



The Benefits Edge

Honing the Competitive Value of Employee Benefits

HEALTH & WELL-BEING

FINANCIAL SECURITY

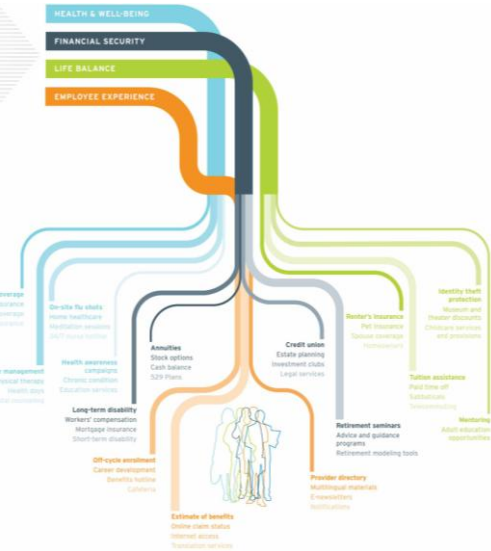
LIFE BALANCE

EMPLOYEE EXPERIENCE

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METLIFE

Metropolitan Life Insurance Company
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L0409033371[exp0410][All States]

Think about how.....



... benefits strategies will need to change in the next five years.

... your benefits approach might offer you a competitive advantage.

... you may want to reallocate resources in benefits.

... you might communicate about benefits differently with senior management.

An historical view of the benefits landscape

1950

- 33.9% of women were in the workforce *
- Health expenditures 4.5 % of GDP **
- 60% of households had telephones
- First Xerox photocopier one year old
- First modern credit card introduced



1980

- 51.1% of women were in the workforce*
- Health expenditures 9.1 % of GDP **
- CNN goes on the air
- First PC introduced by IBM (1981)
- First 401k plans are two years old

* Changes in Men's and Women's Labor Force Participation Rates
U.S. Bureau of Labor Statistics, Jan 10, 2007

** Trends and Indicators in the Changing Healthcare Marketplace.
The Kaiser Family Foundation

A contemporary view of the benefits landscape

1994: Think about how we communicated in business.

2009

- 59.1% of women are in the workforce *
- Health expenditures 16.1 % of GDP **
- 250 million users on FaceBook
- Over 1.5 billion people on the web
- Worst economy since Great Depression



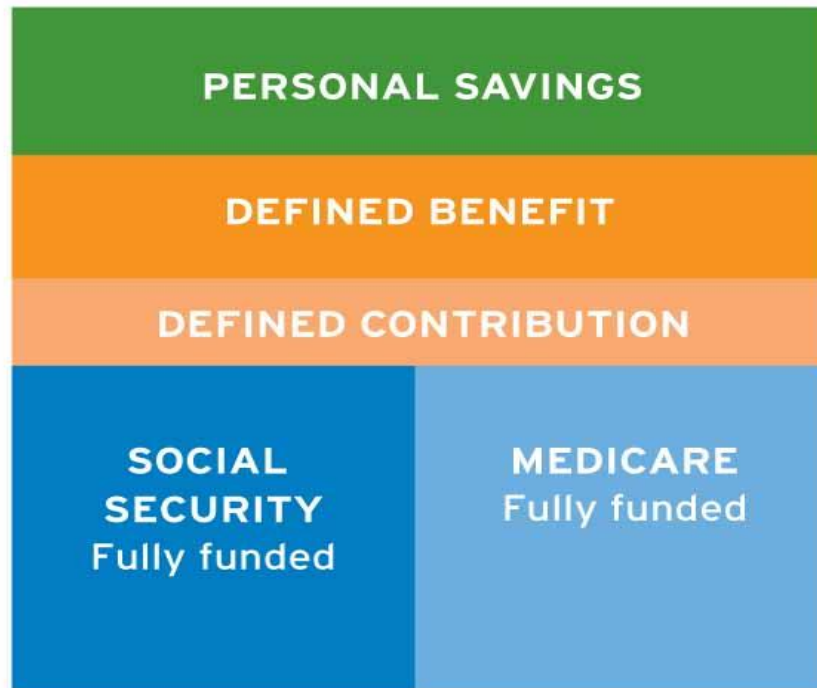
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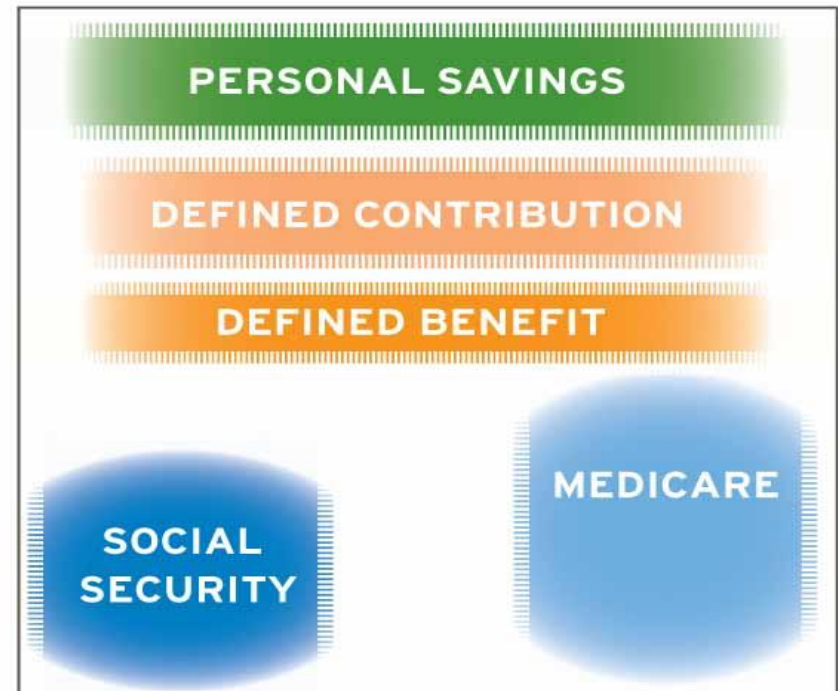
The traditional financial safety net is unraveling.

