

Insights from MetLife's 12th Annual
U.S. Employee Benefit Trends Study



MetLife



BENEFITS BREAKTHROUGH

How Employees and Their Employers are Navigating
an Evolving Environment

BENEFITS BREAKTHROUGH: HOW EMPLOYEES AND THEIR EMPLOYERS ARE NAVIGATING AN EVOLVING ENVIRONMENT

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As the benefits industry continues to experience the transformative effects of the Affordable Care Act (ACA), together with ongoing benefit budget pressures, MetLife's 12th Annual *U.S. Employee Benefit Trends Study* delivers timely and reliable research results that explore important benefits issues and evolving trends. Building on more than a decade of research, the annual Study provides fresh insights that can help employers get more from their benefits investments in the form of satisfied, skilled and productive workers. The Study also suggests proven tactics to help employees become more knowledgeable and confident benefits consumers as their benefits environment shifts to increased cost sharing and accountability.

Visit **BenefitTrends.MetLife.com** for additional findings, more insights and helpful resources from MetLife's 12th Annual *U.S. Employee Benefit Trends Study*.

TABLE OF CONTENTS

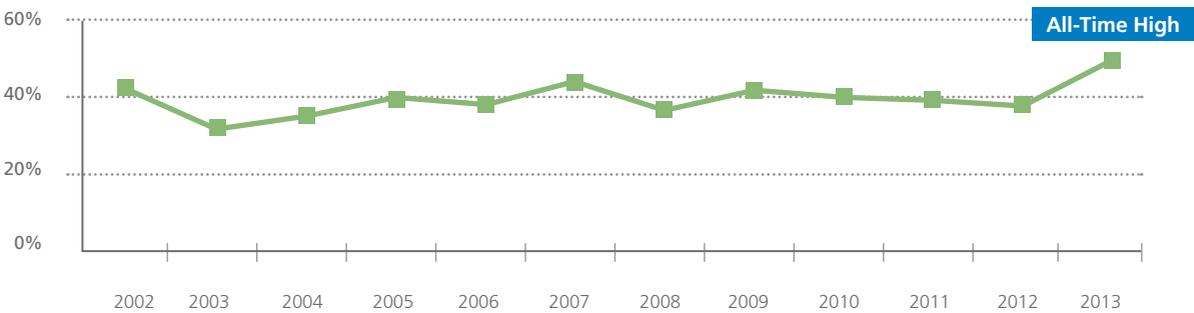
Benefits breakthrough	2
Buying into benefits	2
An evolving environment	3
Employees as benefits consumers: Ready, willing, but are they able?	4
Five years on from the recession and financial concerns are high	4
Employees prepared to pull their weight	5
Education is essential	5
For employers, the benefits balancing act just gets harder	6
A challenging cost convergence	6
Health care top of mind	7
Sticking with health care	8
A bend in the loyalty curve	8
Job satisfaction spikes	9
Addressing alignment: Benefits expectations, costs and responsibilities	10
Are employers taking their eyes off voluntary benefits solutions?	10
Pay now to save later — why wellness investment continues	12
Fostering financial wellness to promote productivity	13
The emergence of data dominance	14
A global perspective	15
Turn insights into action	16
Methodology	18

Benefits breakthrough

Buying into benefits

An important finding from the latest MetLife *U.S. Employee Benefit Trends Study* shows concerns about health care reform, slow job growth, and uncertainty in Washington appear to have boosted the perceived value of employee benefits. **More employees report they are very satisfied¹ with the benefits they receive at work than at any time since the survey began eleven years ago.** The number of employees who responded that they are very satisfied with their benefits increased from 38% in 2012 to 50% in 2013. In addition, the Study finds a significant rise in the number of employees who agree that benefits are a very important reason they joined and/or stayed with their company.

Employees who strongly agree: "I am satisfied with the benefits that I receive through my employer"



Employees who strongly agree with the following statements:



¹ The reporting convention used throughout the research: Top-2 Box findings are indicated by a verb modifier of "very" and "strongly" while Top-3 Box findings are indicated by unmodified verbs such as "agree."

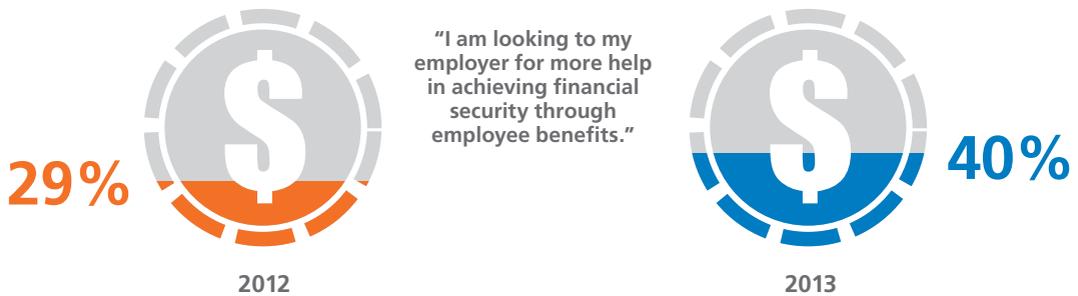
An evolving environment

As their satisfaction with benefits increases, employees find themselves in an evolving environment — one that expects them to bear a greater share of benefits costs, take greater personal accountability for limiting those costs, and understand benefits to the degree that they can make informed choices about their needs and purchases.

The Study shows that **employees appear ready to embrace their new benefits responsibilities**. They do not expect to turn back the benefits clock to the days when many employers paid most, or all, of their benefits costs. **However, more than ever, they are looking for help from their employers in this transition.**

As employees depend more on benefits, employers are struggling to contain benefits costs and meet the demands of ACA compliance. Another important finding from the Study is that it appears that ACA challenges may be reducing employers' focus on the very benefits strategies that are delivering the reported growth in loyalty and satisfaction, and also helping to balance employee expectations with budget realities.

