

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Agenda

Primed for Action – Workers want help planning for the future

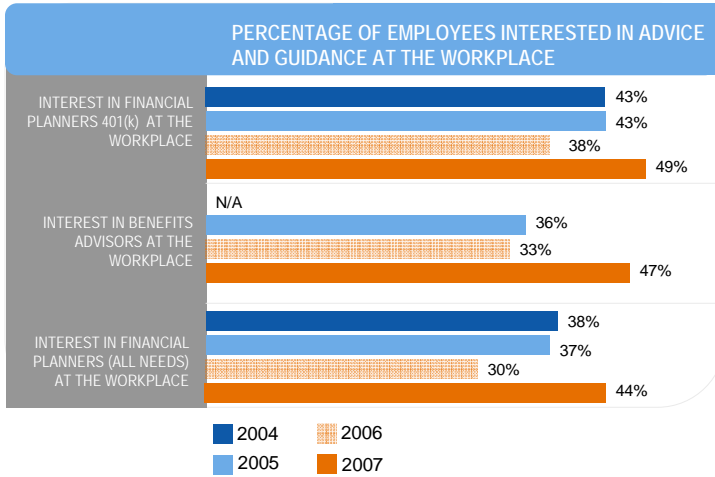
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Primed for Action – Workers Want Help Planning For The Future

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

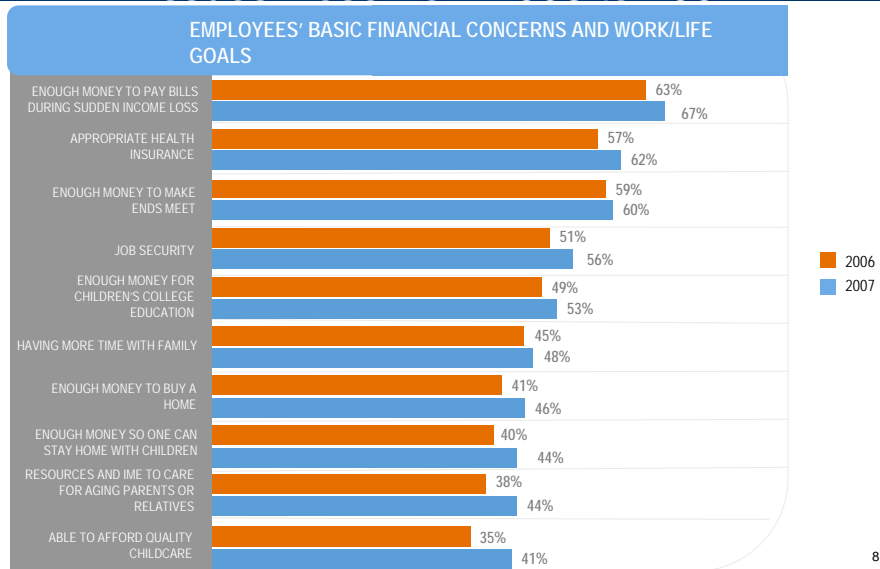
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Employees Are Interested In Advice And Guidance at the Workplace



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Concern Over a Wide Array of Financial Issues Rose from 2006 to 2007



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An Age of Personal Responsibility

- Growing sense of concern about future economic security
 - 64% of Americans continue to feel more pressure to provide for financial security as a result of diminished confidence in government-sponsored benefits such as Social Security and Medicare¹
 - 77% said they are taking action to create their own personal safety net¹
- Living paycheck to paycheck
 - 44% of all employees (up from 37% in 2006)
 - 49% of women
 - 40% of men
 - 59% of young families

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.