THE FUNDAMENTAL ELEMENTS OF SECURITY⁸

Latter half of the 20th century
Greater certainty and greater security



First half of the 21st century
Less certainty and less security



Greater proportion of the population is over 65

A man age 65 has a 50% chance of living beyond age 86.

A 65 year old woman has a 50% chance of living beyond age 88.

For a couple, both 65, there is a 25% chance that one will live past age 97.

Entitlement programs face sizeable challenge

2015

There will be 80 Million Americans over 60.
The average 60 year old will live past 85.

2009

There are 40 Million Americans over 60.
The average 60 year old lived to at least 80.

1965

There were 20 Million Americans over 60.
The average 60 year old lived to age 75.

1935

There were 10 Million Americans over 60.
The average 60 year old lived to age 70.

Medical costs have been doubling every 10 years

Our health care payment system is hardwired to pay for acute care. *

But what we will need in the future is better prevention, wellness, primary care and chronic care. *

**IT'S MORE
PROFITABLE
TO TREAT
CANCER
THAN TO
PREVENT IT. ****

* Health Affairs, February 2008

**Preventive Care: A National Profile on the Use, Disparities and Health Benefits.” Partnership for Prevention, August 2007.

In 2009 we face unprecedented challenges

Total compensation spending



Benefits spending

30.2%

-
- 8.4% Life, health, and disability
 - 7.8% Legally required benefits
 - 7.1% Paid leave benefits
 - 4.4% Retirement and savings
 - 2.5% Supplemental pay

In 2008 American employers were paying an average of \$8.81 per hour in benefits*

* Bureau of Labor Statistics, 2008

What business value do we get from benefits?



The economic downturn.....

..... has caused more people to be acutely concerned about their financial security

61% of employees said they are concerned about having enough money to make ends meet.

61% of employees are worried that they might outlive their retirement money.

The economic downturn.....

*..... has caused more people to value the benefits they get at work**

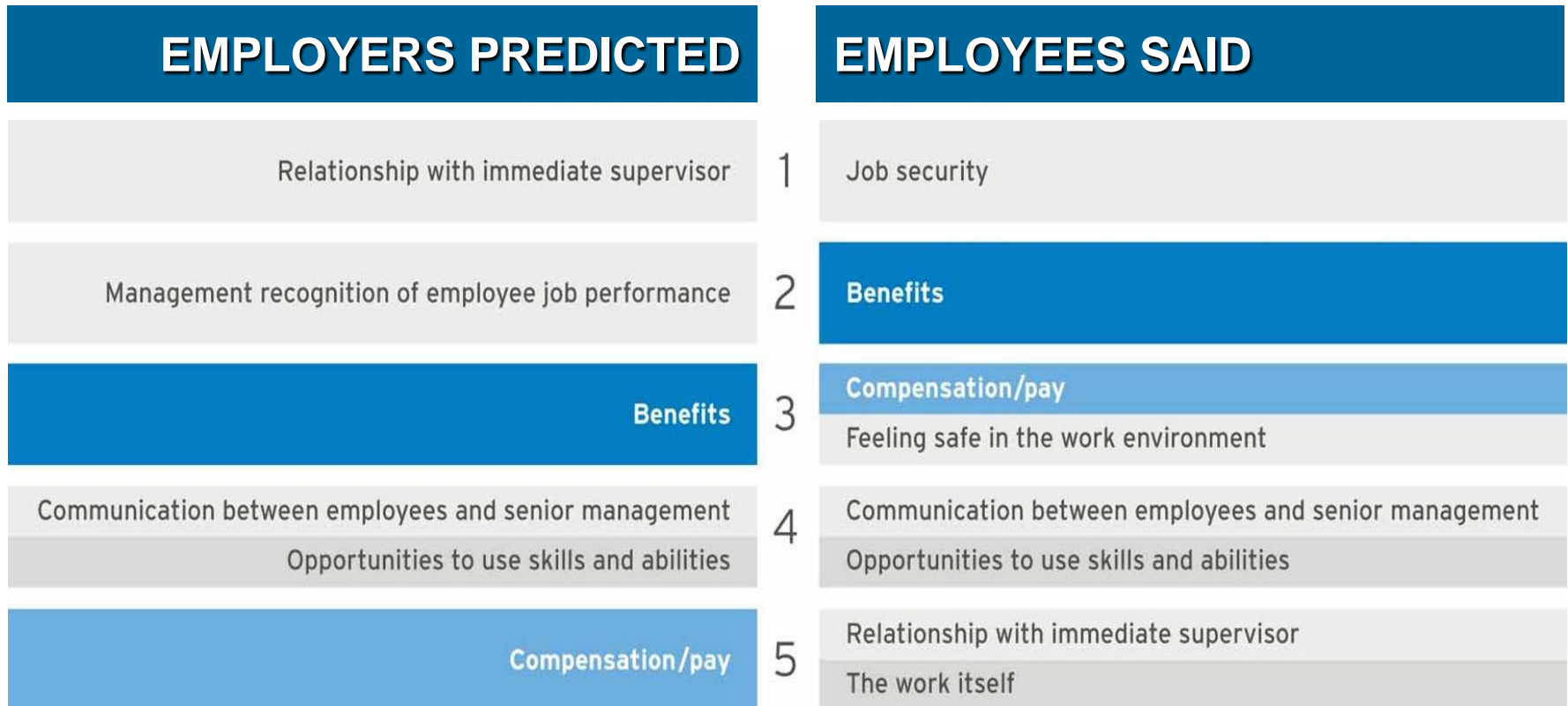
46% of employees said that:

“Because of the economic events of the past few months, I have taken a greater interest in understanding the employee benefits that I receive through my employer.”

41% of employees said that:

“I consider the benefits I get at work to be the foundation of my financial safety net.”