Employees who strongly agree with the following statement:

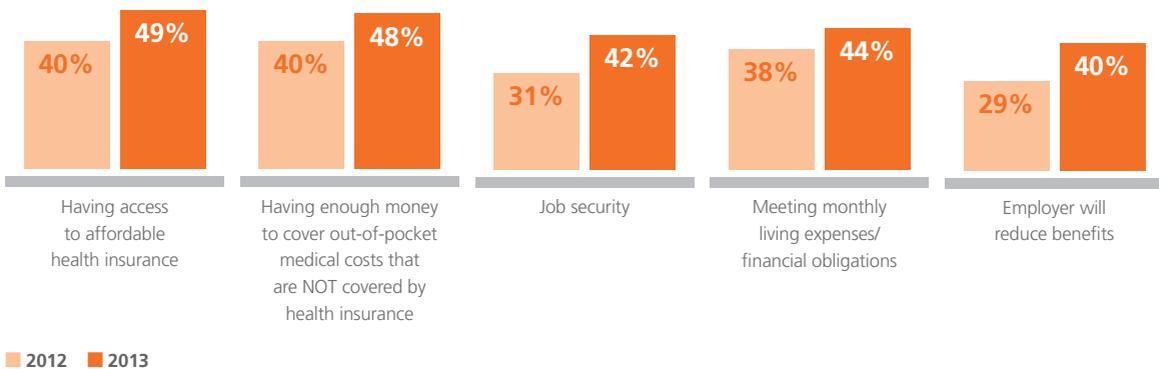


Employees as benefits consumers: Ready, willing, but are they able?

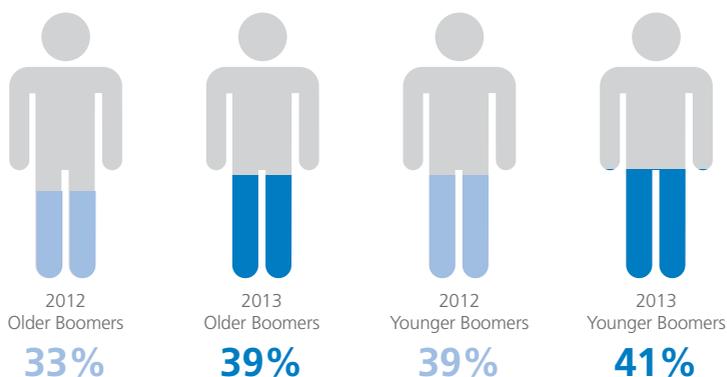
Five years on from the recession and financial concerns are high

The Study reveals a heightened level of financial concern across employees of all ages — largely driven by apprehensions about the cost and availability of ongoing health insurance coverage, an uptick in anxiety about job loss, and growing fears that company benefits will be cut. In addition, with retirement looming for many Boomers, trepidation about their financial readiness is increasing, with many planning to keep on working.

Employees who are very concerned about the following issues:



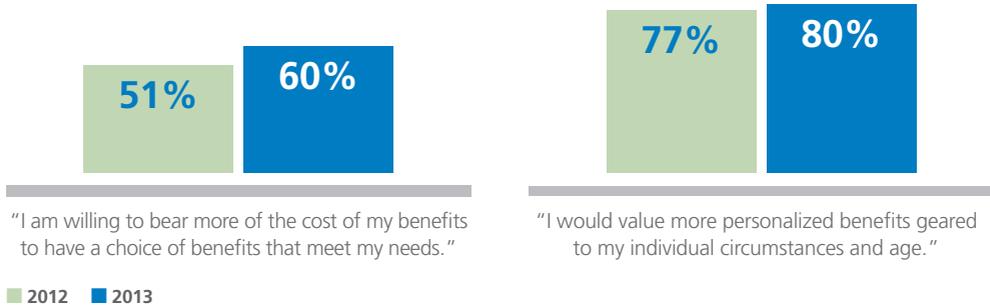
Employees who strongly agree that they expect to postpone retirement due to their financial situation



Employees prepared to pull their weight

Employees are accepting of the need to pick up more of the cost of their benefits, providing they have a choice of benefits. For some it is simply preferable to losing their benefits (61% agree), but for others — particularly younger workers — it is the price for access to benefits choice and variety.

Employees who agree with the following statements:

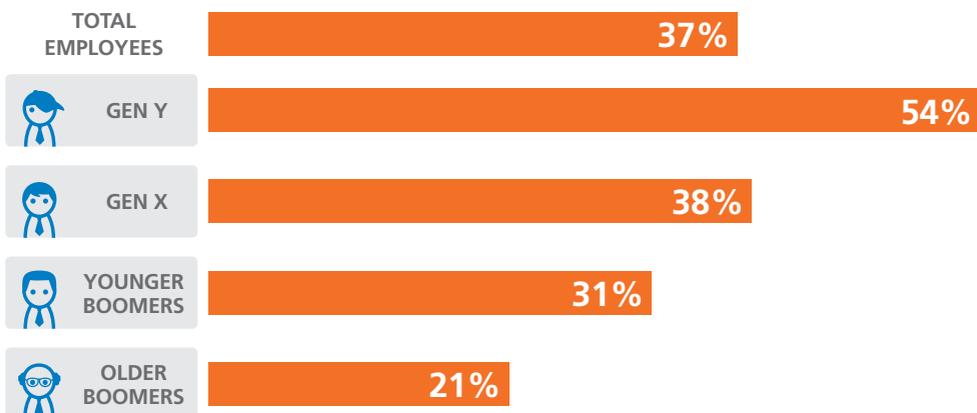


Employees are also ready to embrace choice when it comes to health care plans. Despite concerns about the impact of health care reform, more than half of employees strongly agree they would welcome having more health plans to choose from (53%) and feel confident about making the right health care plan decision (53%). About a third (33%), however, would prefer that their employer “vet” and offer a set of options.