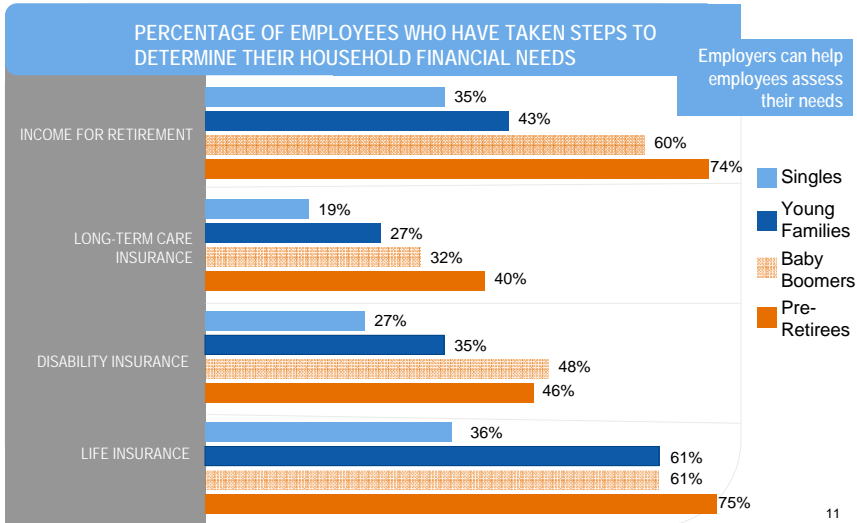
¹MetLife, American Dream Study, 2008

Employee Concerns Have Not Yet Materialized Into Action

- 47% are “very concerned” about having a financial plan
- Only 27% of employees surveyed have a comprehensive financial plan
- Only 37% of employers offer planning services

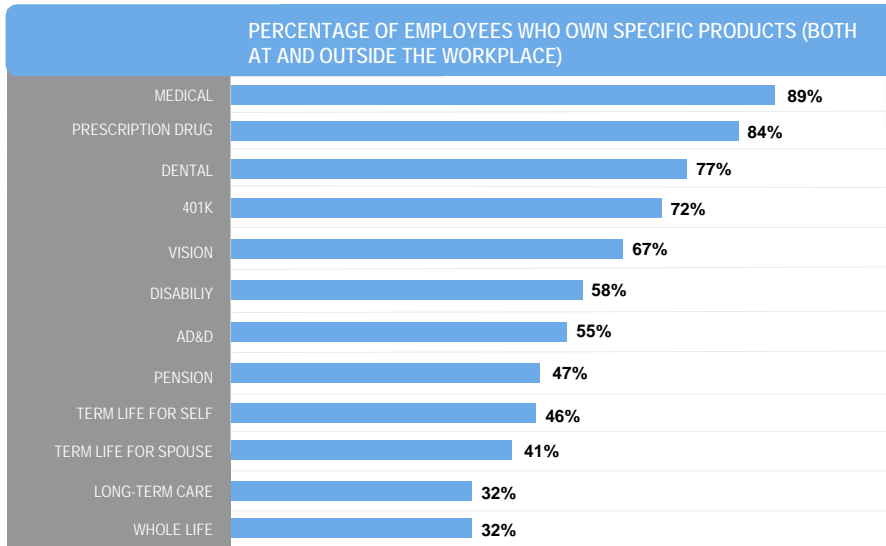
This creates opportunity for employers to better meet the growing demand among employees for these services

Employees Are Not Taking Steps to Assess Financial Protection Needs



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Room to Improve Product Ownership



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Employees in Need of Direction as They Approach Retirement

- 55% of employees are worried about outliving their retirement money
- 50% of employees are "very concerned" about ability to provide for their spouses or partner's extended long-term needs
- Four in ten employees are "very concerned" about their ability to afford care for elderly parents or relatives Personal financial issue that employees would most like to address is saving for retirement*
 - 47% of employees feel they are behind schedule in saving for retirement
 - 14% have yet to begin saving for retirement
 - 10% of Baby boomers and Pre-retiree's have not begun to save for retirement Increasing concern about having enough resources and time to care for aging family members

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

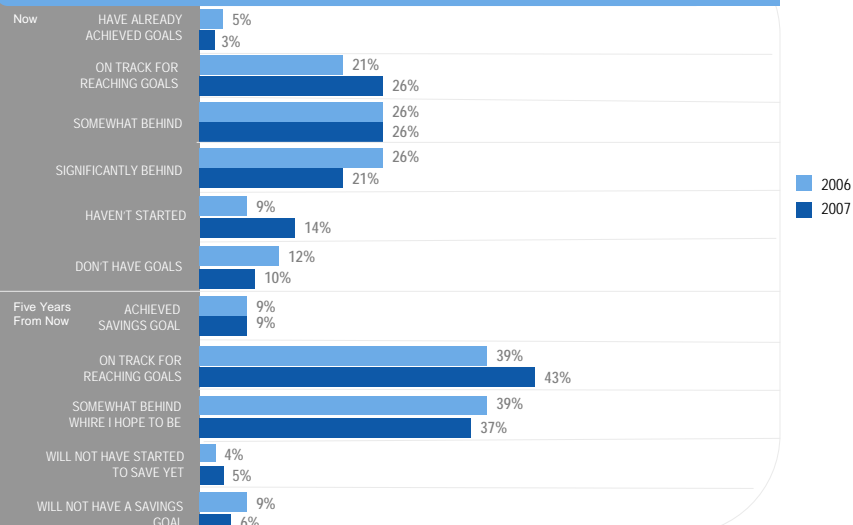
GIK Roper Reports® U.S. 2007 Consumer Prospective, *America Awaking*, June 2007

