The MetLife Study of Employee Benefits Trends

Findings from the 2005 National Survey of Employers and Employees

MetLife®

2005 Trends

Contents

FINDINGS FROM THE 2005 NATIONAL SURVEY OF EMPLOYERS AND EMPLOYEES

Background

In 2005, MetLife commissioned a national study of employee benefits trends, surveying both employers (HR/Benefits executives at companies with two or more employees) and employees (full-time workers, age 21 and older).

For employees, the study focused on:

- The influence of life stage on employee benefits decision-making and the importance benefits play as an individual moves through his/her career;
- Workers' level of financial security and their work/life goals for their families and themselves;
- Reasons for deciding to work for and/or remain with an employer and the role employee benefits play in that decision;
- Areas for financial concern and the importance of benefits in addressing these concerns;
- Attitudes toward benefits, how well they are appreciated by employees and their influence on overall job satisfaction;
- Channels that employees use—and prefer—for initially obtaining information about, enrolling in, and obtaining service related to employee benefits; and,
- Employee attitudes, concerns and preparedness regarding retirement.

For employers, the study focused on:

- Overall benefits objectives and strategies;
- Financial products and services offered at work;
- Employers' responses to demographic trends such as the aging workforce;
- Employers' attitudes toward voluntary benefits and job satisfaction issues; and,
- Use of the Internet for delivering benefits programs.

For both groups of survey respondents, the study examines the increasing importance of employee benefits as a recruiting/retention tool and the growing need for workplace education and advice.

Study Overview

This year’s Employee Benefits Trends Study focuses on two key themes shaping the employee benefits marketplace:

- Life-stage driven attitudes, needs and behaviors
- Longevity and its impact on the workplace and retirement

As the war for talent continues to heat up, these two themes—life stage and longevity—are likely to become increasingly important.

Over the past 18 months, 22% of employees changed employers. Looking ahead over the next 18 months, nearly three-quarters of employers believe that the competition for talent will intensify.

To attract and retain the best workers in this environment, employers will need to offer competitive benefits packages. While roughly one-third (29%) of all employers—and 60% of those with 25,000 or more employees—recognize that their workforce has diverse benefits needs, most workers are not getting the support they need to make informed decisions about the benefits options which best meet their needs. Overall, only 38% of the employees surveyed say they understand which benefits are best for them.

Going forward, employers will need to offer more customized benefits communications. They will also need to address their employees’ desire for retirement planning advice and access to products that focus on income protection and generation. Overall, nearly half (43%) of the employees surveyed want access to financial planners to help with 401(k) decisions, and 56% cite “outliving their retirement assets” as their number one retirement-related concern, up from 49% in 2004.

Employers who tailor their benefits packages to meet their workers’ life-stage and retirement needs are likely to reap significant advantages. Nearly one-third (31%) of today’s employees say benefits are an important reason why they came to work for their employer, up from 25% in 2004 and 2003. In terms of retention, nearly four in ten (38%) full-time employees say the benefits offered to them are an important reason why they remain with their employer, up from 35% in 2004.

Life Stage Matters

Life Stage Matters

SUMMARY

When it comes to making benefits choices, the employees surveyed for the 2005 Employee Benefits Trends Study make one thing clear: life stage matters. While workers experience many trigger events throughout their careers requiring them to reevaluate their employee benefits needs, most do not have access to the necessary decision support tools to make informed decisions.

Of the major life-stage segments*—Singles, Young Families, Baby Boomers and Pre-retirees—Singles and Young Families demonstrate the strongest need for benefits education and financial advice. More than two-thirds of these employees, a large percentage of whom have limited savings for retirement and difficulty managing their finances, admit they have trouble understanding which employee benefits are most appropriate for them. If left unsupported during the early stages of their lives, these employees—many of whom are under the age of 40—are at risk of under-protecting their income throughout their careers and outliving their nest eggs once they retire.

LIFE STAGE FRAMEWORK

Life Stage	Singles	Young Families	Baby Boomers	Pre-retirees
Trigger Events	• Graduating college • Entering the workforce • On their own – Housing – Food – Insurance	• Getting married • Buying a home • Having a child • Switching jobs	• Prime income-earning years • Receiving raise in income • Sending child to college • Becoming a caregiver	• Becoming a new grandparent • Becoming a caregiver • Approaching retirement
Challenges	• Difficulty managing finances • Limited saving for retirement • Lack of benefits awareness	• Active request for financial and benefits advice • Limited saving for retirement despite growing anxiety	• Inadequate retirement savings • Uncertain plan for retirement • Not fully prepared for unexpected events	• Strong connections to employers • High reliance on employers for benefits

*Singles = single; Young Families = have children under the age of 6; Baby Boomers = age 41–60 years old; Pre-retirees = age 61–69 years old

To help employees across all life stages make informed benefits choices, roughly one-quarter (23%) of employers—and 44% of employers at companies with 25,000+ employees—are interested in working with their insurance carriers to target benefits communications based on demographics and/or life stage.

Life-Stage Implications for Employers and Benefits Consultants/Brokers:

- Personal finance and benefits education at the workplace early in career is critical to build a solid financial foundation.
- Access to financial planning services in the workplace may help employees feel more prepared to plan for and make important financial decisions.
- Steps can be taken to proactively remind employees about key trigger events which create a need to reevaluate employee benefits coverage and 401(k) contribution amounts.
- There is an opportunity to utilize targeted communications to reinforce the importance of products (life insurance, disability insurance, voluntary benefits, etc.) to overall financial protection based on employee life stage.
- Open enrollment and benefits communication channels may need to be customized based on life stage.
- Benefits communications, enrollment and services in languages other than English may be needed to address an increasingly diverse workforce.

Key Life-Stage Findings

RECRUITING AND RETENTION

During a Year in Which Nearly One-Quarter of All Workers Changed Employers, Employees Cite Relationships, Benefits and Balance as Important Job Selection Criteria

Over the past 18 months, nearly one-quarter (22%) of the workforce changed employers, making recruiting and retention top concerns for employers. Young Families were most likely to change jobs, with 31% reporting an employment change. While job seekers often believe that the "grass will be greener" when/if they secure a new position, only 45% of employees who changed jobs over the past 18 months are now satisfied with their current positions. Given this current environment, it's important for employers to remind employees about the value of their benefits plans as part of their total compensation package.

For Most Workers, Quality of Relationships Is the Top Job Selection Criterion, Followed by Work/Life Balance and Company's Purpose/Mission

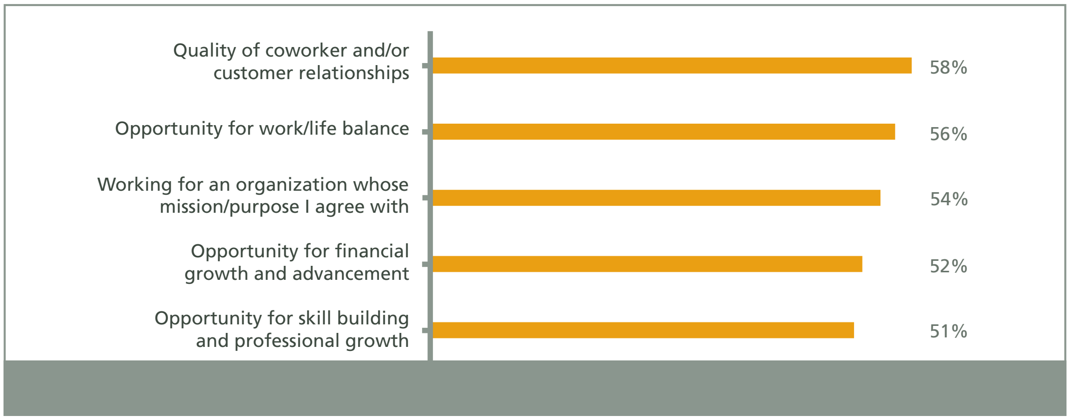
In this competitive market for talent, employees report that the top consideration when trying to decide whether to join and/or remain with an employer is "the quality of coworker and/or customer relationships," cited by 58% of employees overall. Pre-retirees (67%) were more likely to cite relationship as a deciding factor than Young Families (61%), Baby Boomers (59%) and Singles (60%).

Across many life stages, "the opportunity for work/life balance" ranked second among recruitment/retention criteria. Gone are the days when workers, including new, entry-level employees, view long hours and seven-day workweeks as the price of admission to the executive ranks. More than half (56%) of today's employees cite work/life balance as a key job selection criterion. Roughly six in ten Singles (55%), Young Families (65%) and Baby Boomers (54%) rank balance as crucial, as do nearly seven in ten (68%) Pre-retirees.

Rounding out the top three criteria for recruitment/retention is "working for an organization whose purpose/mission I agree with," cited by more than half (54%) of the employees surveyed. At a time when employees are looking to create greater balance between the physical demands of "work" and "life," many—especially Pre-retirees and Young Families—also are seeking an inner sense of balance between "personal ideals" and "employer mission." Two-thirds (66%) of Pre-retirees report that working for an organization whose purpose/mission aligns with their own is a top consideration, as do 64% of Young Families.

EMPLOYEES WHO FEEL THE FOLLOWING CONSIDERATIONS ARE HIGHLY IMPORTANT WHEN DECIDING TO JOIN AND/OR REMAIN WITH AN EMPLOYER

PERCENT "VERY IMPORTANT" ("7" & "6" ON 7-POINT SCALE)



Financial Advancement not as Important for Most Life Stages–Still a Driver for Singles

Somewhat surprisingly, "the opportunity for financial growth and advancement" (cited by 52% of full-time employees) and the "opportunity for skill building and professional growth" (cited by 51%) trailed coworker relationships, work/life balance and company mission across nearly all employee groups. The only exceptions were among Singles, who ranked "opportunity for financial advancement" (59%) slightly ahead of "opportunity for work/life balance" (55%) and "employer purpose/mission" (49%), and among Young Families, who ranked "opportunity for skill building and professional growth" (63%) slightly ahead of "quality of coworker and customer relationships" (61%). These are important differentiators when it comes to recruiting and retaining strategies for these employee groups.