Different views on job satisfaction and loyalty



*Society of Human Resource Managers, 2008

Employers typically under-recognize.....

..... the relationship between benefits and job loyalty

Employers predicted

Employees said

HEALTH BENEFITS



RETIREMENT BENEFITS



ALL OTHER INSURANCE BENEFITS (LIFE, DENTAL, DISABILITY, VISION, ETC.)



*Seventh Annual
MetLife
Study of Employee Benefits
Trends 2009

Benefits are more important than ever

90% of Americans believe that it is important for companies to offer benefits even if employees pay most or all of the cost. *

56% of employees said :
“Because of the economic events of the past few months, I place greater value on the benefits that I receive from my employer.” **

* The 2008 MetLife Study of the American Dream, MetLife, 2008

**7th Annual MetLife Study of Employee Benefits Trends: Small Business

Benefits drive PRODUCTIVITY in 3 ways

1) There is a business value to a healthy working population

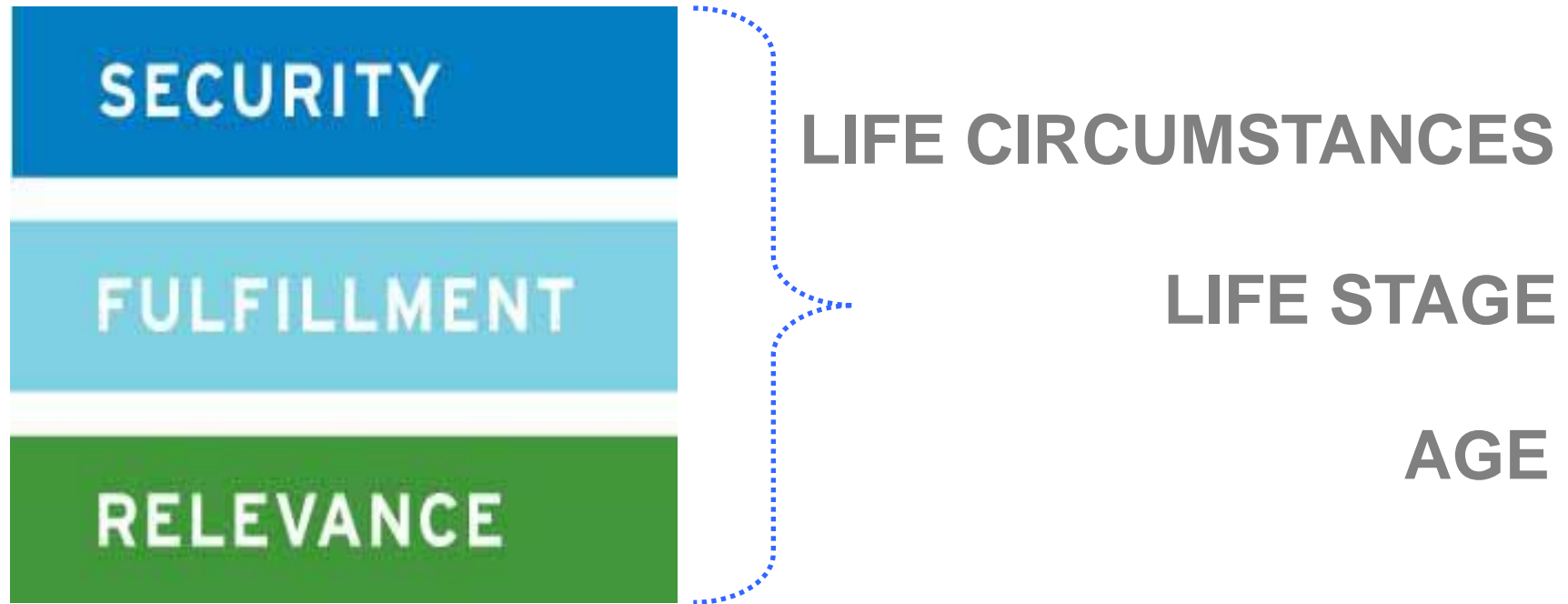
TOTAL COST OF WORKER ILLNESS



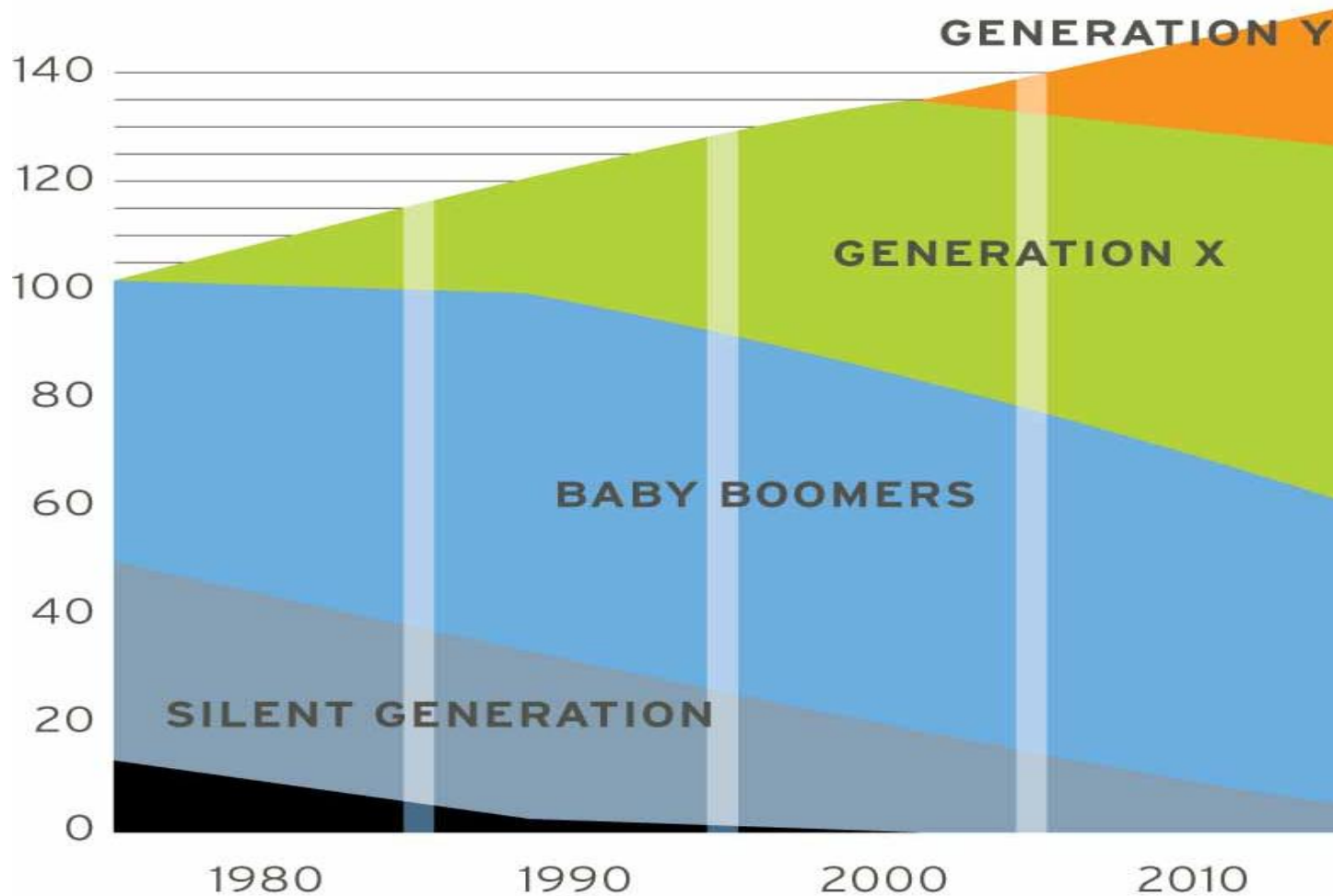
2) There is also a business value to a more financially secure working population.