Education is essential

It’s clear that employees are ready to play a bigger role in selecting and buying benefits, but they’re not completely knowledgeable yet. More than half (53%) agree — and 37% strongly agree — that they **need more help understanding how their benefits work and how they help meet their needs**. This is especially the case with younger workers. Additionally, **42% of employees surveyed are not confident that they use their benefits effectively now**.

Employees who strongly agree that they need more help understanding how their benefits work and how these options help meet their needs



For employers, the benefits balancing act just gets harder

A challenging cost convergence

Another important finding is a significant upswing in loyalty and job satisfaction. The Study clearly demonstrates a strong link between these trends and benefits that bodes well for employee acquisition and retention. Yet, as employees turn to their employers for a wider choice of benefits that will help relieve their financial pressures and meet their diverse needs, employers are focused on ways to control their benefits costs.

When asked about the importance of benefits objectives, 88% of employers report that **cost control is a very important benefits objective** — which is comparable to the priority of cost control seen in 2011. **However, retention also continues to be an equally important benefits objective for employers.** This convergence of trying to manage the cost of benefits while leveraging them to drive talent acquisition and retention is a tough balancing act.

Eighty percent of employers also report that optimizing benefits plans to reduce costs continues to be far and away their most important benefits strategy — especially for larger companies. And when making benefits decisions, cost is their most important consideration (74%).

Very important of factors when making benefits decisions



74%

Benefit costs



58%

Potential to boost loyalty and retention



57%

Legislation/regulations



51%

Employee feedback



51%

Potential to boost motivation and productivity

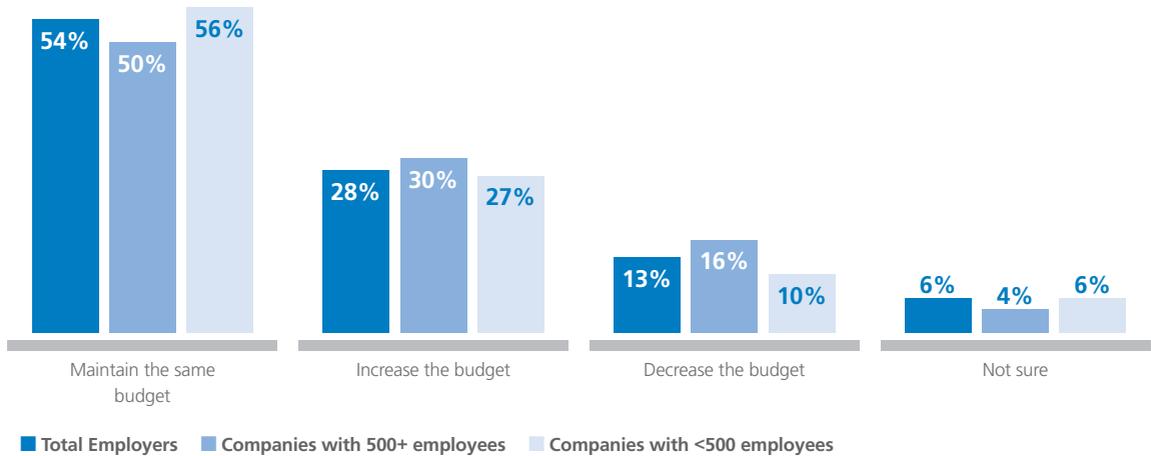


40%

Competitive trends

Despite these budgetary pressures, only 13% of employers report that they plan to decrease their benefits budget. In fact, 54% say they will keep it the same, and 28% report that they plan to increase their budget. These budget strategies are similar across both larger and smaller companies.

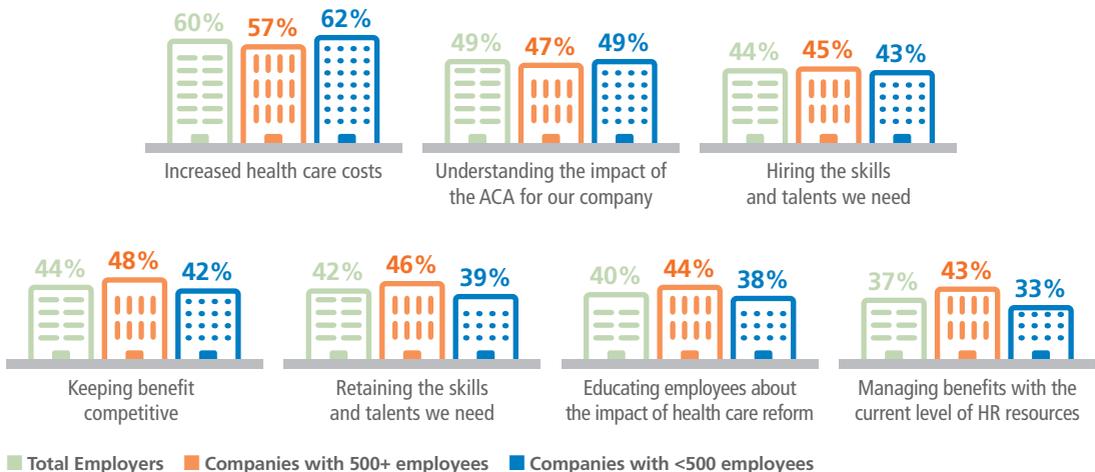
Actions companies are most likely to take with regard to employer-paid benefits



Health care top of mind

Despite market indications that, for the time being at least, health care costs might be starting to decline, 60% of employers cite increased health care costs as the biggest challenge at their company. Health care concerns also center on the implementation of the ACA; 49% of employers say that understanding the impact of the ACA on the company is very challenging, as is educating employees about the effects of health care reform (40%). This may explain why fewer than half (47%) of employees report that their company has communicated with them about the effects the Health Care Reform law will have on the benefits they receive at work.