Benefits Are an Important Factor in Job Selection

Full-time employees are seeing benefits as an increasingly important criterion in their job search and selection. Nearly one-third (31%) of employees say benefits are an important reason why they came to work for their employer, up from 25% in 2004 and 2003. It's an even bigger factor among certain employee groups: Pre-retirees (44%) and Young Families (41%).

In terms of benefits offerings, the largest companies (those with 25,000 or more employees) offer the widest array of benefits to their employees, and over half (58%) strongly agree that the benefits they offer are an important reason why employees come to work for them (compared with 30% of companies overall). Perhaps because of this, nearly half (44%) of the largest employers believe that workplace satisfaction is high among employees.

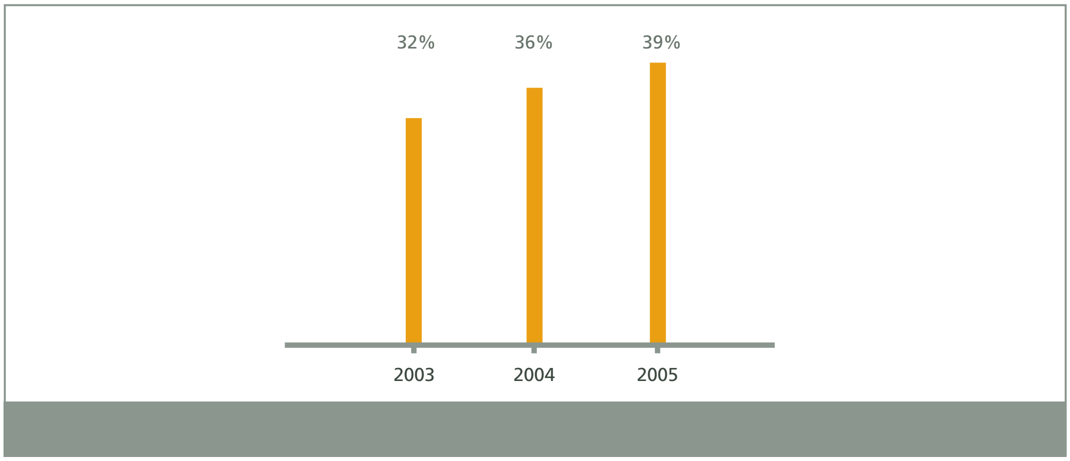
RECRUITING AND RETENTION

Benefits Satisfaction May Lead to Job Satisfaction Which, in turn, Can Lead to Higher Retention

Despite escalating healthcare costs and a steady decline in employer-funded benefits offerings, benefits satisfaction among workers is on the rise, with 39% of full-time employees reporting that they are highly satisfied with their benefits packages, up from 36% in 2004 and 32% in 2003.

EMPLOYEE SATISFACTION WITH BENEFITS BY YEAR

PERCENT"STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)



Benefits satisfaction is highest among Pre-retirees (63%); Young Families (40%), Baby Boomers (38%) and Singles (35%) report slightly lower levels of satisfaction.

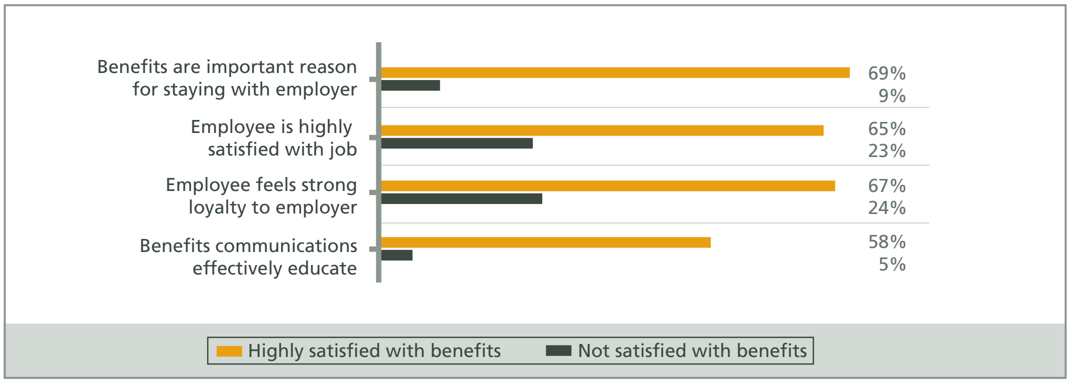
Job satisfaction also varies significantly with life stage. While 44% of all employees report strong satisfaction with their current job, the percentage drops to 39% among Singles and 42% among Young Families. Baby Boomers (47%) and Pre-retirees (67%) report higher levels of satisfaction.

Study findings suggest a correlation between benefits satisfaction and job satisfaction. Pre-retirees show the highest benefits satisfaction and the highest job satisfaction, whereas Singles show the lowest benefits satisfaction along with the lowest job satisfaction. This trend is further confirmed by the broader employee population—nearly two-thirds (65%) of employees who are highly satisfied with their benefits are highly satisfied with their job.

It is, therefore, no surprise that benefits are an important retention tool. Nearly four in ten (38%) full-time employees say that the benefits offered to them are an important reason why they remain with their employer, up from 35% in 2004. A company's benefits plan is particularly important among Baby Boomers (41%), Pre-retirees (44%) and Young Families (45%). Furthermore, across all employees, 67% of those who are highly satisfied with their benefits packages feel a strong sense of loyalty to their employer. Pre-retirees in particular—who, as mentioned, show the highest benefits and job satisfaction—also show the highest loyalty to their employer (75% vs. 46% of employees overall).

EMPLOYEE BENEFITS SATISFACTION AND LOYALTY

PERCENT "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)



RECRUITING AND RETENTION

Benefits Offerings Vary with Company Size

Although benefits offerings vary widely among the smallest and largest companies surveyed, a roughly equal percentage of small, midsize and large employers believe that their benefits offerings are comparable to or better than those provided by most competitors. As a result, more than one-third (34%) of employers with fewer than 500 employees, and 36% of those with 500 or more employees, characterize benefits satisfaction among workers as "high."

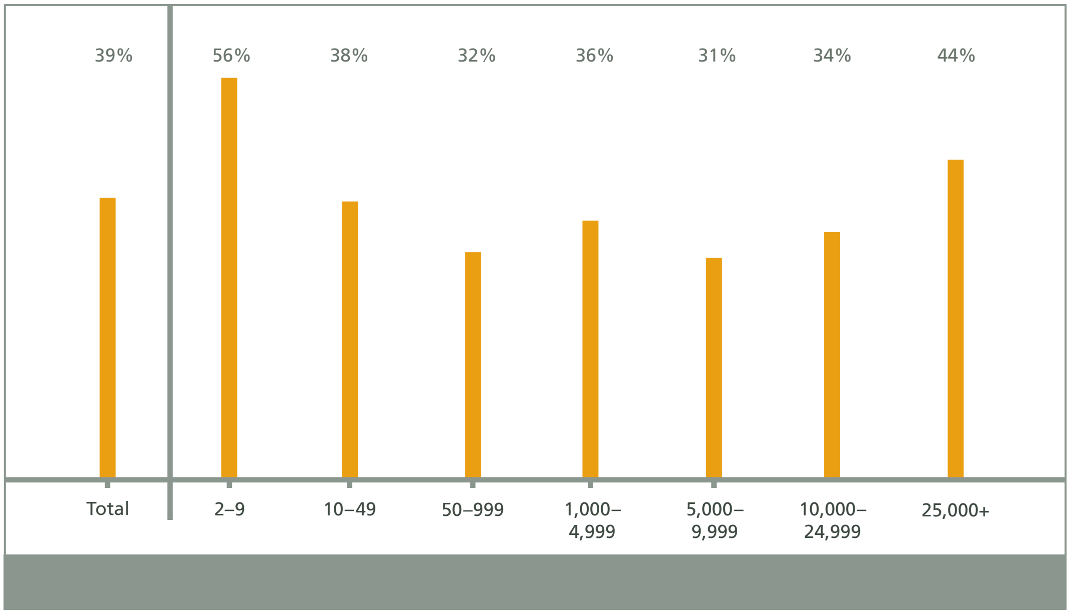
In part, this may be driven by the fact that some companies—small, midsize and large—offer certain benefits options and/or flexible work arrangements that their competitors do not. Among large companies, for example, employers are likely to offer the richest range of employer-paid and voluntary benefits. They are also most likely to make telecommuting available to employees. More than half of companies with 25,000 or more employees, for example, allow employees to work from home, compared with 39% of companies overall and 37% of companies with fewer than 10 employees.

Small employers with fewer than 50 employees, by contrast, are most likely to pay the full cost of their employees' medical insurance (35%, compared with 16% of companies with 10,000 or more employees). Small companies are also more likely to offer flexible work hours, with 74% of companies with 2–9 employees and 70% of those with fewer than 50 offering flex hours, compared with 66% of companies with 500 or more employees.

When it comes to overall workplace satisfaction, small employers are more confident than larger employers that satisfaction is "high." Nearly half (47%) of employers with fewer than 50 employees—and 45% of those with fewer than 100 employees—believe their workers are happy, compared with 34% of companies with 500 or more employees.