3) Work/Life Balance reduces external distractions allowing associates to be more engaged at work.

What do benefits mean to employees?

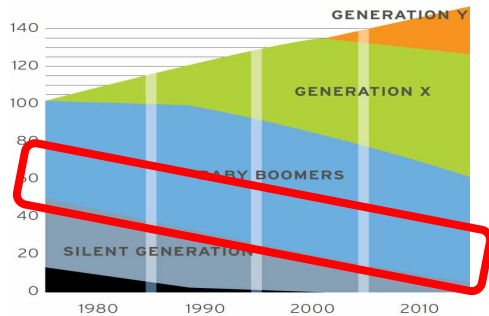


Generations in the workforce



Older boomers expect to work hard

OLDER BOOMERS b. 1946 - 1955



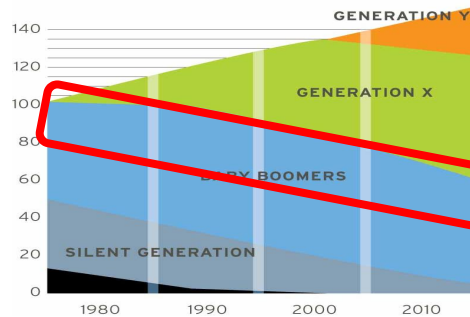
Older boomers gain satisfaction from their work, sometimes at the expense of a healthy work/life balance. They are a generation prone to becoming workaholics. Contest awards, bonuses, commissions, and incentive plans resonate with this prevalently competitive group. Older boomers also tend to thrive in a structured work environment. *

* Baby Boomers
Grow Up
The Strategic Solution
Fall 1996

DEFINING EVENT: WOODSTOCK

Not all boomers are the Woodstock generation

YOUNGER BOOMERS b. 1956 – 1964



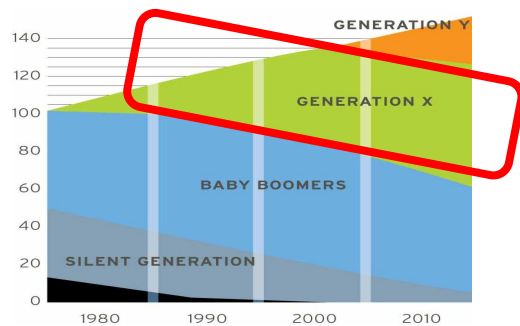
Younger Boomers were in grade school during the Summer of Love. They tend to be less affluent than their older boomer siblings. Younger boomers were raised by parents who encouraged hard work and academic achievement and this group was taught that hard work would reap its own rewards.

* Baby Boomers
Grow Up
The Strategic Solution
Fall 1996

DEFINING EVENT: THE BICENTENNIAL

Gen X tend to be cynical and question authority

GEN X b. 1965 – 1976



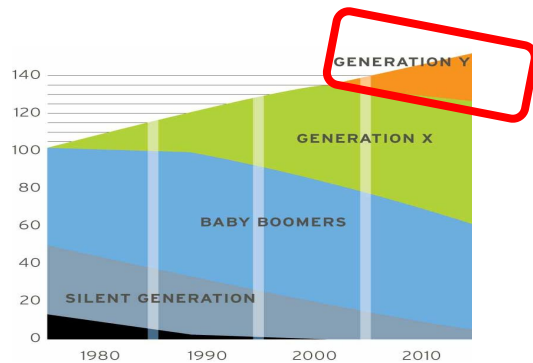
They grew up in a world where parents became more mobile in their careers. As a result, this generation is more apt to view employment with shorter time horizons. For them, time is currency. They have been described as the “prove it to me” generation. *