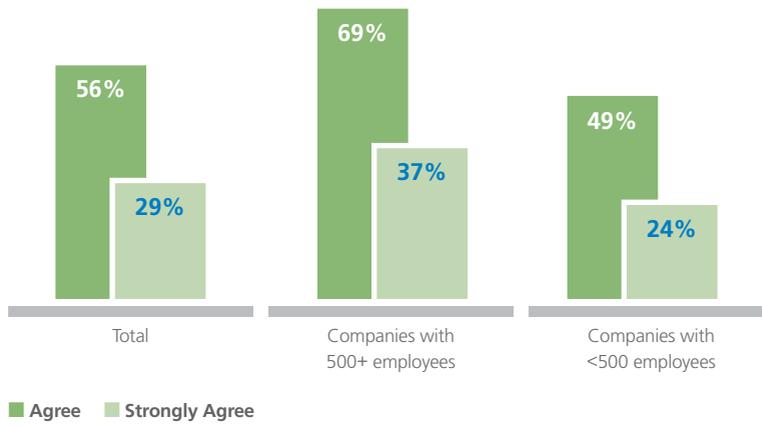
Very challenging issues for companies



Sticking with health care

The level of company commitment to offering health care remains the same as in last year's Study. However, benefits delivery options and models continue to evolve and employers are exploring a range of potential cost saving options for implementation in the next three years. Notably, **56% of employers' are also moving toward a health benefits strategy that requires a more active role from employees (such as premiums tied to wellness activities, choosing between multiple medical plan options).**

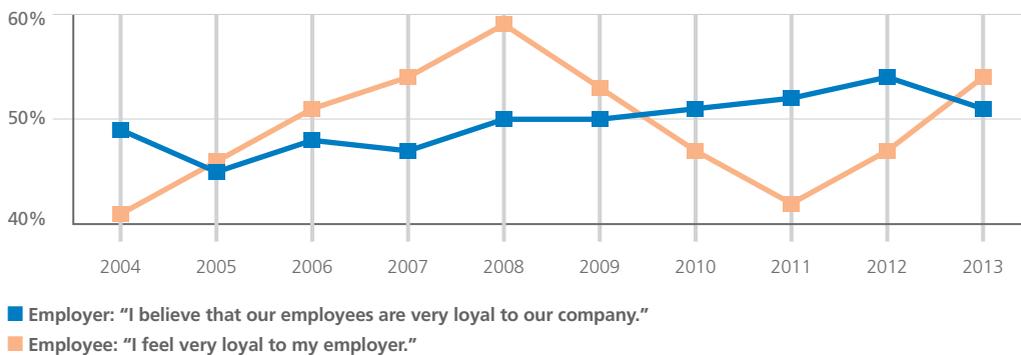
Company is moving toward a health strategy that requires a more active employee role



A bend in the loyalty curve

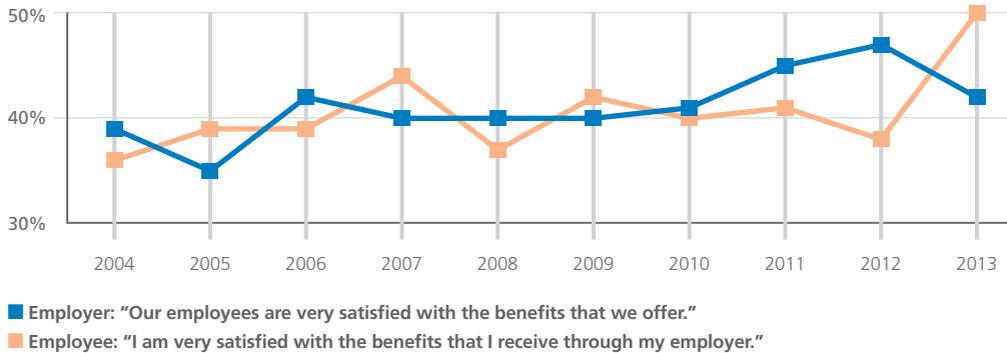
For the past four years, as recessionary freezes and furloughs left many employees feeling dispensable, the Study has reported a widening disparity between employer and employee perceptions of loyalty. This year sees an important shift in this trend. When it comes to how loyal employees feel toward their company, there has been a significant increase over last year, which is a good omen for talent retention. Ironically, while employee loyalty is increasing, employers perceive reduced loyalty from employees — creating a reversing loyalty gap.

A reversing loyalty gap in perceived employee loyalty to the company



Benefits have a demonstrable role in improving loyalty perceptions; **employees who are very satisfied with their benefits are more likely to feel loyal to their company and to believe their company is loyal to them.** And, this year, employees express even greater satisfaction with their benefits — a timely reminder of the powerful talent engine embodied in benefits. Yet, not all employers recognize this rising satisfaction trend.

Benefits satisfaction increases, but employers are not aware of the upswing

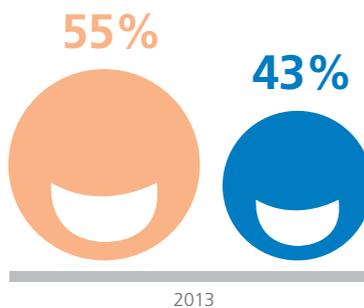


Job satisfaction spikes

The good news continues as employees report higher job satisfaction than at any time since the recession. In addition, **the percentage of employees who would recommend their company as a great place to work has increased from 42% to 52% in the past twelve months.** Employers, however, expected a decrease in workforce job satisfaction.