EMPLOYER PERCEPTION OF EMPLOYEE WORKPLACE SATISFACTION

PERCENT BY COMPANY SIZE "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)



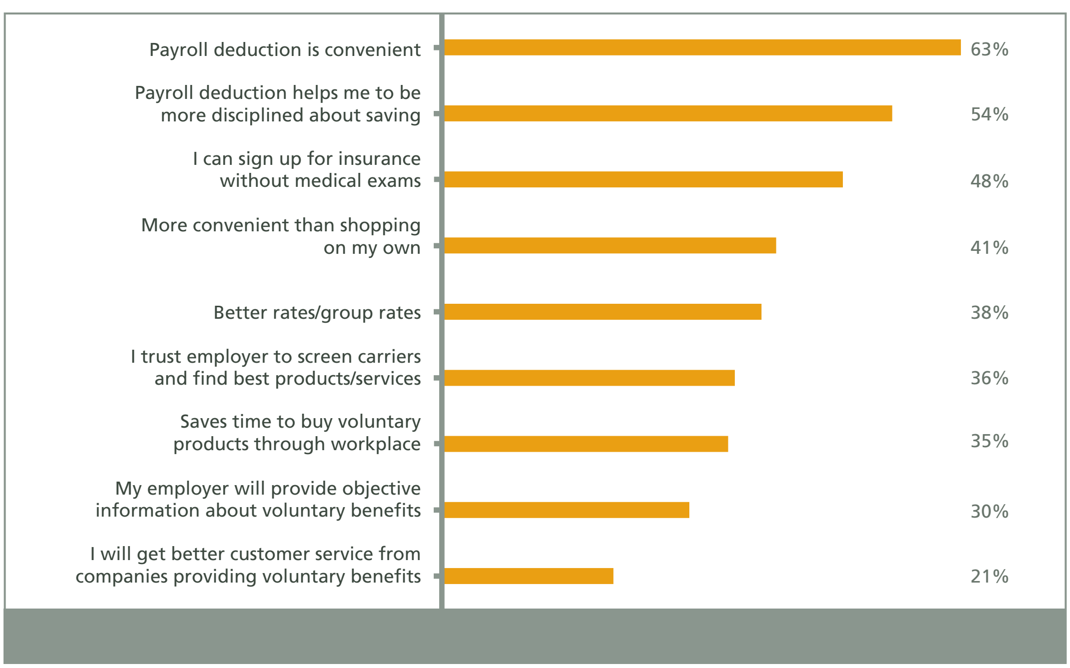
COST SHIFTING

As Employees Fund an Ever-Growing Percentage of Benefits Costs, the Burden Has Clearly Shifted . . . And So Has Acceptance

Increasingly, employees are depending on the workplace as a place to purchase protection, investment and advisory-related products—conveniently and cost-effectively. Roughly one-third (34%) of all employees would like their employers to offer more voluntary benefits to purchase and pay for on their own.

REASONS EMPLOYEES LIKE VOLUNTARY BENEFITS

PERCENT "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)

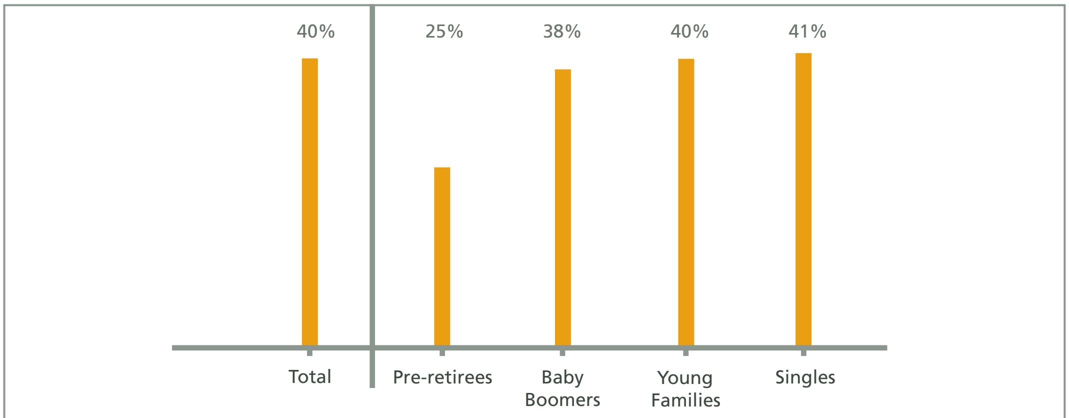


Convenience Drives Interest in Voluntary Solutions

Employees cite "the convenience of payroll deduction" (63%) and the ability to "sign up for insurance without going through medical exams" (48%) as key reasons for favoring voluntary products. As a result, 40% of all employees purchase more financial products (e.g., insurance, mortgages, long-term care insurance, 529 plans, securities) through the workplace than outside of work. By life stage, Singles (41%) and Young Families (40%) are somewhat more likely than Baby Boomers (38%) and Pre-retirees (25%) to purchase the majority of their financial products at work. Young Families (45%) and Pre-retirees (44%) put the highest value on the benefits they receive from their employer.

PERCENT OF EMPLOYEES WHO PURCHASE MORE INSURANCE AND FINANCIAL PRODUCTS THROUGH THE WORKPLACE VERSUS OUTSIDE THE WORKPLACE

PERCENT BY LIFE STAGE



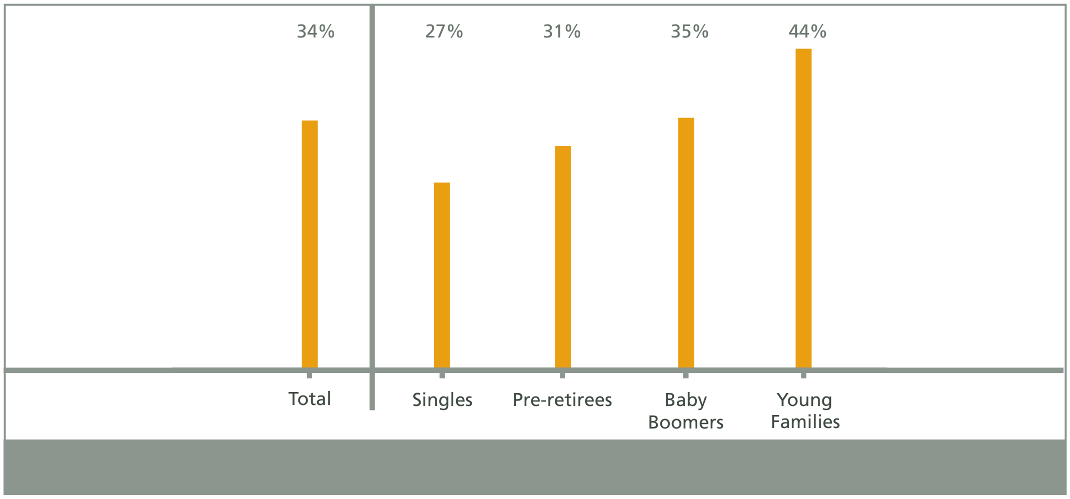
COST SHIFTING

Young Families Express Strongest Interest in Voluntary Benefits

Young Families also express a stronger interest in voluntary benefits than their peers. Four in ten (44%) of those with children under 6 say they want a broader range of voluntary offerings at the workplace, compared with 34% of employees overall. Among Singles (27%), Baby Boomers (35%) and Pre-retirees (31%), roughly one-third of employees in each of these groups wants access to a broader range of voluntary benefits.

EMPLOYEE INTEREST IN EMPLOYER PROVIDING A WIDER ARRAY OF VOLUNTARY BENEFITS

PERCENT BY LIFE STAGE "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)



Larger Companies Have a Broader Range of Voluntary Offerings

Like employees, employers favor voluntary benefits for their convenience and ease of administration. Roughly one-third (33%) of the employers surveyed view voluntary offerings as a cost-effective way to meet the diverse needs of employees, and 32% believe they enhance the attractiveness of a company's overall benefits package. Overall, more than half (53%) of the employers surveyed make voluntary benefits available to their employees. The largest employers lead the pack, with more than two-thirds (68%) of companies with 5,000–24,999 employees offering voluntary benefits, compared with 40% of companies with 2–49 employees and 43% of those with 2–99 employees.

THE UNDER-INSURED

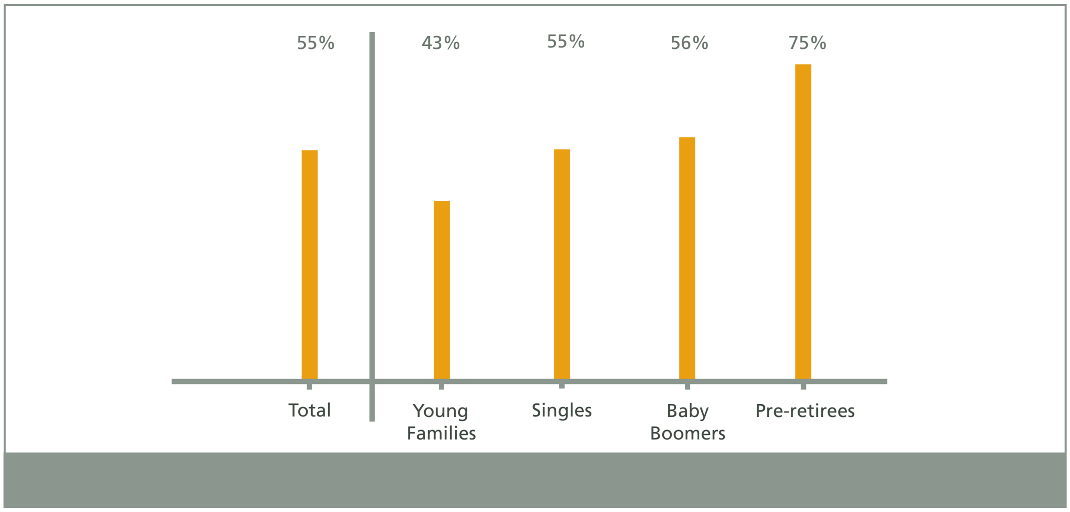
Life Stages in Need of Insurance Are Often the Most Under-Insured

While three-quarters of Young Families—and seven in ten employees overall (70%)—are very concerned about having enough money to pay bills during a period of sudden income loss, only 47% of Young Families (and 54% of all employees) own disability insurance, which protects workers' income during short- and long-term work absences. Of those Young Families who do have disability insurance, 40% have no idea what percentage of their income is covered.

When it comes to life insurance, a similar pattern emerges. Roughly seven in ten (71%) Young Families are seriously concerned about having financial security for their family in the event of their premature death, yet 48% have never taken steps to determine their household's life insurance needs, down from 63% in 2004. Nearly one in three (32%) Young Families with life insurance does not even know how much coverage it has. As a result, fewer than half (43%) of all Young Families feel their household is adequately protected, down from 57% one year ago.