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Nearly Half of Employees Surveyed Stated They are Currently Behind on Saving For Retirement, But Optimistic About Future Savings

PERCEPTIONS OF PROGRESS TOWARDS RETIREMENT, NOW AND IN FIVE YEARS

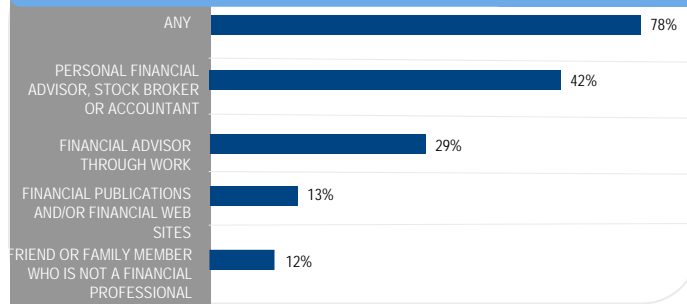


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Opportunity Exists to Help Employees Create A Formal Retirement Plan

- Only 30% of employees surveyed have a formal retirement plan
- 49% are interested in retirement planning advice

WHO DO YOU CONSULT TO PREPARE YOUR FORMAL RETIREMENT PLAN



While only 29% consult with financial planners at the workplace, there is increasing interest in getting financial advice

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 consultants 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.

Agenda

Benefits and Retention in the War for Talent – Greater employee retention challenges bring benefits to the forefront

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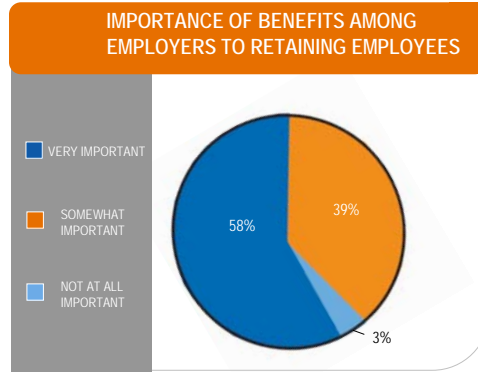
Benefits and Retention In the War for Talent -- Greater Employee Retention Challenges Bring Benefits to the Forefront

- A stronger apparent link exists between benefits and employee retention
- 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 employers
- As Baby Boomers approach retirement, greater attention will be given to benefits and programs geared toward aging workers and retirees

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More Than Half Of Employers Believe Benefits are Very Important in Retaining Employees

- 90% of Americans believe that it is important for companies to offer benefits, even if employees pay most or all of the cost – 71% say it is "very important"
- 58% of employers believe that benefits are important to retaining their employees