Once again, the Study reinforces a strong correlation between benefits satisfaction and job satisfaction. **Employees who are very satisfied with their benefits are more than twice as likely to report being very satisfied with their jobs.**

Employers expected lower job satisfaction in their work force



- Employee: "I am satisfied with the job that I have now."
- Employer: "Workplace satisfaction is high among our employees."

Addressing alignment of benefit expectations, cost and responsibility

The Study confirms that investing in good benefits helps drive important company goals. It also provides insights on various benefit strategies that can help employees address financial security needs, while also containing benefit costs. Strategies include shifting to voluntary benefits, fostering physical and financial wellness, quantifying the benefits of benefits, and integrating a global benefits perspective.

Are employers taking their eyes off voluntary benefits solutions?

With all of the current industry focus on voluntary benefits, this year's Study shows a somewhat **surprising dip in the number of companies that agree with the statement "voluntary benefits are a significant part of our company's benefits strategy,"** ending a rising trend seen over the past three years. The Study also finds a decrease in the number of companies that intend to expand their voluntary benefit programs.

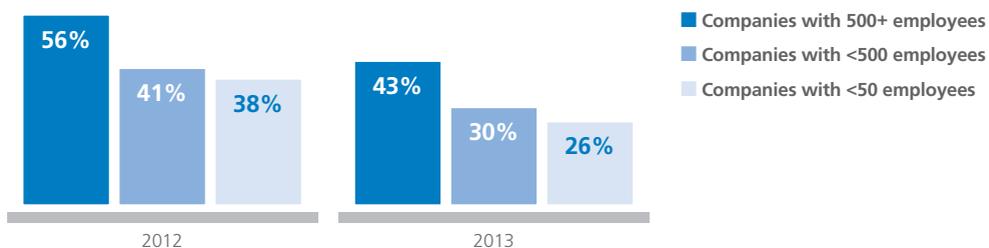
This trend appears to reflect a slight shift in focus rather than employers feeling their program is robust enough already. The Study shows that the likelihood of offering more voluntary products in the next two years increases with the number of voluntary products currently offered by a company. Also, **more than half of employers surveyed (55%) recognize that their employees are interested in a wider range of voluntary products.** A likely reason that voluntary products may not be front and center this year is that companies are understandably focused on the ACA and the need to control health care costs.

Employers who agree that voluntary benefits are a significant part of their company's benefits strategy



Visit BenefitTrends.MetLife.com to see this trend broken out by company size.

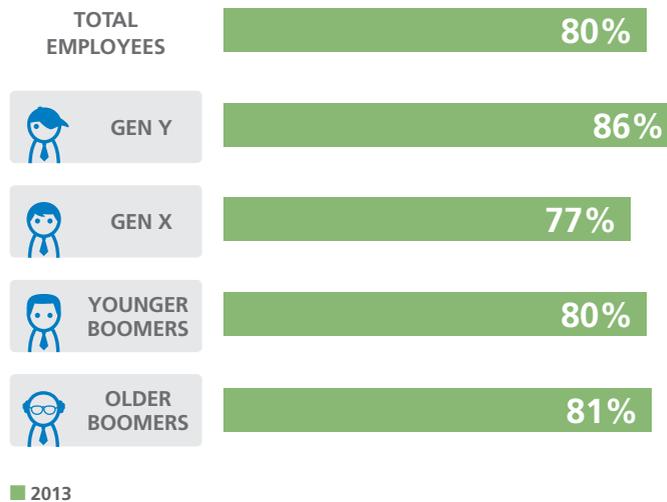
Companies likely to increase the number of voluntary benefits offered to employees in the next two years



The Study provides compelling evidence as to why, despite ACA challenges, it is important to continue the focus on a voluntary strategy.

- Voluntary benefits are a proven method for tackling benefits cost challenges. **Sixty percent of employers agree (and 34% strongly agree) that the reason they offer voluntary benefits is to replace employer-paid benefits programs in order to reduce benefits costs.**
- Voluntary products enable employers to provide the benefits choice and variety that employees want — without a budget impact. Sixty-eight percent of employers report meeting the diverse needs of their employee population as a reason for offering voluntary benefits. This focus on benefits customization is important for employee satisfaction — **80% of employees report that they value benefits that are personalized for their circumstances and ages, and 64% are interested in having their employer provide a wider array of voluntary benefits.**
- Seventy percent of employers say they offer voluntary products to increase company loyalty, and this is endorsed by the finding that **44% of employees say that “having benefits customized to meet my needs would increase my loyalty.”** Given the improvements in benefits satisfaction and loyalty reported this year, it would seem that the emphasis on voluntary strategy noted by the Study over the past three years is paying off.

Younger employees especially value having benefits personalized to meet their individual circumstances and age

