

The MetLife Study of Employee Benefits Trends

Findings from the 2002 National Survey of
Employers and Employees

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Executive Summary

During the third quarter of 2002, MetLife commissioned two national studies of employer and employee benefits trends.

For employers, the study focused on:

- Identifying overall benefits objectives and strategies.
- Determining current/anticipated use of, and attitudes about, employee benefits – particularly voluntary benefits.
- Understanding the extent to which the Internet is being used to deliver employee benefits programs.

For employees, the study focused on four primary topics:

- Assessing employee financial attitudes and concerns.
- Monitoring ownership of financial products and services obtained – at the workplace and outside of work.
- Ascertaining employee attitudes towards voluntary benefits and workplace issues.
- Identifying channels used and preferred to get information, enroll and obtain service related to employee benefits.

Results show that employees are turning to the workplace for a broad and growing array of insurance and investment products, with younger employees leading the pack in workplace purchases. During a year marked by economic instability, a significant number of employees are seeking financial advice at work, as well as purchasing insurance, investment and lending products and other voluntary benefits, which are defined as products for which the employee pays all the cost. The convenience of workplace enrollment – coupled with the discipline of payroll deduction, group rates and time-savings – are cited as major reasons for employee demand. The demand for advice is fueled in large part by an unmet need for benefits education. More than half (51%) of employees surveyed believe that their employer should provide them with more information to help make decisions about their benefits.

The Headlines

- I. Investment and Insurance Products Gain Acceptance in the Workplace
(pages 5-6)**
- II. Employees' Appetite for Voluntary Offerings Continues to Grow
(page 6)**
- III. Increased Need for Employee Education
(pages 7-8)**
- IV. Employees Embrace Diverse Mix of Products
(page 8)**
- V. Employees Seek Financial Planning Services in the Workplace
(page 9)**
- VI. Employers' Most Important Benefits Objectives: Employee Retention and
Benefit Cost Reduction; Rate Work-Life Balance as Top HR Strategy
(page 10)**
- VII. Use of eBenefits Platforms Grew by Nearly 50% in the Last 12 Months
(page 11)**
- VIII. The Web is Emerging as Employees' Channel of Choice for Enrollment
(page 12)**
- IX. Employee Loyalty is Correlated with Benefits Satisfaction
(page 13)**
- X. Employees Face Huge Retirement Shortfall
(pages 13-14)**
- XI. Education Savings Crisis
(page 14)**
- XII. Executive Benefits to Expand Sharply Over Next 12 Months
(page 14)**

Methodology

The MetLife Employee Benefits Trend Study was conducted during the third quarter of 2002 and consists of two distinct surveys: an employer survey conducted by Innovative Concepts Inc., and an employee survey conducted by RoperASW. A total of 605 HR/Benefits executives from companies with at least 50 employees were polled for the employer survey. The employee survey was conducted among 1,038 active full-time employees, age 21 and older, at companies with at least 50 employees. Both surveys were fielded during July and August via a Web-based survey method.

Demographic Profile of the Sample

The employees polled for the MetLife study include a broad cross-section of men and women spanning ages 21-69 and all income levels.

Gender

Male	52%
Female	48%

Marital Status

Married	60%
Never Married	19%
Divorced	13%
Domestic Partner	7%
Widowed	1%

Years with Current Employer

Under 1 year	8%
1 – under 5 years	36%
5 – under 15 years	34%
15 or more years	22%

Family Status

Have children	46%
No children	54%

Age

21 – 30	19%
31 – 40	31%
41 – 50	30%
51 – 69	20%

Size of Employer (staff size)

50 – 199	18%
200 – 999	23%
1000 – 4,999	21%
5,000 or more	38%

Household Income

Under \$30,000	9%
\$30,000 - \$49,999	27%
\$50,000 - \$74,999	27%
\$75,000 - \$99,999	19%
\$100,000 plus	15%
Don't know	3%

On the employer front, respondents include an equally broad mix of companies:

Company Size

50 – 999	55%
1,000 – 4,999	29%
5,000 – 9,999	7%
10,000 – 24,999	4%
25,000 or more	5%