EMPLOYEES WHO FEEL THEY ARE ADEQUATELY COVERED BY LIFE INSURANCE

PERCENT BY LIFE STAGE



Employees Voice Strong Need for Benefits Education and Financial Planning

While employees' appetite for workplace products continues to grow, their confidence in making the right decisions for themselves and/or their families is on the decline. "Having enough money to pay bills during a period of sudden income loss" topped the list of employees' financial concerns, and more than half (52%) of Baby Boomers are behind schedule in their retirement savings. Singles and Young Families, in particular, are living paycheck-to-paycheck, and only about one-third of each segment understands which benefits options best meet their needs.

Singles Face Challenges Managing Their Finances and Benefits; Roughly Two-thirds Need Help Understanding Their Benefits Options

Despite a robust job climate and a fairly strong economy, more than one-third of Singles (35%) and 32% of all full-time employees say they sometimes have trouble paying their bills, up from 28% in 2004. Perhaps as a result, only 16% of Singles feel in control of their finances, compared with 25% of employees overall. More than half of Singles (55%) admit to living "paycheck-to-paycheck." Overall, 47% of employees live paycheck-to-paycheck, up from 42% in 2004.

Compounding the problem for Singles is confusion over their finances and overall benefits needs. Fewer than one-third (31%) of the Singles surveyed say they understand the benefits options which best meet their needs, compared with 38% of employees overall (and down from 40% in 2004). Perhaps as a result, many Singles are routinely paying out-of-pocket prices for services that they could receive much more affordably under a company-sponsored benefits plan. Almost half (44%) of Singles who do not have dental insurance, for example, report that they see a dentist, and 46% see their dentist every six months.

EDUCATION AND ADVICE

As Singles Purchase More Financial Products at Work, Many Need Workplace Education and Advice; Baby Boomers Also Need Financial Planning Support

With 41% of Singles now purchasing the majority of their financial products at work, many face a strong need for benefits education and financial advice. Only 29% of Singles feel confident in their ability to make the right decisions for themselves and/or their families, compared with 43% of Pre-retirees and 31% of employees overall. Of the four key life-stage segments, only Baby Boomers feel less confident than Singles in their ability to make sound financial decisions, with roughly one in four (26%) expressing confidence.

Despite this, only 46% of Singles and 47% of Baby Boomers don't consult with anybody—e.g., friends, relatives, professional planners and/or financial professionals—regarding personal financial matters. Employers are left with a huge opportunity to offer financial advice to employees—a service that most aren't getting elsewhere.

Among Young Families, the Need for Financial Advice and Benefits Management Intensifies

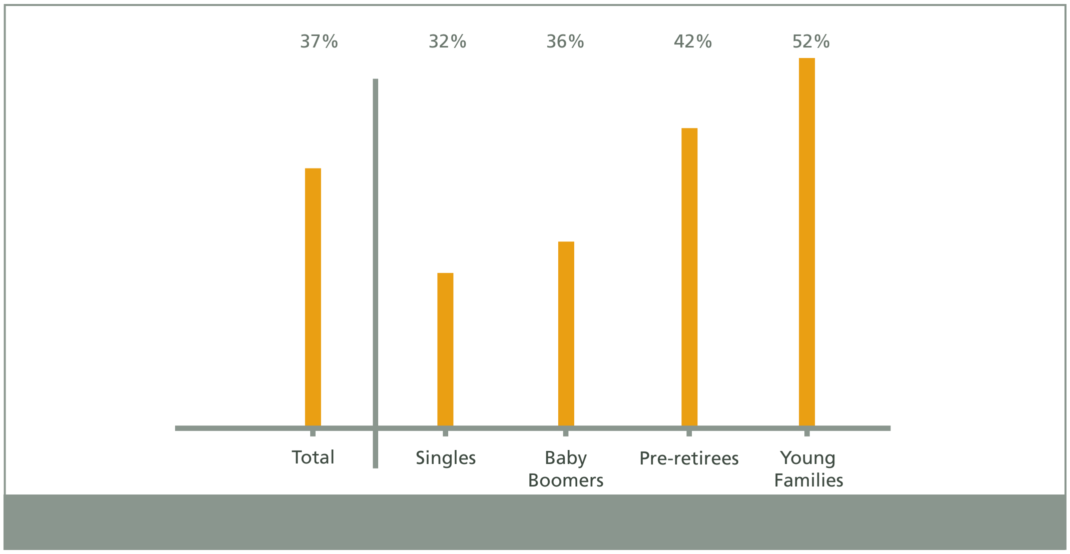
Faced with the added financial responsibility of providing for children, Young Families also struggle with finances and benefits decisions. Only 37% of Young Families say they are confident in their ability to make the right financial decisions for their family, and only 34% understand which benefits are most appropriate for them.

When it comes to budgets and basic cash management, nearly half (48%) of Young Families report that they sometimes have trouble paying their bills. Underscoring the burden of the "sandwich generation," 44% are also worried about having enough money to take care of their elderly parents.

Not surprisingly, then, a large percentage of Young Families are interested in accessing financial planners at work. While only one-third (37%) of employees overall say they would like their employer to provide access to a financial planner, interest rises among Young Families (52%).

EMPLOYEE INTEREST IN EMPLOYER PROVIDING ACCESS TO FINANCIAL PLANNERS AT WORK TO HELP MAKE DECISIONS ABOUT ALL FINANCIAL NEEDS

PERCENT BY LIFE STAGE "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)

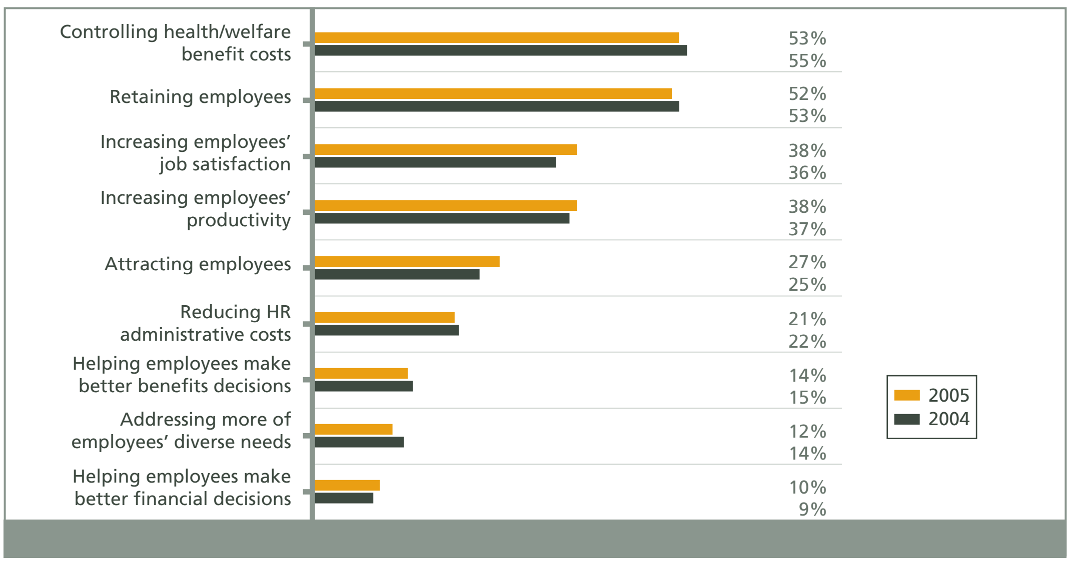


EDUCATION AND ADVICE

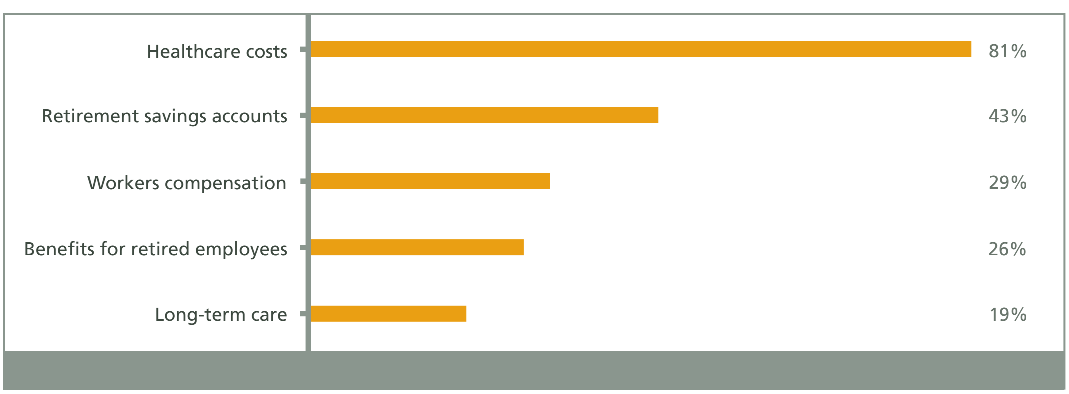
Despite Employee Need—Especially Among Singles and Young Families—Employers Do Not See Education/Advice as Top Priority; Many Are Pre-occupied with Healthcare Costs

At a time when employees are so hungry for advice about benefits that they are increasingly selecting and financing on their own, employers see benefits education as marginally important. When asked to rank senior management's top benefits-related concerns, employers cited "healthcare costs" (81%) as number one. In terms of overall benefits objectives, employers once again selected "controlling health and welfare benefit costs" as their most important employee objective, cited by 53% of employers this year. Only 14% of employers identified "helping employees make better benefits decisions" as most important.

MOST IMPORTANT BENEFITS OBJECTIVES FOR EMPLOYERS



EMPLOYEE BENEFITS ISSUES OF MOST CONCERN TO SENIOR-LEVEL MANAGEMENT



Employers Worry About Healthcare Costs, But Few Focus On Opportunities to Reduce Expenditures Through Wellness Programs and Consumer-Directed Health Plans

While companies express concern about controlling healthcare costs, fewer than one-third (27%) offer wellness programs such as smoking cessation, exercise regimens, weight management or cancer screening. Of those not currently offering such programs, only 9% plan to offer a wellness program to employees over the next 18 months. The largest companies (40%) are the most likely to reward healthy lifestyle behaviors by giving health insurance "credits" to employees who follow wellness guidelines (nutrition, exercise, disease screening, regular checkups). They are also most likely to penalize employees who do not follow wellness guidelines, with 19% of large companies issuing financial penalties, compared with 7% of employers overall.