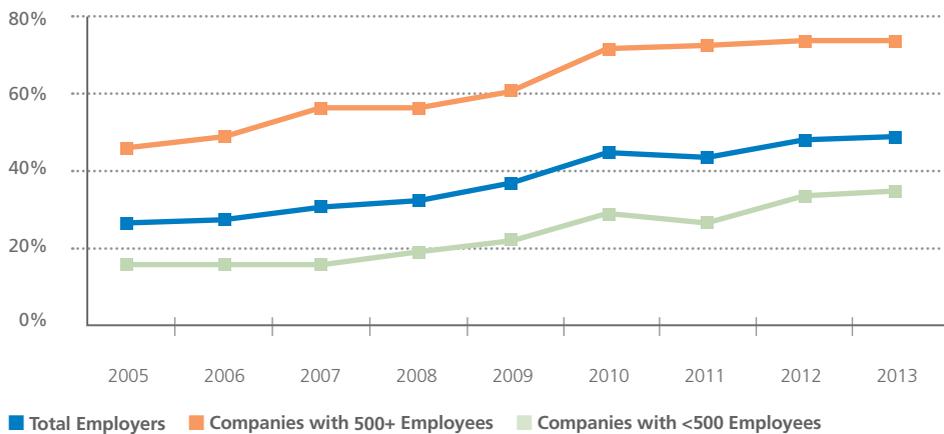


Pay now to save later — why wellness investment continues

Employers believe in wellness. In their efforts to gain control over health care costs, as well as address the productivity challenges of an increasingly unhealthy workforce, more employers are buying in to the concept that investing in employee health today will ultimately reduce future medical costs. **Forty-one percent of all employers strongly agree that wellness programs are effective for reducing costs** — compared with 29% in 2010. And this rises to 51% for companies that currently provide a variety of wellness programs, compared with 38% in 2010.

The number of companies offering wellness programs has also risen steadily across all company sizes during the last decade and the trend continues today — albeit more slowly. In fact, **81% of employers who offer wellness programs say that promoting employees’ healthy behaviors is a very important benefits strategy at their company.**

Companies that offer wellness programs



Types of wellness programs offered



82%

Health Screening (biometrics, cholesterol, blood pressure, etc.)



75%

Fitness Programs (gym memberships, weight-loss programs, yoga/relaxation, etc.)



74%

Health Management (disease management program, on-site clinic, smoking cessation, etc.)



67%

Work/Life Balance Initiatives (telecommuting, job sharing, employee assistance programs (EAP), etc.)

Fostering financial wellness to promote productivity

Increasing productivity is a very important benefits objective for 79% of employers. At the same time, **51% of employers strongly agree that “Employees are less productive while at work at our company when they are worried about personal financial problems.”** Given that 54% of employees report that they are very concerned about their financial security, it is likely that productivity is being impacted by financial insecurity at many companies. This is especially so for younger workers who are, the Study reveals, more likely to be distracted or absent due to personal financial issues.

Fifty-seven percent of employers agree that offering financial education to employees has a positive effect on productivity and 50% also strongly agree that their company understands the personal financial pressures on their employees today.

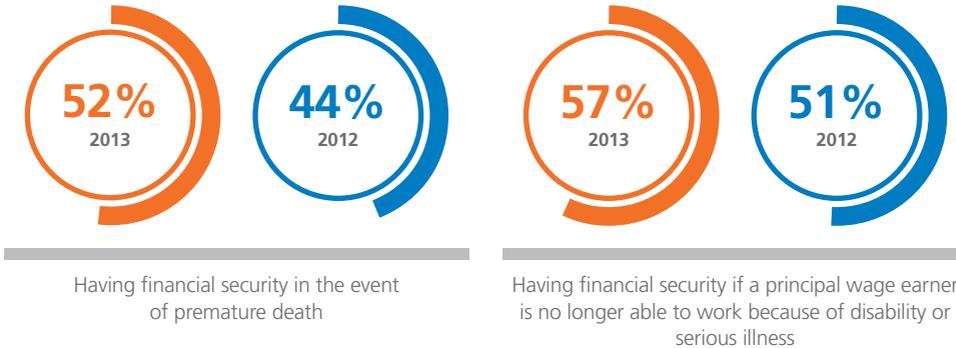
Offering financial education in the workplace is an effective way to both drive productivity and demonstrate empathy. Despite the fact that 50% of employers identify financial education to help employees become financially secure as a very important benefits strategy, only 34% currently offer financial education workshops. This could be a missed opportunity: the Study shows that **49% of employees who do not have access to financial education through the workplace would be interested in having this opportunity.**



Life insurance and disability income protection continue to be cornerstones of employee financial security. Employee concerns about protecting their families from the income impacts of disability and premature death have increased over the last year; yet **over a third (37%) of those who have life and/or disability insurance either don't believe their coverage is adequate or are not sure if it is adequate.**

Financial security depends on confidence in the level of protection. Employers recognize that there are issues here. Less than half (42%) agree that most employees have adequate life insurance coverage, and 33% agree that most employees understand how much life insurance coverage they need. But, **only 33% of employers currently provide access to online tools and calculators** that can help employees assess the amount of life and disability insurance coverage they should have.

Employees who are very concerned about unforeseen events

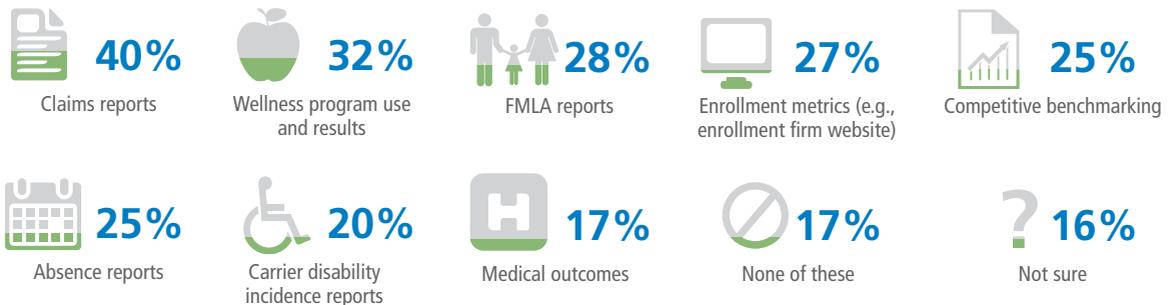


The emergence of data dominance

When it comes to benefits investment decisions, there is increasing attention to the value delivered by benefits in addition to their cost. This means that analytics are playing a bigger role in benefits evaluation and decisions — especially for larger companies. However, on average **only 25% of employers report using available analytic reports.**

The benefits world is becoming more complex — the ACA is changing traditional health benefits and delivery channels, and employers find themselves actively involved in working to change employee behaviors for improved rates of productivity and loyalty. This can put more pressure on limited budgets and employers will need to embrace “big data” in order to know if they are really getting the outcomes they desire from current benefits strategies and investments.