*Getting to Know
Generation X
NAS Recruitment
Communications, 2006

DEFINING EVENT: FALL OF BERLIN WALL

Gen Y is generally optimistic and eager

GEN Y b. 1977 – 1995



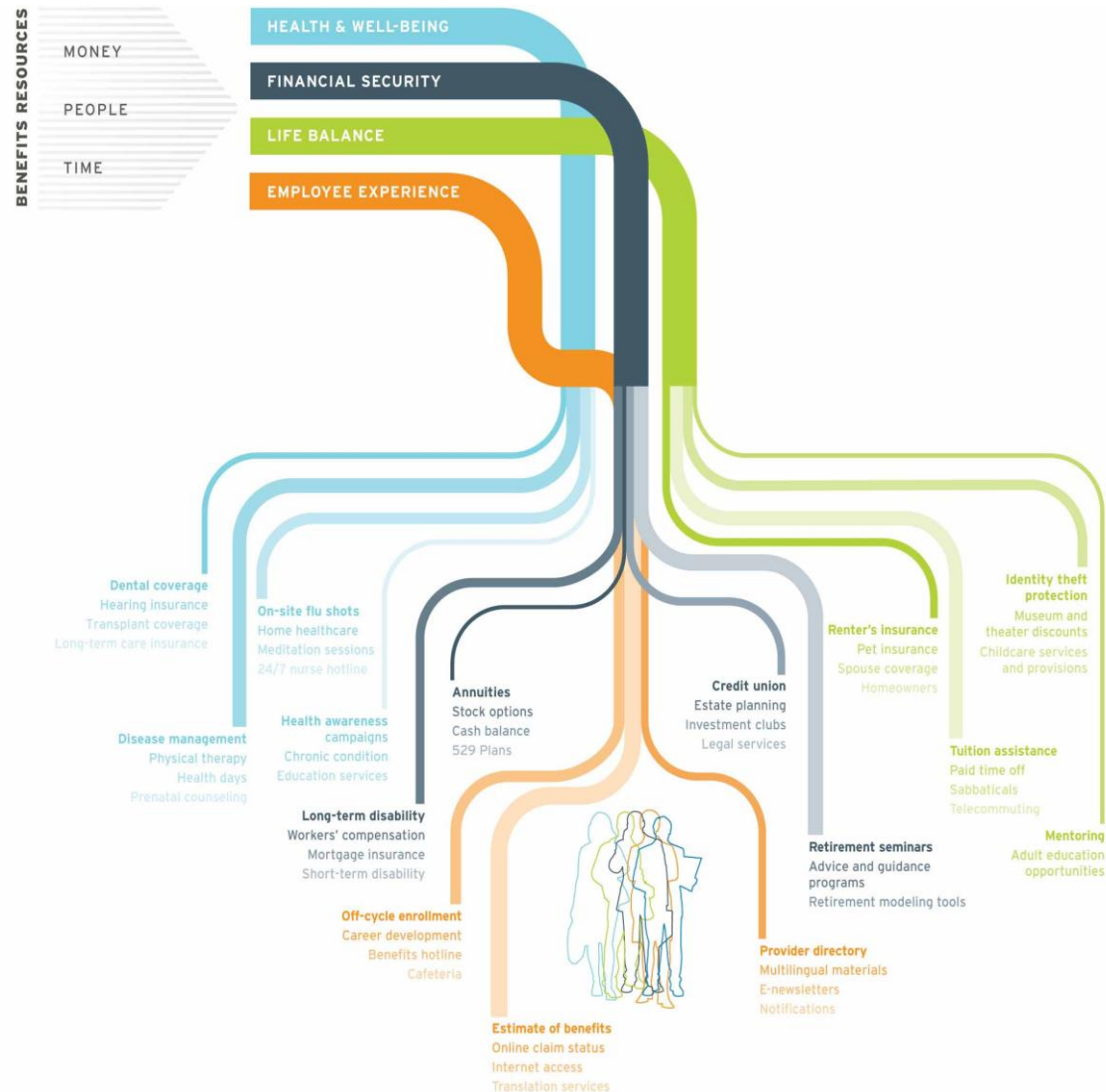
Gen Y is more apt to be reliant on their parents at a later age. They expect frequent rewards and look for personal fulfillment at work. They are highly educated and tech-savvy. They reject nine-to-five schedules and value personal development as much as a paycheck. They are less apt to follow the usual corporate rules. *

* Marston, Cam
Motivating the
What's In It For Me?
Workforce.
John Wiley &
Sons Inc, 2007

DEFINING EVENT: DOT-COM BOOM

A NEW BENEFITS FRAMEWORK

This framework challenges the benefits professional to consider how they are allocating their focus and investment across these four broad areas.



Core benefits concepts redefined

Where we've been

Where we need to go



CULTIVATE HEALTH AND WELL-BEING

This approach to health benefits shifts fundamentally from, “We’ll help you when you’re sick.” to “We’ll help you stay well, live a healthy life and extend your life expectancy.” Imagine well days, instead of sick days.

- **Discounts for local gyms**
- **Time off for flu shots**
- **Coaching / Advocacy**
- **Risk protection**
- **Prevention**
- **Behavior modification**



CULTIVATE HEALTH AND WELL-BEING

61% of large companies had a wellness program in 2008—up from **47%** in 2005.

Even small companies can foster employee wellness. **13%** had a wellness program in 2008.

HEALTH & WELL-BEING

FINANCIAL SECURITY

LIFE BALANCE

EMPLOYEE EXPERIENCE

CULTIVATE HEALTH AND WELL-BEING

Cultivating health and well-being implies a longer-term focus that leverages personal (and employer) investment in health and well-being for future decades.



FOSTER FINANCIAL SECURITY

This approach goes beyond matching contributions to promote personal responsibility through education, guidance, and access to services.

- **Retirement Contribution**
- **Income Protection**
- **Savings Incentives**
- **Banking Services**
- **Advice and Guidance**
- **Wealth Tools**



FOSTER FINANCIAL SECURITY

51% of employees said that they were interested in getting advice about their retirement needs from their employer.

Over **54%** of companies (>1000 employees) offer retirement planning seminars.



FOSTER FINANCIAL SECURITY

While employers may not be able to contribute as much monetarily, they can still assist their workers through access to planning tools, financial experts or sponsoring risk and income protection.