Like the demand for wellness programs, employers' interest in, and familiarity with, Consumer–Directed Health Plans (CDHP)—which cost less than traditional health plans, have lower deductibles and include a Health Savings/Reimbursement Account—are surprisingly low. Of the employers surveyed, only 17% describe their familiarity with these plans as "very high." Among small employers with 2–49 employees, the percentage drops to 12%. Equally important, when provided with a general description of CDHPs, only 15% of employers—and 13% of those with 2–49 employees—described themselves as "very receptive" to offering them to their employees.

Employees, for their part, are also skeptical about these plans. Despite widespread visibility of CDHPs in the media, only 12% of today's employees—and 9% of female employees—are familiar with them; nearly two-thirds (61%) of employees rate their level of familiarity with CDHPs as very low. Somewhat predictably then, fewer than two in ten (16%) employees say they would be very interested in enrolling in a CDHP.

BENEFITS COMMUNICATIONS

As Life-Stage Needs Proliferate, Employers Explore Targeted Employee Communications Tools and Channels

Nearly three in ten (29%) employers and 60% of the largest companies surveyed recognize that their workforce has diverse benefits needs. Among the largest companies surveyed, nearly half (44%) are interested in working with their insurance carriers to target benefits communications to employees based on demographics and/or life stage.

Employers Asking for Multilingual Benefits Communications

As the workforce grows more diverse, employers are recognizing this change and seeking out ways to communicate more effectively with employees. More than one-quarter (26%) of all employers—and 58% of the largest employers—say it's very important that their benefits provider offers benefits communications, enrollment and services in a language other than English.

Ineffective Communications May Lead to Employee Under-Appreciation of Benefits' Value

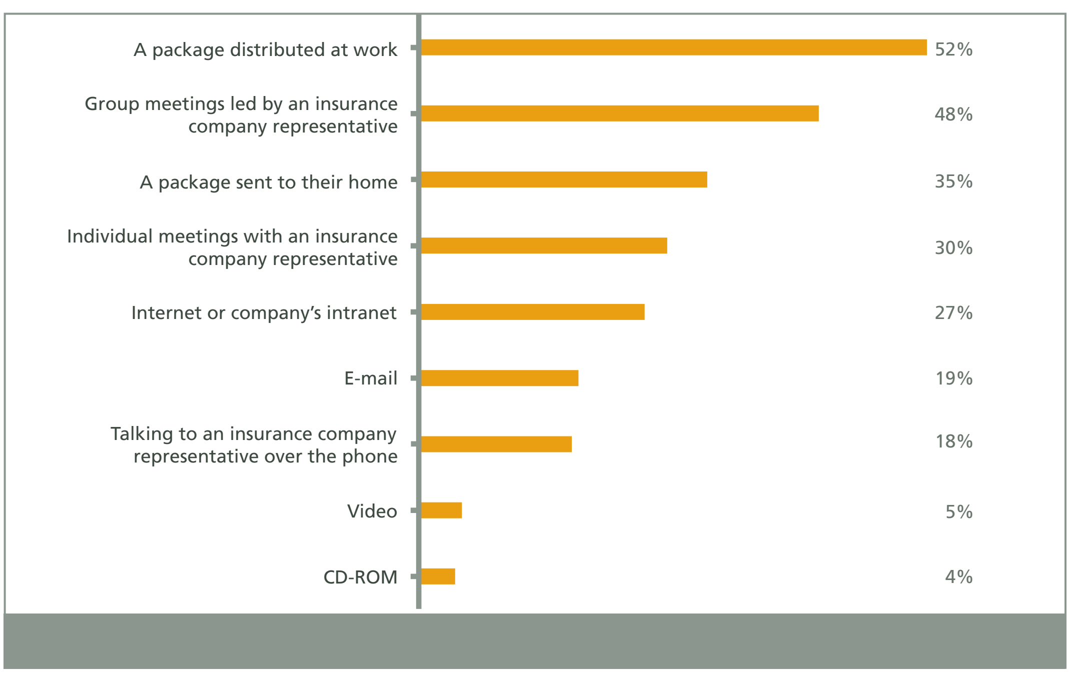
Most (85%) employers say that the benefits they provide are comparable to or better than those provided by their competitors, but more than two-thirds (67%) say that their workers don't understand the value/cost of the insurance benefits they provide. Only 28% of the HR and Benefits executives surveyed believe that their communications program effectively educates employees about benefits choices.

Likewise, less than one-third (30%) of employees say that they feel their company effectively educates them on benefits options so that they can select the options that best meet their needs—Singles (17%) feel much less educated than Pre-retirees (62%).

To remedy this situation, employers are exploring new benefits communications channels. Currently, only 30% of employers believe that their benefits communications programs effectively reach every employee in the channel he/she prefers. While most (52%) of today's employers distribute a package of communications materials in the workplace, 42% of the HR and Benefits executives surveyed would prefer that employees initially obtain information on benefits via "group meetings led by an insurance company representative at the workplace."

Approximately one-third of employees also say they would prefer to meet with an insurance company representative either in a group setting (33%) or individually (30%) at the workplace to obtain information about employee benefits. However, interest varies by life stage—for instance, Baby Boomers (34%) and Singles (34%) are more interested in group meetings with insurance company representatives than Pre-retirees (29%) and Young Families (28%); and Singles (24%) are more interested in receiving benefits information via the Internet/intranet than are Pre-retirees (14%).

HOW EMPLOYERS CURRENTLY PROVIDE BENEFITS INFORMATION TO THEIR EMPLOYEES



BENEFITS COMMUNICATIONS

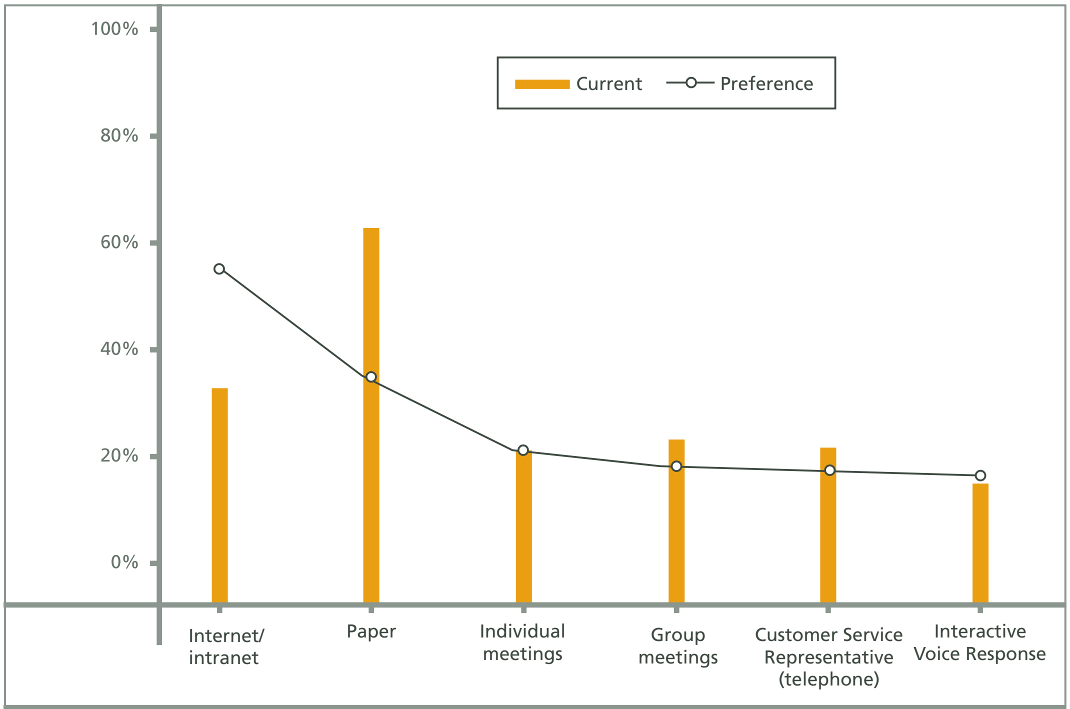
The Internet/intranet Is Employers' Preferred Benefits Enrollment Channel and an Emerging Channel for Financial Planning/Education; Employers Are, however, Slow to Act

The Internet or company intranet is the channel of choice for benefits enrollment among all employers (55%), followed by paper forms (34%). However, the reality is that more companies still enroll employees via paper forms (63%) instead of the Internet or company intranet (33%).

More than half (57%) of companies with 2–499 employees provide 90% of their workforce with Internet/intranet access, compared with 51% of companies overall and 38% of companies with 5,000–24,999 employees. While use of e-platforms is high among companies with fewer than 500 employees, only one-third maintain an employee benefits Web site.

Among the largest companies surveyed, the Internet/intranet is the dominant enrollment channel, used by 71% of these employers. More than three-quarters (77%) of the largest companies consider "implementing/expanding the use of employee self-service applications via the Internet/intranet" as a very important employee benefits strategy.