Which of the following does your company use?



A global perspective

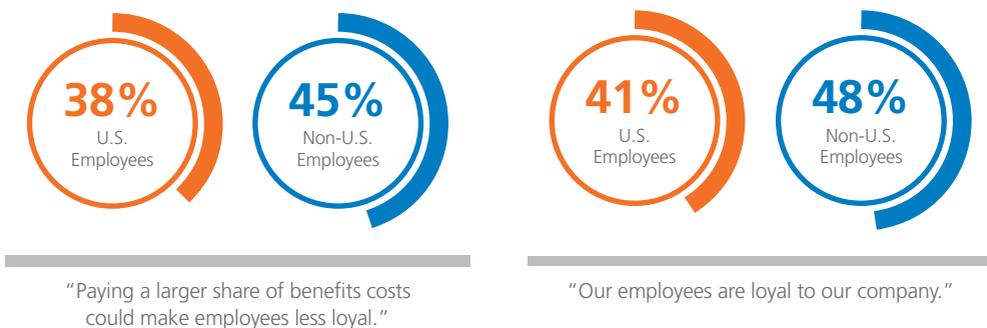
Many large companies operate in multiple global locations, with talent increasingly deployed across the world. This makes having a global benefit strategy especially important, both from a cost and an administrative perspective. This year, the Study took a closer look at benefit strategies for multinational companies.

The Study finds that **the most important benefit strategy with respect to most non-U.S. regions is “being able to comply with legislative requirements.”** With the complexity and uniqueness of requirements around the world, it is clearly very important for U.S.-based global decision makers to ensure they have the right information and governance.

Findings reveal region-specific benefit priorities. Beyond legislative compliance concerns, many benefit strategies are seen to be of similar importance across both U.S. and non-U.S. regions. For example, using plan design to control costs and improving the effectiveness of benefit communications are in the top three for both. The Study reveals that the largest strategic disparities are in sharing costs with employees (#2 priority in non-U.S. regions and #6 in the U.S.) and offering wellness programs (#6 priority in non-U.S. regions and #2 in the U.S.).

- Cost-sharing practices are generally already widely accepted in the U.S., and expanding this concept globally may become a higher strategic priority for non-U.S. regions as a way to help control benefit costs. However, there is higher concern about employee loyalty “backlash” from cost sharing in non-U.S. regions, where employee loyalty is perceived as being slightly higher than in the U.S. employee population.
- Wellness is already an established strategy in the U.S., as it is in Europe and Canada as well, with year-over-year growth in programs. In other regions, there is a good deal of variance in the focus on wellness, but there are signs that it is of growing importance in some regions.

Multinational employers who strongly agree with the following statements (Companies with 500+ employees):



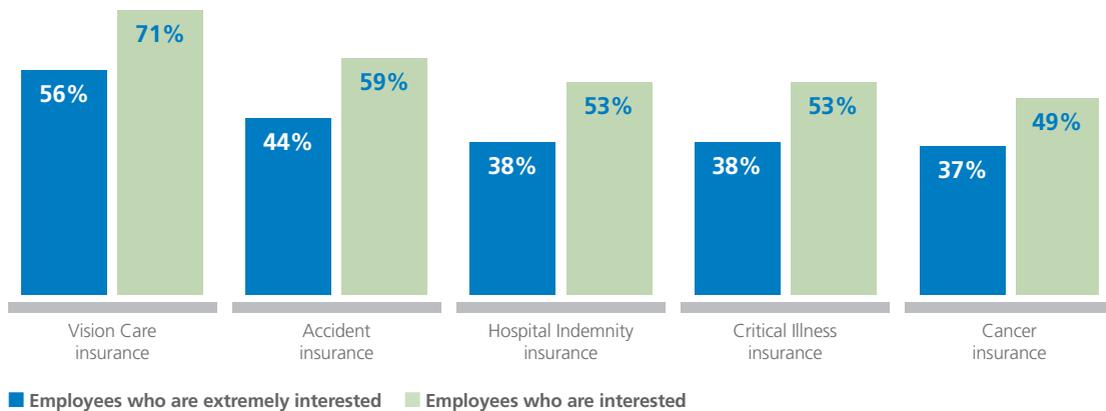
With the globally mobile workforce estimated to grow at more than 10% in the year ahead, companies are investing considerable time and money in their expatriate employees. The Study shows that **most U.S. employers still have their expatriate workers on a U.S.-based plan**, although the percentage of those that have an expatriate-specific plan increases with company size (16% for those with 500+ U.S. employees and 20% for those with more than 5,000 U.S. employees). Plan type and size, length of assignment, and location factor into these decisions.

Turn insights into action

1. Add voluntary value

A very important employee concern is managing unexpected health care costs that are not covered by their medical plans — especially with the increase in high deductible health plans. Voluntary supplemental health benefits — such as **accident, critical illness and hospital indemnity plans** — are increasingly popular solutions for addressing this gap. As the line between employer-paid and employee-paid benefits becomes less distinct, 45% of employers agree with the statement “Our Company considers supplemental health benefits (such as accident and critical illness plans) as an essential part of an integrated health benefits package rather than as add-ons.” Many carriers are integrating their voluntary supplemental health offerings to provide a broader safety net. And, when asked, employees are very interested in the opportunity to buy these products.