41% of small business employees say they obtain the majority of their financial products through the workplace. *

*Seventh Annual
MetLife
Study of Employee
Benefits Trends 2009



PROMOTE LIFE BALANCE

This approach actively promotes a culture that acknowledges the needs of modern individuals and families and responds by rethinking benefits that allow people to be more engaged and productive.

- **Integrated Absence**
- **Convenience Services**
- **Family Obligations**
- **Life Events**
- **Volunteering**
- **Work Flexibility**



PROMOTE LIFE BALANCE

VOLUNTARY BENEFITS	EMPLOYEE	EMPLOYER
CONVENIENCE	64%	51%
DISCIPLINED	54%	39%
NO MEDICAL EXAMS	51%	36%
BETTER QUALITY	41%	34%



PROMOTE LIFE BALANCE

The goal is to eliminate perceptions that personal life is a distraction from work and replace them with a work culture where the daily challenges, responsibilities, and concerns of every individual are acknowledged.

88% of employees are interested in their employer providing a greater array of voluntary benefits. Keep your finger on the pulse of what they want and need. *

*Seventh Annual MetLife Study of Employee Benefits Trends 2009

*



CRAFT AN UNPARALLELED EXPERIENCE

This approach focuses the end-user experience by providing easy access to information, services, and customization. Creating an unparalleled experience raises employee awareness of the value of benefits and engages people in available programs.

- **User Experience**
- **Push and Pull**
- **Decision Support**
- **Customization**
- **Coordinated Programs**



CRAFT AN UNPARALLELED EXPERIENCE

Of employees who believed that benefits communications **WERE** effective:

70% were satisfied with their benefits; and **68%** said that benefits were an important reason they stayed with the company

Of employees who believed that benefits communications were **NOT** effective:

7% were satisfied with their benefits; and **21%** said that benefits were an important reason they stayed with the company

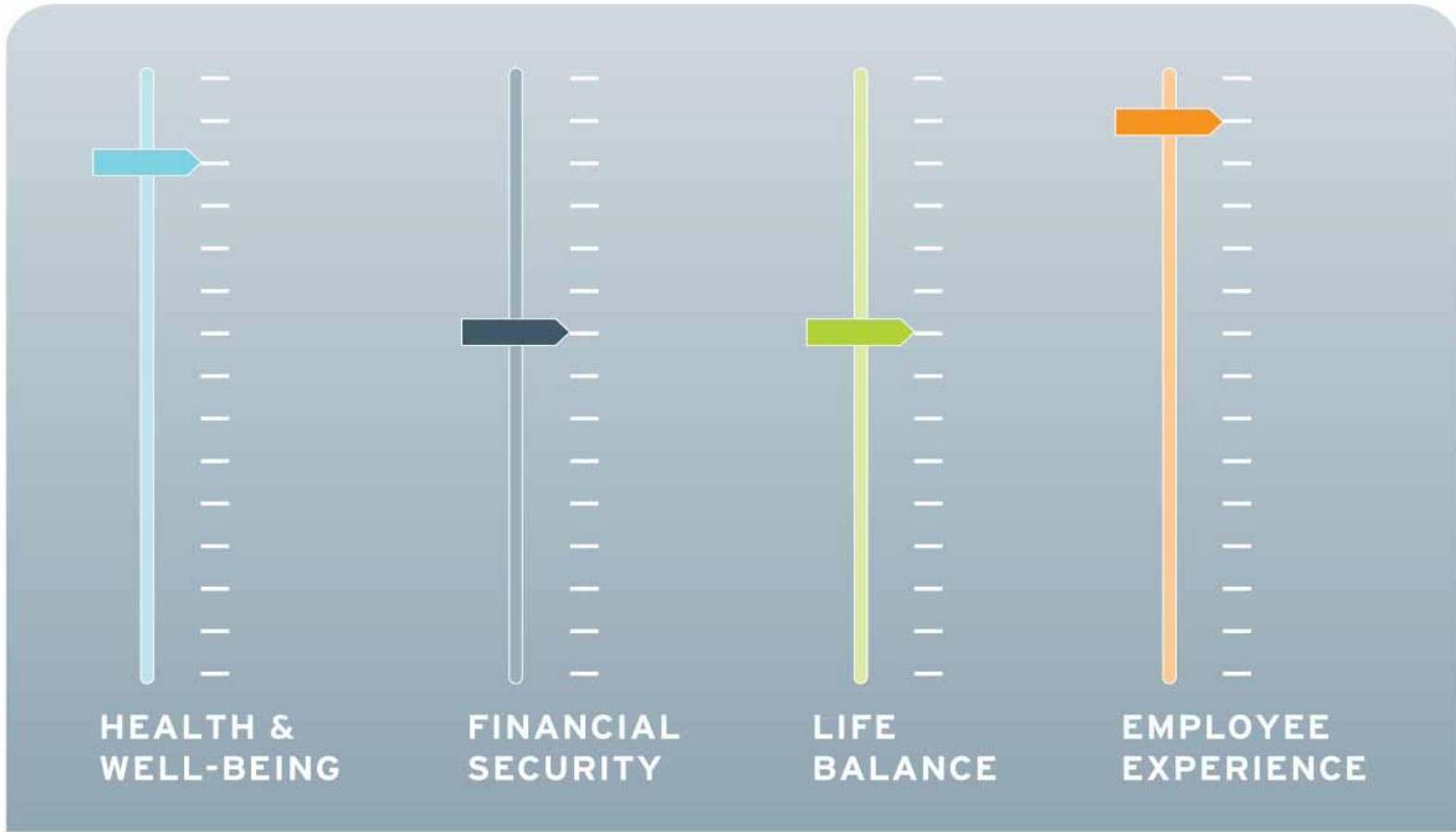


CRAFT AN UNPARALLELED EXPERIENCE

Benefits professionals who take control of user experience to enhance the effectiveness of benefits programs will maximize the value of their employee benefits investment.



Where are you allocating your benefits resources?