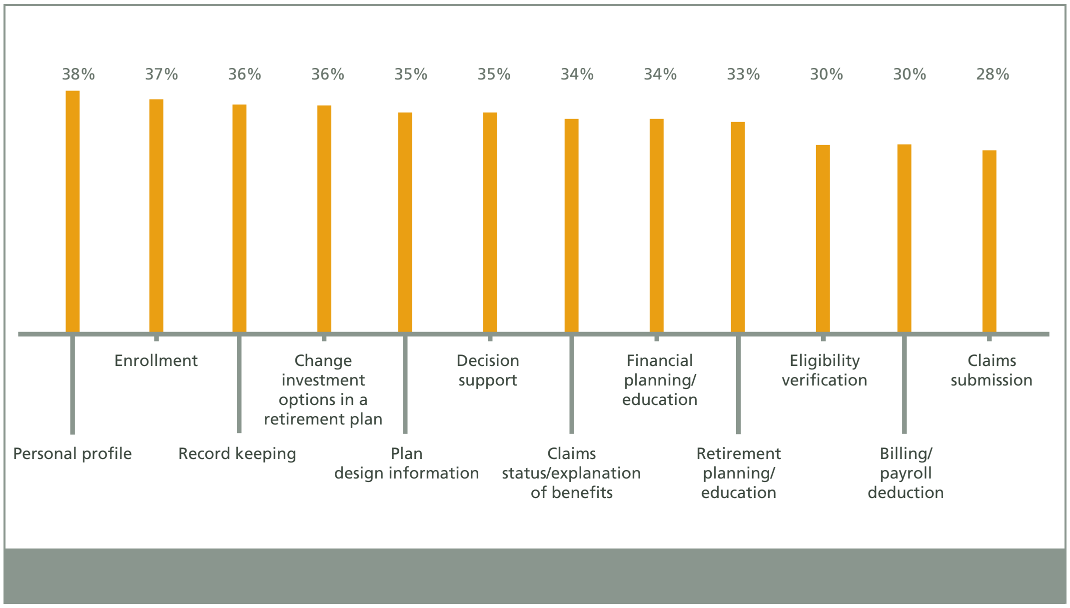
EMPLOYERS' CURRENT AND PREFERRED METHODS OF ENROLLMENT



One of the fastest growing applications for e-benefits technology is "financial planning/education," with one-third (34%) of the companies surveyed planning to offer online education over the next 18 months; over half (58%) of employers currently offer it. Other e-benefits capabilities currently offered by employers include "the ability to change investment options within a retirement plan" (73%), benefits record keeping (71%), personal information profile (70%), benefits plan design information (68%), benefits decision support content and tools (67%) and claim status/explanation of benefits (65%).

EMPLOYERS PLANNING TO ADD INTERNET/INTRANET SERVICE OVER NEXT 18 MONTHS

PERCENT AMONG THOSE NOT CURRENTLY OFFERING



BENEFITS COMMUNICATIONS

Employees Favor Online Channels for Enrollment but Personal Support for Benefits Service

As with employers, the Internet/intranet is the channel of choice among employees for benefits enrollment. While 43% of employees (and 48% of men) would prefer to enroll in their company's benefits program using the Internet/intranet, 58% of all employees currently use paper forms—a channel preferred by only 36% of employees. Singles (51%) and Young Families (44%) are more interested in enrollment via the Internet/intranet than are Baby Boomers (38%) or Pre-retirees (23%). Of those groups, Pre-retirees (61%) are most interested in using paper forms to enroll.

When it comes to obtaining service for their benefits, employees favor face-to-face meetings with human resources (43%), phone conversations with customer service representatives (35%) and Internet/intranet support (31%) over e-mail (8%) and phone conversations (14%) with human resources. Currently, 19% of employees receive service over the phone with human resources, and an additional 9% rely on e-mail.

The Impact of Longevity

The Impact of Longevity

SUMMARY

As workers live longer, healthier lives, employers face a new reality: the impact of longevity on the workplace. On the one hand, employers must learn to manage a pool of highly-trained graying workers who—if retained and motivated—may provide an answer to America's potential labor shortage. While roughly one-third (34%) of all employers believe that the aging workforce will have a significant impact on their company and nearly three-quarters (74%) expect the war for talent to increase over the next 18 months, few companies (large or small) are taking steps to accommodate and retain older workers.

Those employers who do take such steps are likely to benefit from a well-trained, loyal workforce. Overall, older employees report significantly higher levels of job satisfaction and loyalty than do younger workers, with 67% of Pre-retirees reporting high levels of job satisfaction and 75% reporting strong loyalty, versus 44% and 46% of employees overall.

On the other hand, the aging workforce provides a series of significant challenges. Employers must grapple with a host of benefits-related issues that are particularly critical to older workers—e.g., healthcare, disability insurance, long-term care insurance, and dental coverage. Employers must also provide retirement savings products and advice to meet employees' growing need for longevity insurance and lifelong income.

For most employees, retirement planning and savings are particularly critical. Given that many retirees will live 20, 30, even 40 years in retirement, employees must build a retirement nest egg that will sustain them for roughly the same number of years that they have spent in the workforce. Among many employees—especially those who began saving late in their careers—ensuring a steady stream of income during retirement is a primary concern.

Longevity Implications for Employers and Benefits Consultants/Brokers:

- Steps can be taken to prepare for and accommodate an aging workforce:
    - Offer flexible work schedules and work arrangements
    - Establish wellness programs and diagnostic screening
- The value of benefits such as retirement planning, long-term care insurance, disability insurance, and dental coverage can be reinforced as part of an employee's total financial picture.
- Emphasis can be placed on retirement savings products that focus on income generation and protection rather than asset accumulation.
- Mid-career employees may need additional education on retirement income planning.
- Pre-retirees increasingly rely on employer-provided benefits, which could mean a new generation of employee benefits solutions to meet an increasingly aging workforce.
- Benefits could become a primary retention tool in keeping an aging, knowledge-based workforce working longer.

Key Longevity Findings

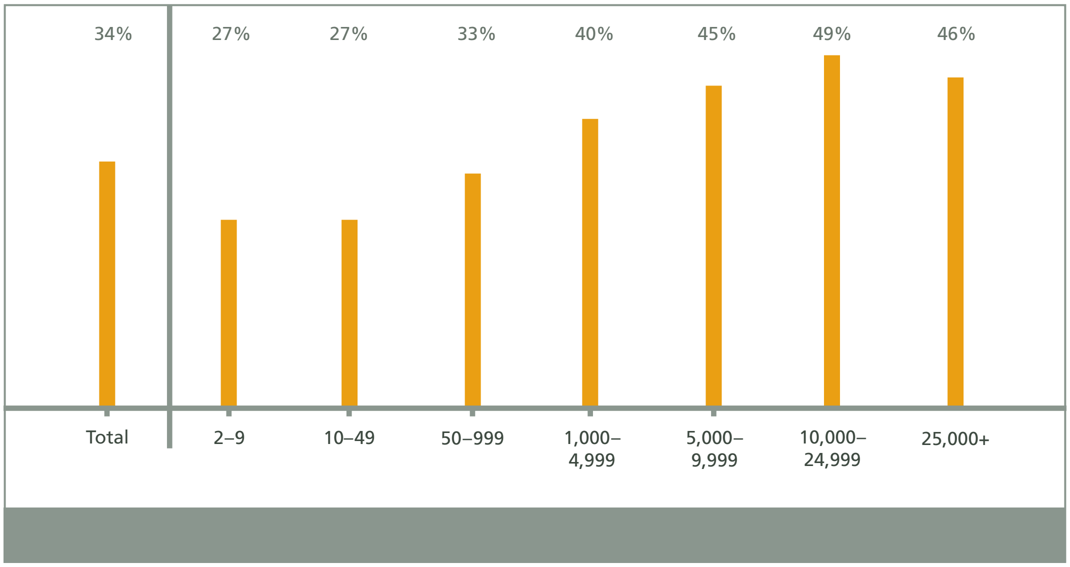
AN AGING WORKFORCE

Employers Anticipate Impact of Aging Workforce, but Do Little to Prepare

As the first Baby Boomers turn 60 this year, many companies will begin to lose some of their most seasoned, highly trained workers to retirement. More than one-third (34%) of the employers surveyed strongly agree that the aging population will have a significant impact on their workforce; large companies with 25,000 or more employees (46%) and companies in the manufacturing sector (41%) are most concerned.

EMPLOYERS THAT BELIEVE AGING POPULATION WILL HAVE AN IMPACT ON THEIR WORKFORCE

PERCENT BY COMPANY SIZE "GREAT DEAL OF IMPACT" ("7" & "6" ON 7-POINT SCALE)

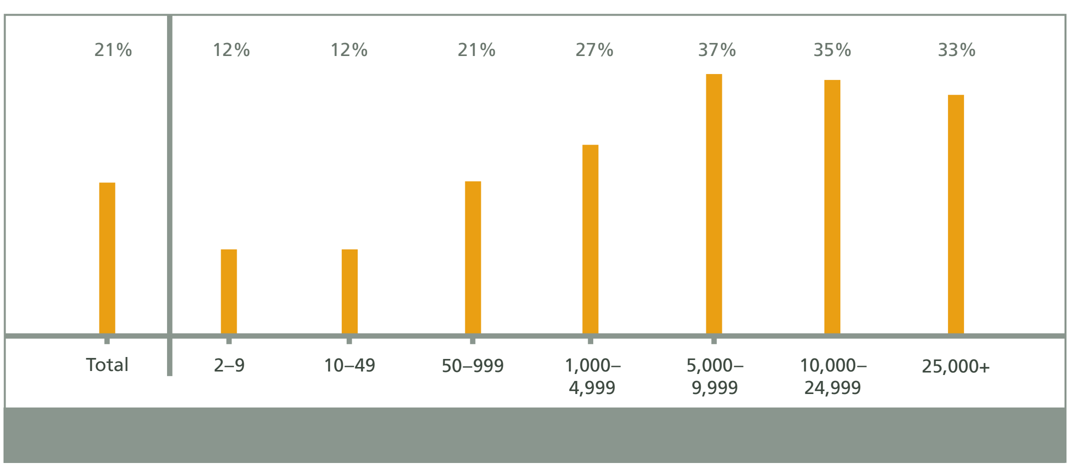


In addition to putting a strain on the labor force—almost half of which is made up of Baby Boomers—the graying of America has benefits implications as well, especially for large employers. When asked to rank the benefits-related issues of greatest concern to senior management, 44% of the largest companies surveyed (i.e., those with 25,000 or more employees) ranked "benefits for retired employees" as a key concern, compared with 18% of companies with fewer than 50 employees. Roughly one-third of the largest employers also cited "long-term care issues," compared with 14% of companies with fewer than 50 employees.

Despite these concerns, few employers—large or small—are taking steps to prepare for and accommodate an aging workforce. More than three-quarters (79%) of employers do not yet offer resources and/or programs to accommodate older workers. Of those who do, 68% offer long-term care referral services, 38% offer elder care support groups and 36% offer caregiver resource guides.