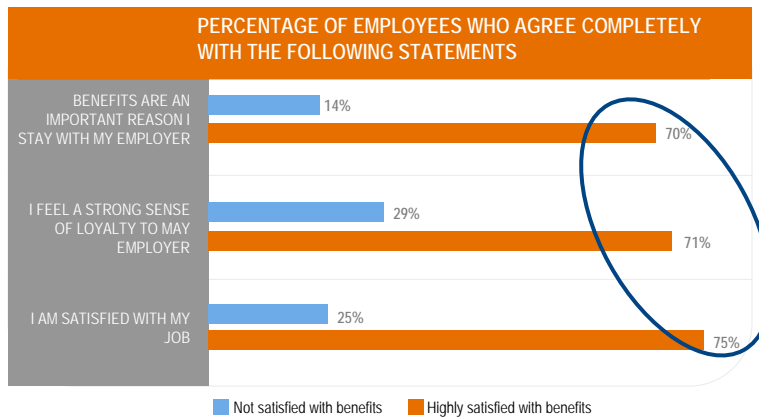


*2008 MetLife Study of the American Dream, January 2008

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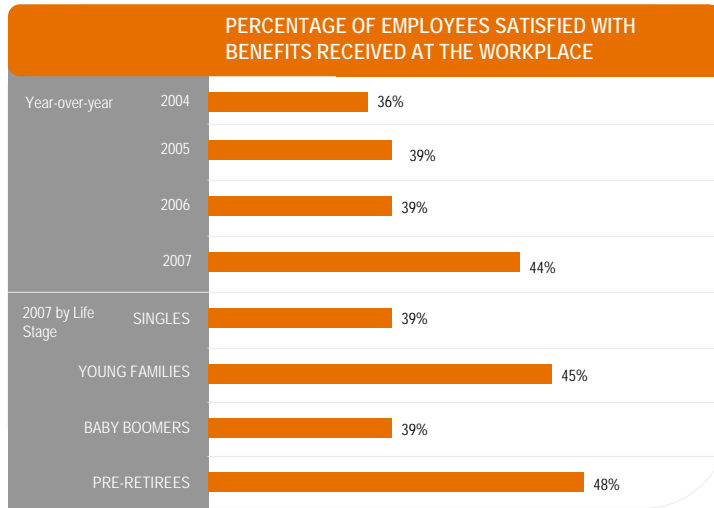
Strong Relationship Between Benefits, Loyalty and Retention



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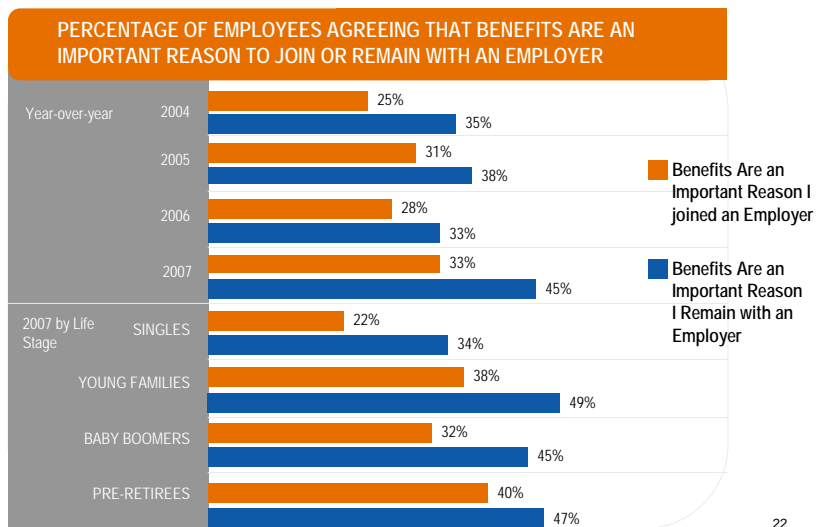
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Benefits Satisfaction Has Increased Year Over Year



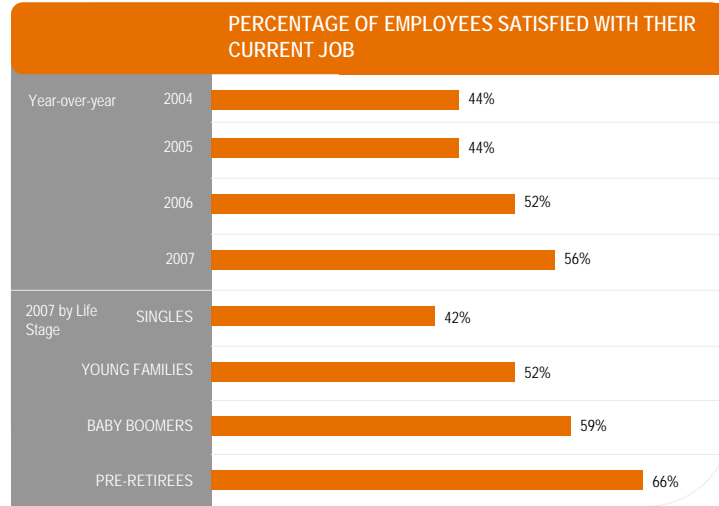
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Benefits Can Be a Powerful Tool for Attracting and Retaining Talent