Benefits resources more broadly defined

Dedicated HR FTEs	Space Allotment
Benefits Portal	Brokers / Consultants
Carrier Resources	C-Suite Advocacy
Community Resources	Communications

How do you decide how to recalibrate benefits?

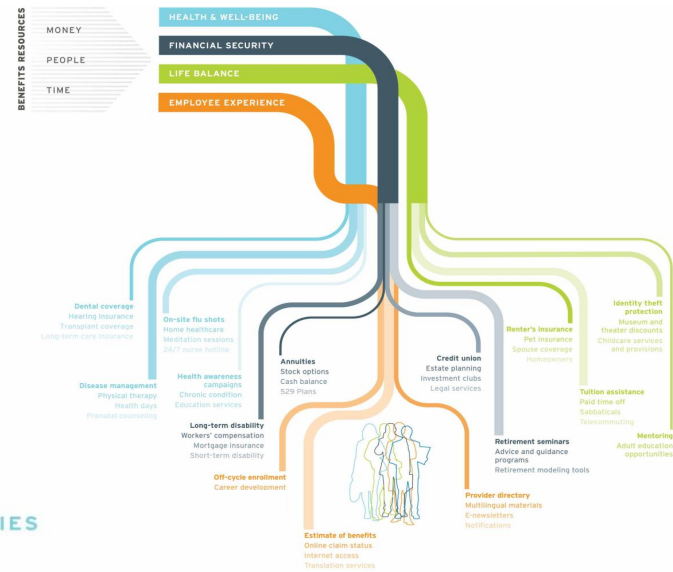
Business Goals

- RETENTION
- ATTRACTION
- PRODUCTIVITY

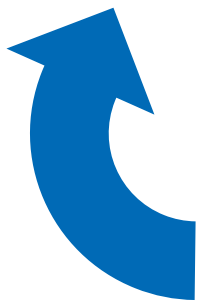
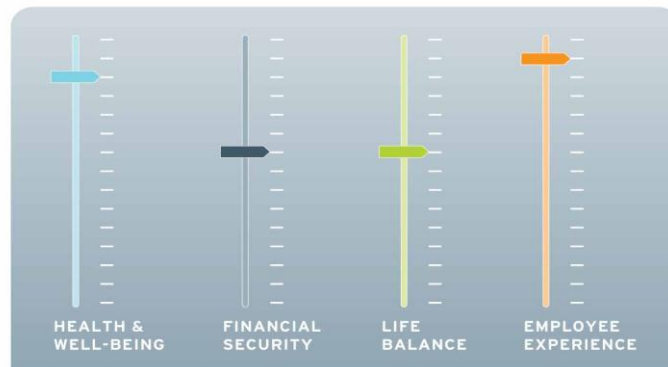
Employee Needs

- SECURITY
- FULFILLMENT
- RELEVANCE

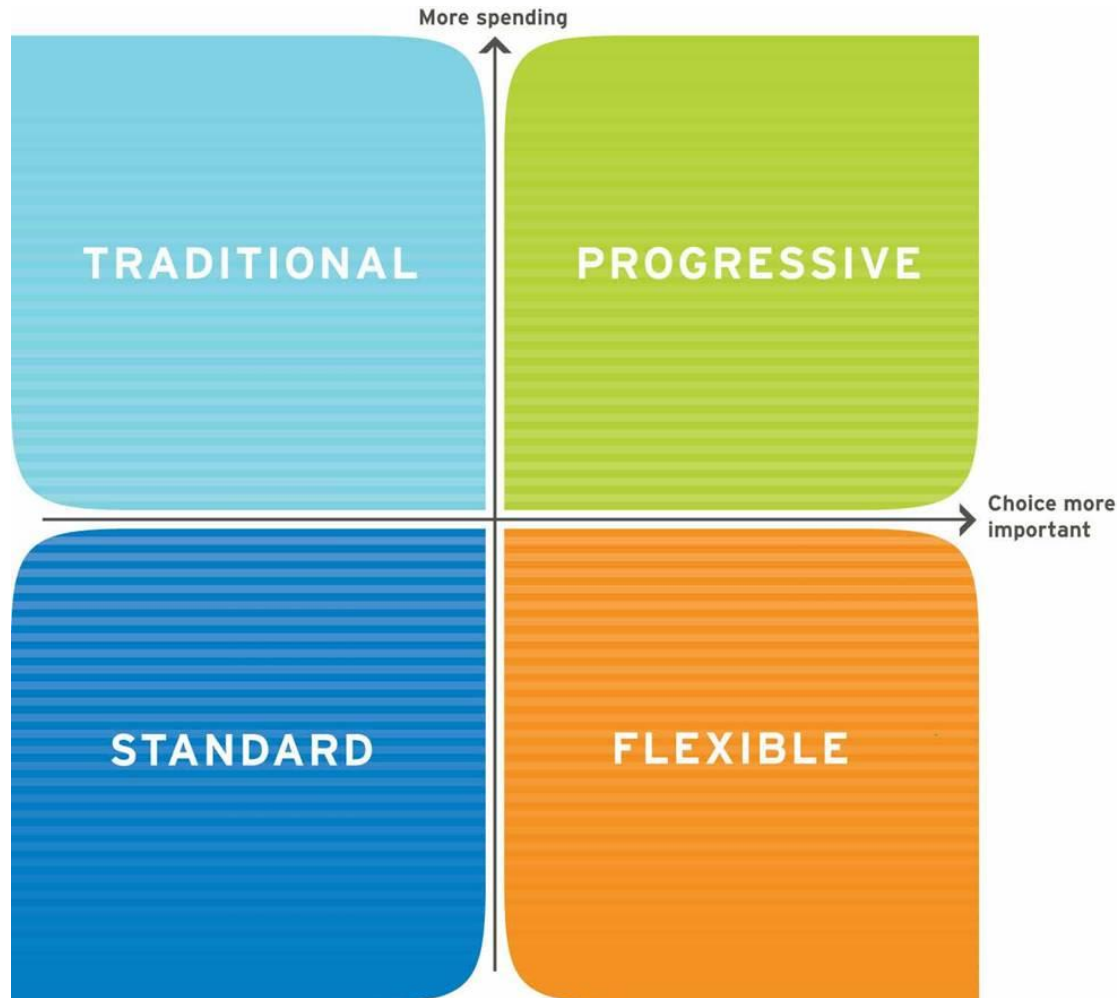
The Benefits Edge Framework



ADJUSTING BENEFITS STRATEGIES TO SERVE PRIORITIES



THE FOUR EMPLOYER BENEFITS PROFILES



The four employer groups were determined by self assessment data regarding how employers felt they compared with their benefits competition.