EMPLOYERS WHO OFFER RESOURCES AND PROGRAMS TO ACCOMMODATE OLDER WORKERS

PERCENT BY COMPANY SIZE



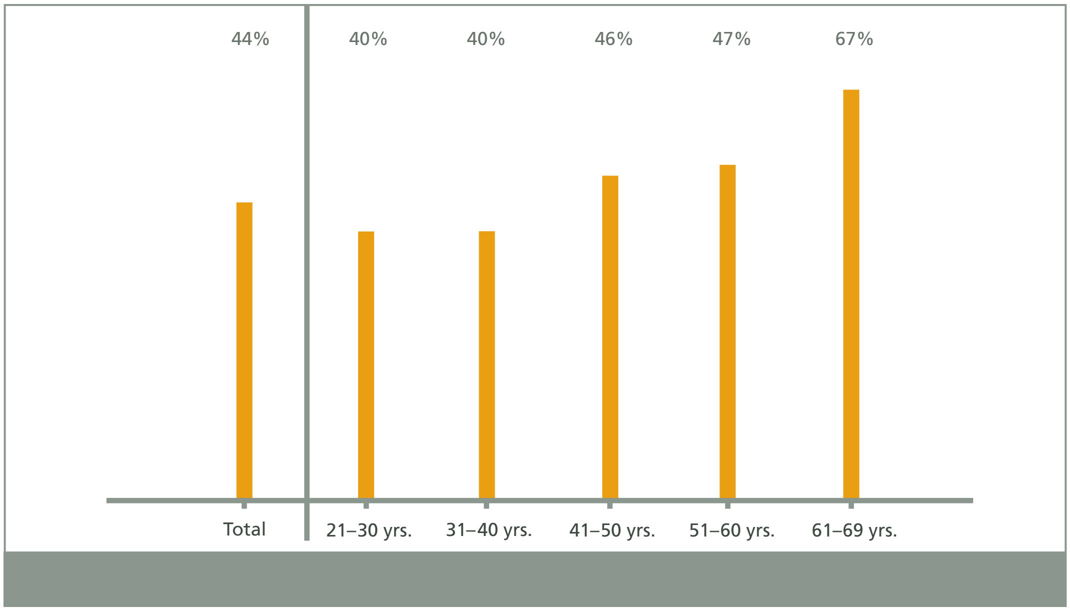
AN AGING WORKFORCE

Older Workers Are More Satisfied and Loyal than Their Peers

As mentioned, older employees report significantly higher levels of job satisfaction and loyalty than do younger colleagues. While 44% of full-time employees overall say that they are satisfied with their current job, the percentage climbs to 67% for Pre-retirees. Older employees also view their employers as more loyal than do younger workers. Half (50%) of workers age 61–69 believe their employer has a strong sense of loyalty to them, compared with roughly one in four (27%) employees overall. In turn, older workers also feel more loyal to their employers, with fully 75% of Pre-retirees expressing sentiments of loyalty versus 46% of employees overall.

EMPLOYEE WORKPLACE SATISFACTION

PERCENT BY AGE "STRONGLY AGREE" ("7" & "6" ON 7-POINT SCALE)



Older Workers Value Benefits and Voice Strong Need for Retirement Savings Advice

Older employees are more likely than their coworkers to report that benefits are an important reason why they remain with their employer. They are also more likely to want workplace access to retirement savings advice. While 43% of all employees are interested in having workplace access to financial planners to help them make decisions about their 401(k) money, the percentage rises to 56% among Pre-retirees.

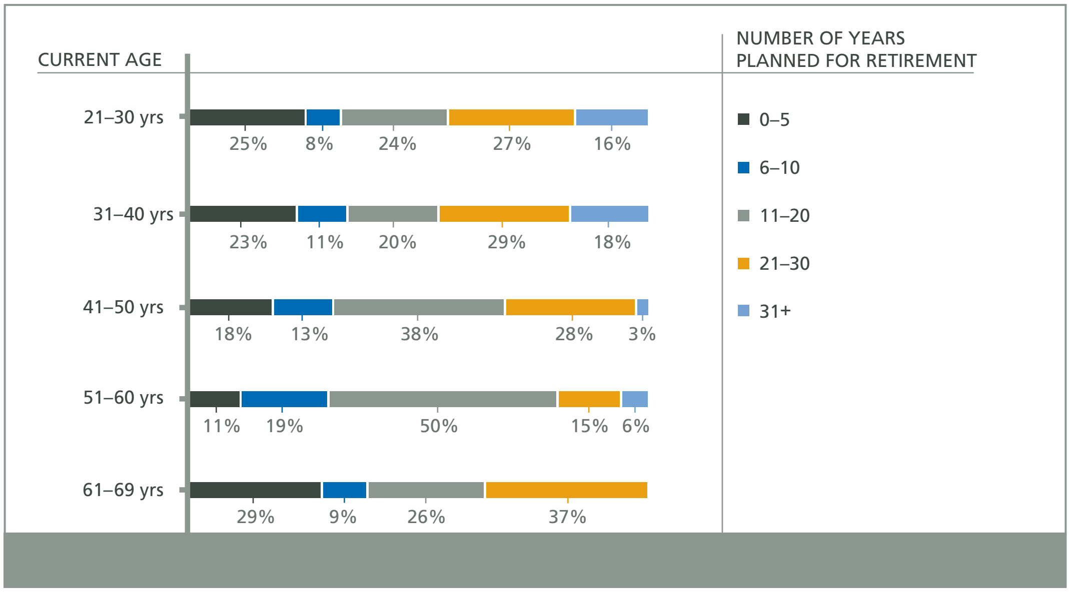
RETIREMENT SAVINGS AND PROTECTION

When it Comes to Retirement Savings, Employees Are Under-Protected for Longevity Risk

Experts believe that most Americans will likely live 20, 30, even 40 years in retirement. Yet, on average, today's employees are planning for only 19 years of post-retirement living. Only one-third (37%) of the employees surveyed are planning for 21+ years.

NUMBER OF YEARS EMPLOYEES HAVE PLANNED FOR RETIREMENT

PERCENT DISTRIBUTION BY CURRENT AGE



Half of Baby Boomers Have Not Attempted to Calculate Retirement Planning Horizon

Across life stages, employees also have very different retirement planning horizons. While most (72%) Pre-retirees have tried to calculate how long their nest egg will need to last, only half (50%) of Baby Boomers have factored longevity into their retirement plans. Fewer than four in ten Singles (39%) and 55% of Young Families have tried to estimate their retirement planning horizon. One-third (33%) of Baby Boomers have not yet determined when they plan to retire from work, compared with 13% of Pre-retirees.

Singles, Young Families and Baby Boomers Fall Significantly Behind in Retirement Savings

Across all age groups, employees are concerned about having enough money to live securely in retirement. Despite these concerns, many workers—especially Singles, Young Families and Baby Boomers—are not taking steps to invest in employer-sponsored vehicles, even as their income rises.

Singles Struggle with Access to 401(k) Plans and Fail to Save

As mentioned, although Singles spend an average of 18% of their monthly income on discretionary expenses not related to bills or daily living, roughly one-third (35%) do not allocate any of their monthly household income to retirement savings vehicles such as 401(k)s, IRAs or annuities. Perhaps because of this, 35% of Singles report being behind in their retirement savings. An additional 30% haven't started saving yet.

Young Families Lack Access to 401(k) Plans, Crave Advice

Nearly three-quarters (70%) of full-time employees report having 401(k) plans and/or other retirement plans. Yet among Young Families, the percentage drops to 59%. Perhaps partly because of this, more than one-third (35%) of Young Families admit they allocate none of their monthly household income to retirement savings.

When it comes to deciding where and how to invest retirement dollars, Young Families, once again, would like advice. Nearly half (49%) express a desire for access to financial planners in the workplace specifically to help them make decisions about 401(k) plans. Overall, 43% of employees want access to financial planners to help with 401(k) decisions.

RETIREMENT SAVINGS AND PROTECTION

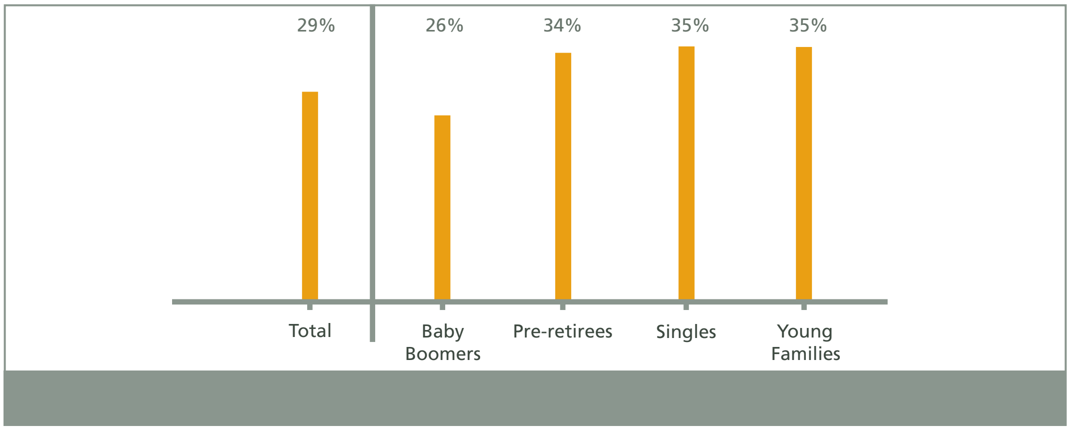
As the First Wave of Baby Boomers Prepares for Retirement, the Next Wave Wonders If/When Its Nest Egg Will Hatch

As the Baby Boom generation—the oldest members of which will turn 60 in 2006—approaches retirement, younger Baby Boomers are starting to worry about their retirement shortfalls. While more than half (52%) of all Baby Boomers age 41–60 are behind schedule in their retirement savings, more than one-quarter (27%) of those age 41–50 (young Baby Boomers) admit they are "significantly behind." One in ten hasn't even started saving. Because of this, more than half (58%) of young Baby Boomers are worried that they will have to work either full- or part-time to live comfortably in retirement.