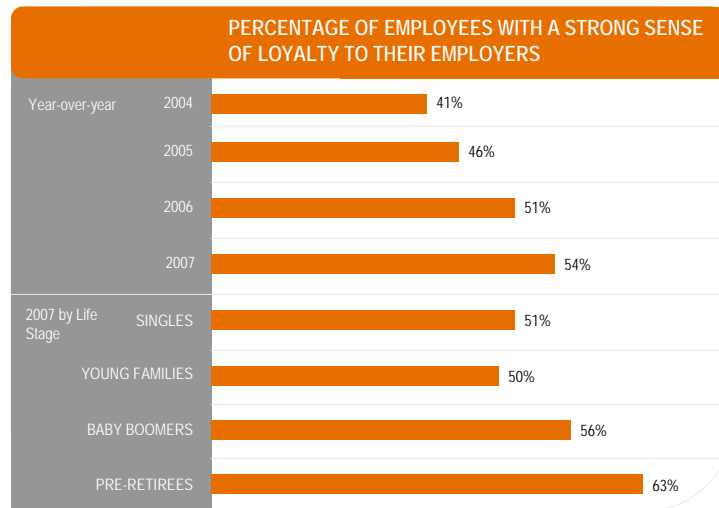


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Job Satisfaction Has Increased Over The Years



Employees' Loyalty To Their Companies is Increasing



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
- 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 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.

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Agenda

Raising the Stakes with Benefits – optimizing plan value

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Raising the Stakes With Benefits

- Employers can maximize effectiveness of benefit 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 health care 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 provided

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Building the Optimized Benefits Plan

- **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 employee
- **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.

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Personalized Benefits: Creating Value for “People Like Me”

- 59% of employees would like their employer to suggest benefits geared to someone in their life stage*
- 22% say that life stage-specific guidelines or instructions would improve their overall open enrollment experience*
- 42% of Younger Singles say benefits meet their life stage needs*
- 57% of Young Families say benefits meet their life stage needs*

*MetLife Open Enrollment Study, October 2, 2007

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Voluntary Benefits: The Power of Choice

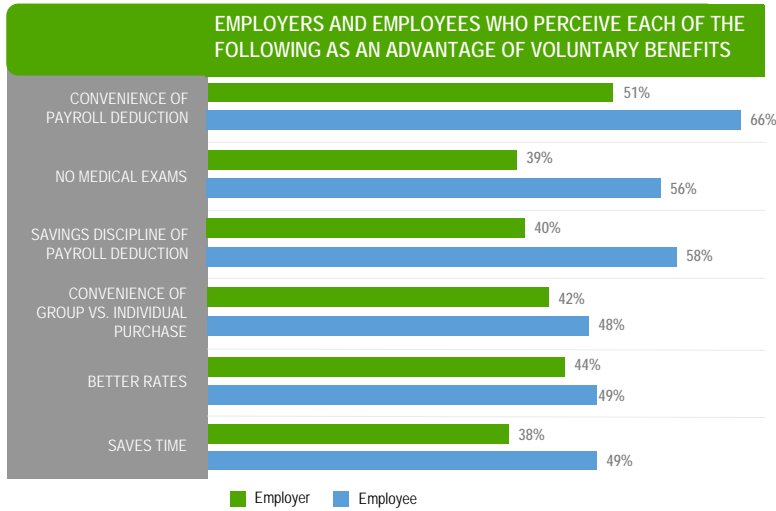
- 90% of those surveyed in the MetLife Study of the American Dream, feel that it is important for companies to continue to offer benefits, even if employees have to pay most or all of the cost*
- 56% of U.S. employers offer at least one voluntary option (49% of employers with fewer than 500 and 64% of companies with more than 10,000 employees)
- Companies that provide voluntary benefits generally offer 3 products
- Retiree health insurance, retirement savings plans and income annuities are the most appealing voluntary products among Americans*
- The percentage of companies offering Group Universal Life Insurance to highly compensated employees has gradually risen from 12% in 2004 to 15% in 2007

* MetLife Study of the American Dream, January 2008

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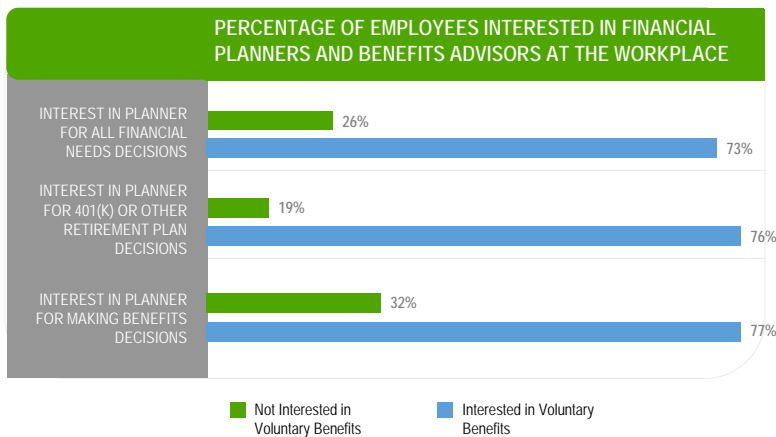
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The Value of Voluntary Benefits May be Undervalued