The four employer benefits profiles defined

1. Which of these statements best describes the **AMOUNT OF MONEY** your company spends to fund your overall benefits program as compared to your competitors? (**SPENDING**)

a. **Best** in the industry—we spend more money to fund our benefits programs than our competitors.

b. **Better** than most of our competitors—we spend more money to fund our benefits programs than most of our competitors.

c. **Comparable** to the competition—we spend an amount of money to fund our benefits programs that is comparable to our competitors.

d. **Worse** than the competition—we spend a lower amount of money to fund our benefits programs than our competitors do.

2. How would you prioritize **MEETING THE DIVERSE NEEDS** of your workforce in benefits spending? (**CHOICE**)

a. **Top** priority

b. **High** priority

c. **Medium** priority

d. **Low** priority

BENEFITS PROFILE: TRADITIONAL

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TRADITIONAL

BENEFITS PROFILE: **TRADITIONAL**

PRESERVING COMMITMENTS

Deliver on core benefits commitments and obligations in order to drive employee loyalty. Strong focus on maintaining health insurance and retirement contribution in order to stay above average relative to the competition.



TRADITIONAL

BENEFITS PROFILE: **TRADITIONAL**

- Provide benefits with more financial support than their competitors
- Believe their benefits programs are a reason employees stay with them
- Are less likely than other profiles to focus on communicating the value of benefits programs in ways that are customized to meet the diverse needs of employees



TRADITIONAL

BENEFITS PROFILE: **TRADITIONAL**

“The cost of healthcare and retirement obligations continue to grow: our approach has been to preserve these commitments at the expense of innovation.”

TRADITIONAL

BENEFITS PROFILE: STANDARD

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STANDARD

BENEFITS PROFILE: **STANDARD**

PROVIDING THE BASICS

A focus on expense management and cost-shifting prevails. Core benefits are maintained, but not intended to differentiate.



BENEFITS PROFILE: **STANDARD**

- Provide benefits that are either on par or not as robust as those offered by competitors
- Offer access to medical and retirement plans that are often baseline
- Tend to be relatively smaller organizations with only one or two locations
- Tend to have a high proportion of hourly workers



BENEFITS PROFILE: **STANDARD**

**“We’re not that customized,
we’re not that cutting edge,
we kind of lag behind, we’re
not first out of the box in a
lot of stuff.”**



BENEFITS PROFILE: FLEXIBLE

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FLEXIBLE

BENEFITS PROFILE: FLEXIBLE

BALANCING CHOICE AND COST

Characterized by trade-off between cost shifting to employees and maintaining breadth of programs that address the diverse workforce needs and wants. More apt to promote self-service on web-enabled platforms.



BENEFITS PROFILE: FLEXIBLE

- Provide benefits that are generally on par with those offered by competitors
- Focus on a wider range of benefits, rather than funding, as a competitive differentiator
- Often fund choice by cost sharing with or cost shifting to employees
- Offer online access and more “self-service” style of communication (more pull than push)



BENEFITS PROFILE: FLEXIBLE

“We have lots of choices. We want people to choose benefits that are meaningful to them. ‘We have a high-end medical plan, And a low-cost option. We have pet insurance if you have a pet. We offer automobile insurance. Our choices can be tailored for every individual.”



BENEFITS PROFILE: PROGRESSIVE

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PROGRESSIVE

BENEFITS PROFILE: **PROGRESSIVE**

COMPETITIVE ADVANTAGE

Drive a culture of health and financial security, taking a proactive and creative approach to work-life balance to meet the diverse needs of their population. They pride themselves on sustaining loyalty, in part by offering a benefits program that is intended to differentiate themselves from their competition.



PROGRESSIVE

BENEFITS PROFILE: **PROGRESSIVE**

- Strongly believe in the power of benefits to attract and retain talented employees
- Offer innovative benefits, such as tuition assistance, long-term care insurance, onsite health resources, financial advice & guidance, pet insurance, etc.
- Provide targeted and personalized benefit communications to their employees and support tools to drive utilization



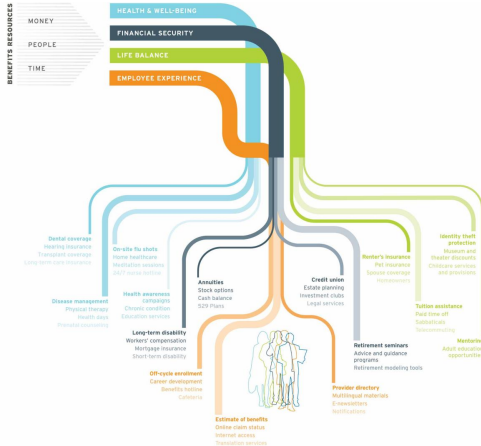
BENEFITS PROFILE: PROGRESSIVE

“The only way we can differentiate from our competitors is through the quality of our employees. In order to get good employees and keep them we need to offer a benefit package, which they recognize to be superior to what they can get outside.



PROGRESSIVE

THE BENEFITS EDGE



- The value and meaning of benefits to employees will prevail through all economic cycles.
- The critical required resource is a mind-shift -- benefits not as a cost but an investment in competitiveness and profitability.
- Harnessing strategies that focus on better health, financial security, work-life balance and employee benefits experience will connect employee needs and employer business goals for maximum return on the benefits investment.



Visit The Benefits Edge web pages at
whymetlife.com/benefitsedge

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