Employee interest in the following voluntary employee benefits, if employer offered them:



2. Support financial security with financial education at work

A financial education program that covers a range of topics and is delivered by well-credentialed financial professionals can be a recipe for creating financial wellness — especially when combined with the ability to take action. It can also result in employees having a greater appreciation for the relevance and usefulness of their workplace benefits. Carriers may offer such programs at no cost to employees and often at no expense to the company.

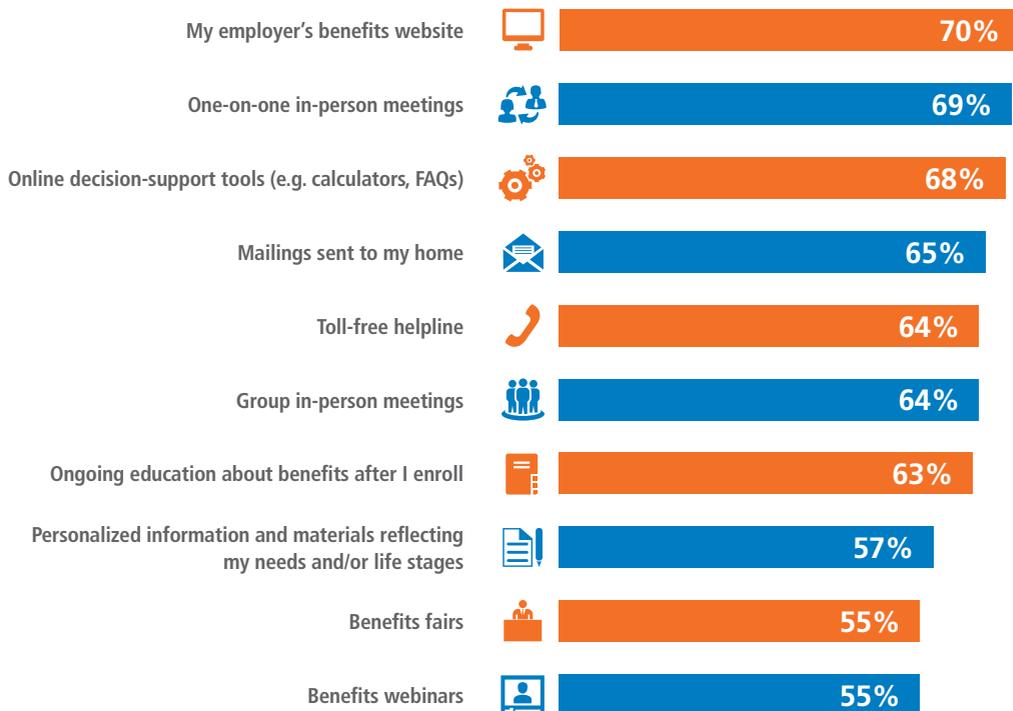
3. Make smarter benefit choices

There are currently multiple reports and analytics to tap into that help review the worth and impact of benefit offerings. Many employers feel they don't have the resources to explore this data — **60% agree that managing benefits with the current level of HR resources is a challenge at their company.** Carriers and brokers can provide help by developing reports that are relevant to specific company issues and summarizing raw data into concise and meaningful recommendations.

4. Help employees to be better educated benefit consumers

Employees have clear preferences on how they want to learn about benefits. Communication is more effective when employers approach benefits education and communication using these preferred channels and methods.

Employees who agree they would find the following options helpful when selecting and enrolling in benefits:



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for more insights from MetLife's Employee Benefits Trends research.

Methodology

MetLife's 12th Annual *U.S. Employee Benefit Trends Study* was conducted during October and November of 2013 and consisted of three distinct studies fielded by GfK Custom Research North America. The employer survey comprised 1,510 interviews with benefits decision-makers at companies with staff sizes of at least two employees. The employee survey comprised 1,203 interviews with full-time employees age 21 and over, at companies with a minimum of two employees.

Employers

Employer size (staff size)

2—9	20%
10—49	20%
50—199	17%
200—499	5%
500—999	4%
1,000—4,999	13%
5,000—9,999	10%
10,000+	10%

Industry

Professional Services	31%
Heavy Industry	23%
Finance, Insurance, and Real Estate	13%
Sales/Trade	10%
Health Care and Social Assistance	9%
Arts, Entertainment, and Recreation	3%
Accommodation and Food Services	4%
Educational Services	5%
Public Administration	2%

Geography

South	28%
West	28%
Northeast	26%
Midwest	18%

Employees

Gender

Male	56%
Female	44%

Marital status

Married	63%
Single	21%
Divorced/Separated	9%
Domestic Partnership	6%
Widowed	2%

Ethnic background

Caucasian	68%
Hispanic	15%
African-American	11%
Asian	6%

Family status

Do not have children under 18	46%
Have children under 18	54%

Employer size (staff size)

2—9	7%
10—49	13%
50—199	17%
200—499	9%
500—999	10%
1,000—4,999	14%
5,000—9,999	8%
10,000+	21%

Geography

South	38%
West	23%
Midwest	21%
Northeast	18%

Age

21—30	15%
31—40	28%
41—50	20%
51—60	28%
61 and over	9%

Household income

Under \$30,000	7%
\$30,000 to \$49,999	17%
\$50,000 to \$74,999	21%
\$75,000 to \$99,999	17%
\$100,000 to \$149,999	27%
\$150,000 and over	10%

Industry

Professional Services	37%
Heavy Industry	21%
Sales/Trade	7%
Health Care and Social Assistance	9%
Educational Services	8%
Finance, Insurance, and Real Estate	10%
Public Administration	4%
Accommodation and Food Services	2%
Arts, Entertainment, and Recreation	2%

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