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Employees Interested in Voluntary Benefits Show High Interest in Decision Support From Employers

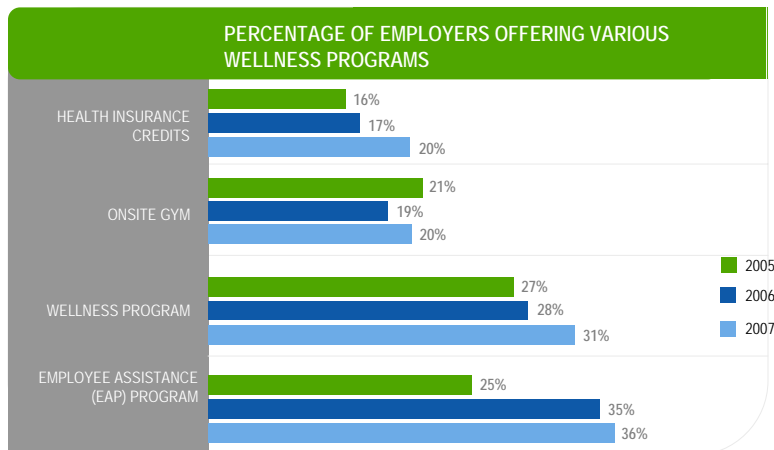


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Work/Life Balance: Recognizing the Value of Time

- 68% of employers surveyed offered flexible work hours
- 41% offered telecommuting
- 27% offered job sharing

Employers Offering Wellness Programs Are Increasing



Employers are Starting to Encourage Better Health and Wellness Through Incentives



AARP Employer Resource Center, Retention Strategies, Wellness Programs Keep Workers – and Businesses – Healthy.
www.aarp.org/money/careers/employeresourcecenter/retention/money/careers/employeresourcecenter/retention/wellness_programs_keep_workersand_businesseshealth.htm

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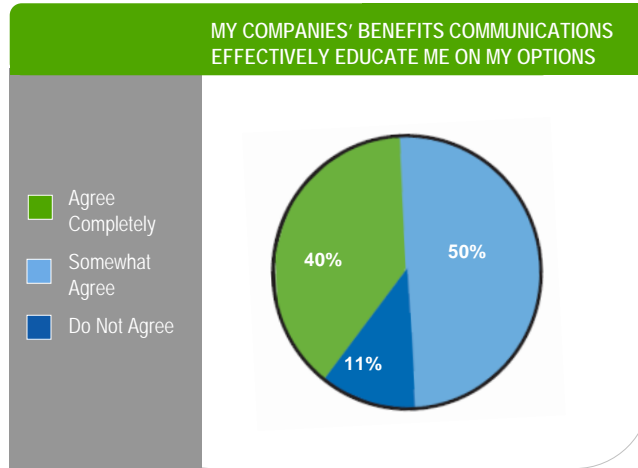
Annuities Provide Guaranteed Income

- With traditional pensions dying out, an attractive alternative may be offering of an annuity option in 401(k) plans or as a distribution option from the plan, which allows employees to invest toward a guaranteed income later in life
 - 19% of employees currently own annuities
 - 7% obtain annuities through employer
 - Pension Protection Act may pave the way
 - One in five employers with more than 10,000 employees would consider offering an annuity as a distribution option

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There is Room to Improve the Effectiveness of Benefits Communication