This trend is unlikely to reverse itself anytime soon. Roughly one-quarter (26%) of all Baby Boomers do not allocate any of their monthly household income to retirement savings vehicles such as 401(k)s, IRAs or annuities. As a result, 38% expect to remain behind in their retirement savings five years from now. At a time when the oldest Baby Boomers are nearing retirement and only have a few years left to accumulate a nest egg, these employees are allocating, on average, only 10% of their monthly household income to 401(k)s and other retirement savings products.

EMPLOYEES WHO DO NOT ALLOCATE A PERCENTAGE OF THEIR MONTHLY INCOME TO RETIREMENT SAVINGS

PERCENT BY LIFE STAGE



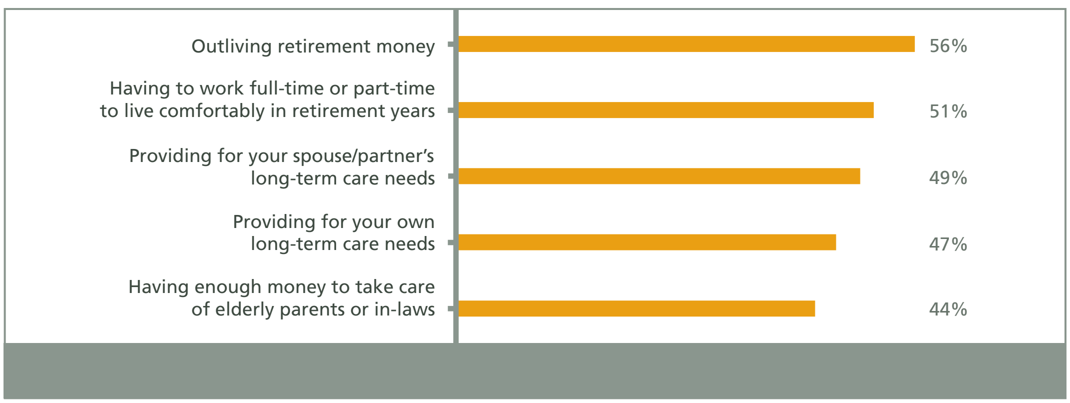
Concerned About Social Security, Employees Seek a Guaranteed Stream of Retirement Income

When it comes to sources of retirement income, two-thirds (66%) of full-time employees are highly concerned about relying on Social Security. Among Young Families, three-quarters (75%) are concerned about the reliability of Social Security.

Perhaps because of these concerns, employees' number one retirement-related fear is outliving their retirement savings, cited by 56% of employees, an increase of seven points over 2004 data. Baby Boomers (62%) are particularly anxious about making their money last throughout retirement.

RETIREMENT CONCERNS FOR EMPLOYEES

PERCENT "EXTREMELY CONCERNED" ("7" & "6" ON 7-POINT SCALE)



To help close the gap, employers and employees are focusing on products that guarantee and protect income in retirement such as annuities and long-term care insurance.

RETIREMENT SAVINGS AND PROTECTION

Employers Increasingly Offer Annuities to Help Meet Employees' Retirement Income Needs

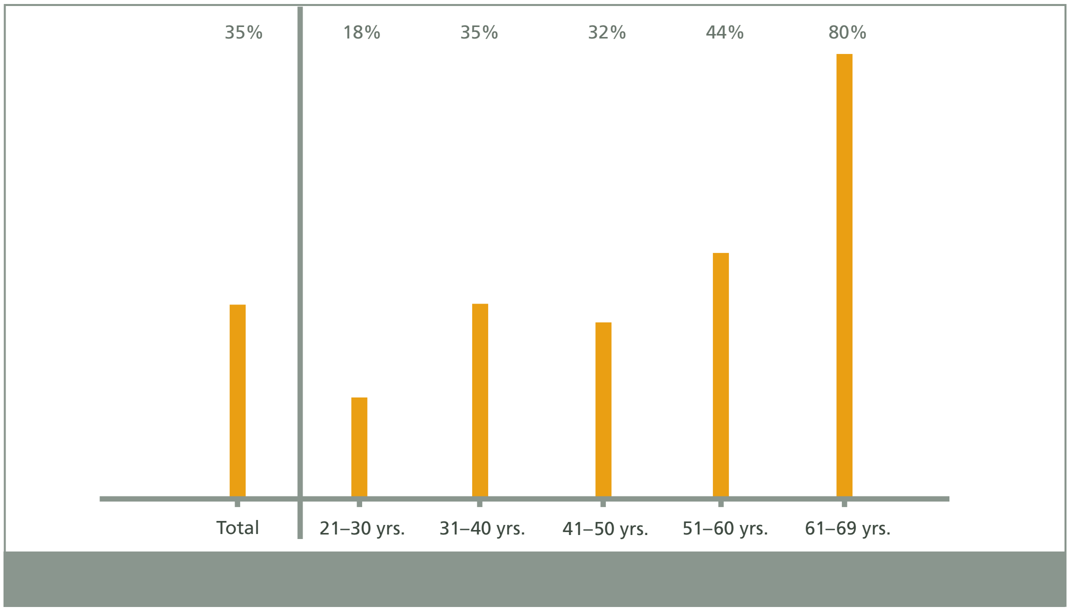
To reduce the risk of outliving their savings, employees may need to turn to sources of guaranteed income in retirement such as annuities. In order to address this need, roughly half (46%) of the largest companies—and 31% of companies with 500 or more employees—currently offer annuities through the workplace as an employee benefit. Among all employers, 19% currently offer annuities, up from 16% one year ago.

IRAs – Losing Favor with Younger Employees

IRAs, which have traditionally been a key retirement savings vehicle for retirees, are losing favor with younger employees. While 80% of employees age 61–69 own IRAs, ownership levels drop steadily with employee age, with 37% of Baby Boomers, 35% of employees age 31–40 and 18% of employees age 21–30 having an IRA. Employers may need to consider other types of savings vehicles which are flexible to the needs of a younger workforce.

EMPLOYEES OWNING IRAs

PERCENT BY AGE



RETIREMENT SAVINGS AND PROTECTION

Interest in Long-Term Care Insurance on the Rise

With nearly half of all employees concerned about providing for their own (47%) and their spouses' (49%) long-term care needs, long-term care insurance experienced the greatest rise in importance in terms of the most valued employee benefits among workers, increasing eight points from 8% in 2004 to 16% in 2005. Other employee benefits, such as dental insurance, life insurance and disability insurance, either increased only slightly in importance or remained the same.

Surprisingly, four in ten employees are concerned about becoming a financial burden on family friends or loved ones, yet less than one-third (28%) have taken steps to determine their household needs regarding long-term care insurance and only 32% own this type of coverage.

Increasingly, employers, especially the largest ones, are making long-term care insurance available to employees through the workplace. Nearly half (46%) of today's employers overall—and 81% of employers with 25,000 or more employees—report that long-term care insurance is part of their company's benefits offering. Over the next 18 months, an additional 10% of employers overall are considering adding long-term care insurance as an employee benefit.

Methodology

Methodology

The MetLife Employee Benefits Trends Study was conducted during the third quarter of 2005 and consisted of two distinct surveys fielded by GfK NOP. The employee survey polled 1,213 full-time employees, age 21 and older, at companies with at least two employees. The employer survey consisted of 1,514 interviews with benefits decision-makers at companies with at least two employees.

Because figures have been rounded to the nearest percentage, totals do not always equal 100 percent.

Demographic Profile of the Employee Sample

The employees and employers polled for the MetLife study represent a broad, cross-section of respondents. Employees include a mix of men and women, ranging from 21–69 years in age and drawn from a diverse pool of ethnic backgrounds.

Gender

Male	61%
Female	39%

Family Status

Have Children Under 18	37%
Don't Have Children Under 18	63%

Marital Status

Married	56%
Single	20%
Divorced/Separated	15%
Domestic Partner	7%
Widowed	3%

Size of Employer (Staff Size)

2–9	8%
10–99	19%
100–499	16%
500–999	5%
1,000–4,999	16%
5,000–9,999	7%
10,000+	29%

Ethnic Background

Caucasian	53%
African-American	18%
Hispanic	19%
Asian	6%
Other/No Response	3%

Age

21–30	19%
31–40	28%
41–50	29%
51–60	20%
61–69	5%

Household Income

Less than $40,000	28%
$40,000 – $74,999	32%
$75,000 or more	40%

Geography

Northeast	20%
Midwest	20%
South	38%
West	21%

Demographic Profile of the Employer Sample

Employers span an equally broad range of industries and geographic locations. In keeping with the general composition of U.S. businesses, the majority (62%) of employers surveyed are small to midsize companies with fewer than 500 employees. One in five (20%) has 5,000 or more employees.

Industry

Services	43%
Heavy Industry	21%
Finance, Insurance, Real Estate	11%
Sales/Trade	12%
Public Administration	5%
Transportation, Communications & Utilities	7%

Geography

Northeast	15%
Midwest	35%
South	30%
West	20%

Union Membership Status

Workforce Includes Union Members	32%
Less than 30% of Workforce	13%
30 % – 69% of Workforce	11%
70%+ of Workforce	8%
Does Not Include Union Members	68%

Employer Size

2 – 9	20%
10 – 49	20%
50 – 99	13%
100 – 499	9%
500 – 999	5%
1,000 – 4,999	13%
5,000 – 9,999	10%
10,000+	10%

About MetLife

About MetLife

MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is a leading provider of insurance and other financial services to millions of individual and institutional customers throughout the United States. Through its subsidiaries and affiliates, MetLife, Inc. offers life insurance, annuities, automobile and homeowner's insurance and retail banking services to individuals, as well as group insurance, reinsurance and retirement and savings products and services to corporations and other institutions. Outside the United States, the MetLife companies have direct insurance operations in Asia Pacific, Latin America and Europe.

With over 130 years of experience, MetLife has collected a vast knowledge of the marketplace, with input from businesses, brokers, benefits consultants, and employees. The depth and breadth of MetLife's research and insight into the marketplace are accessible by visiting the MetLife Research Center on www.metlife.com.

For additional information about The MetLife Study of Employee Benefits Trends specifically, please contact Neil Marcus, Director of Marketing Research, at **212-578-7713** or nmarcus@metlife.com.

Notes

Notes

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