Benefits Not Only Have to Be Valuable, They Have to Be Perceived as Valuable

Biggest Financial Concerns

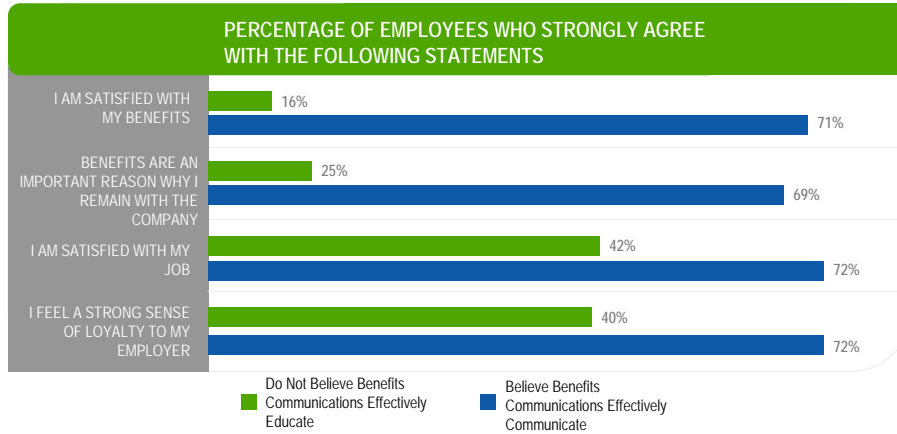
1. Money to survive sudden income loss
2. Making ends meet
3. Being able to afford health insurance
4. Job security
5. Money for children's education
6. Having more time to spend with family
7. Money to buy a home
8. Enough money to allow spouse/partner to stay at home with children
9. Care for aging parents/relatives
10. Being able to afford quality child care

Most Valued Benefits

1. Medical (82%)
2. 401(k) plan (55%)
3. Paid vacation (55%)
4. Prescription drug coverage (53%)
5. Dental (45%)
6. Sick leave (31%)
7. Employer-funded pension plan/DB plan (24%)
8. Vision (23%)
9. Life (22%)
10. Disability (21%)
11. Flexible schedule (12%)
12. Long-term care (11%)
13. Income annuities (3%)
14. Financial plan (3%)

Money to survive sudden income loss is biggest concern yet Disability insurance was listed as 10th in important benefits

Relationship Between Benefits Satisfaction and Effective Communication

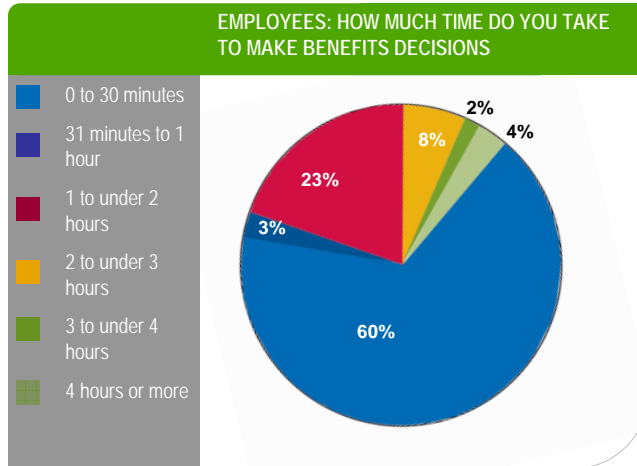


The Need for Qualified Financial Advice

- 49% of employees surveyed consult spouse or partner as most frequent source of input
- 39% printed materials provided by employer
- 24% co-workers
- 21% human resources professional
- Only 24% of employees surveyed consulted with a financial planner

Employees are not seeking qualified financial advice – this provides an opportunity for employers

Regardless, Employees are Spending Very Little Time on Benefits Decisions



Time spent on decisions has remained unchanged since 2004 at approximately 30 minutes. 63% spend under 30 minutes making benefits decisions.

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

Conclusion

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.

Agenda

Conclusions – What employers can do today

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Plan Optimization: Tipping Employees Toward Action

- **Personalization.** Tailor benefits to different employee segments, including older workers, retirees, and other life-stage groups
- **Choice.** Provide a broad, cost-efficient benefits offering with a wide range of options to meet the increasingly diverse needs of the workforce; including voluntary benefits, health and wellness initiatives, work/life balance programs, resources for aging workers and retirement plans
- **Communications.** Develop effective communications that provide the advice and guidance employees are now seeking, and that reinforce the value of the benefits they receive from their employers

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Employer Action Steps

Strategy Assessment

- Conduct a comprehensive strategic review of your benefits plan and its ability to meet broad employee needs and achieve company business goals. Evaluate the best means of funding additional benefits—whether they should be paid for by employees or 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.

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Employer Action Steps

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.

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Employer Action Steps

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 and 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.

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