Geography

Northeast	21%
South	36%
Midwest	23%
West	20%

Primary Workforce Composition

Professional and technical	43%
Clerical and sales	15%
Blue-collar and service	42%

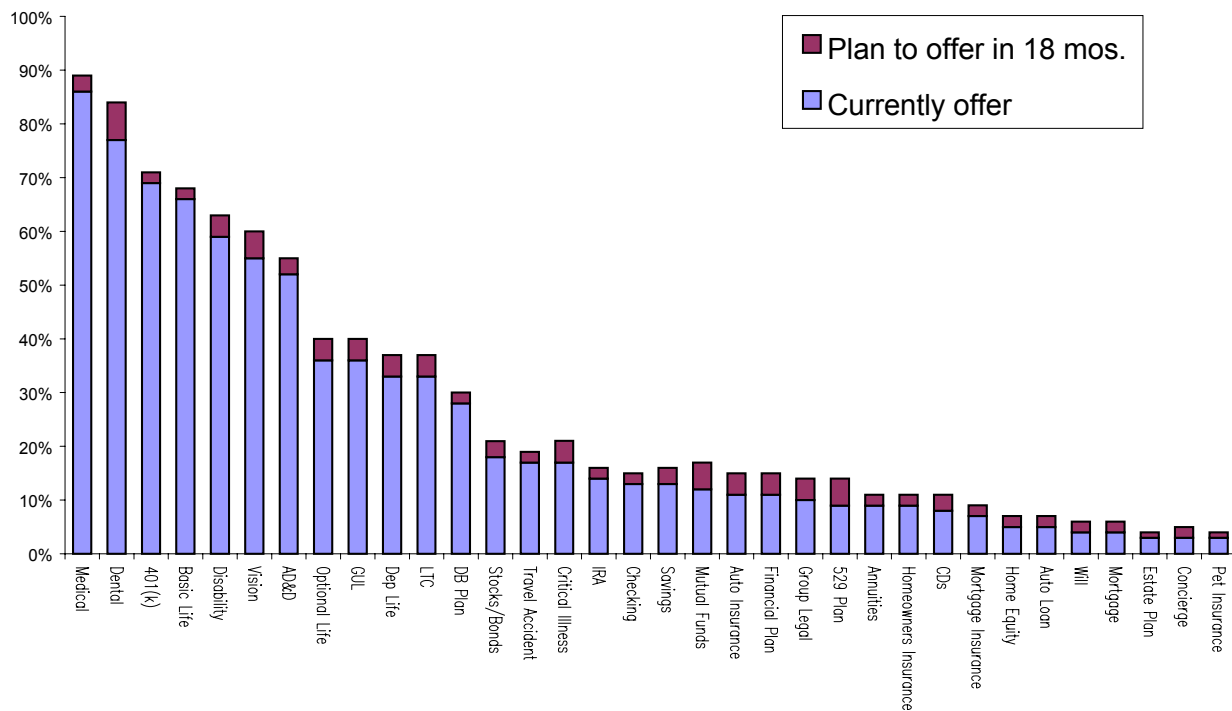
Key Findings

I. Investment and Insurance Products Gain Acceptance in the Workplace

Investment and insurance products are gaining broad popularity in the workplace. The most common products offered by employers surveyed are traditional benefits – medical (86%), dental (77%), 401(k)/403(b) (69%) and basic term life insurance (66%). However, a more varied mix of insurance, personal finance and investment products is gaining traction among employers looking to meet the needs of an increasingly diverse workforce. A significant number of employers surveyed currently offer – or plan to add in the next 18 months – benefits such as optional term life insurance (40%), long-term care insurance (37%), financial planning (16%), auto insurance (15%), group legal services (14%), 529 college savings plans (14%) and annuities (11%).

Prevalence of Employee Benefits

*Percentage of Employers Offering/Considering Adding Each
(in the next 18 months)*



Source: 2002 MetLife Employee Benefits Trend Study

In general, large companies (with at least 5,000 employees) offer a wider array of products than smaller companies. For example, 52% of large companies surveyed currently offer optional term life insurance (vs. 36% of companies overall), 41% offer long-term care insurance (vs. 33%) and 20% offer a financial plan (vs. 11%).

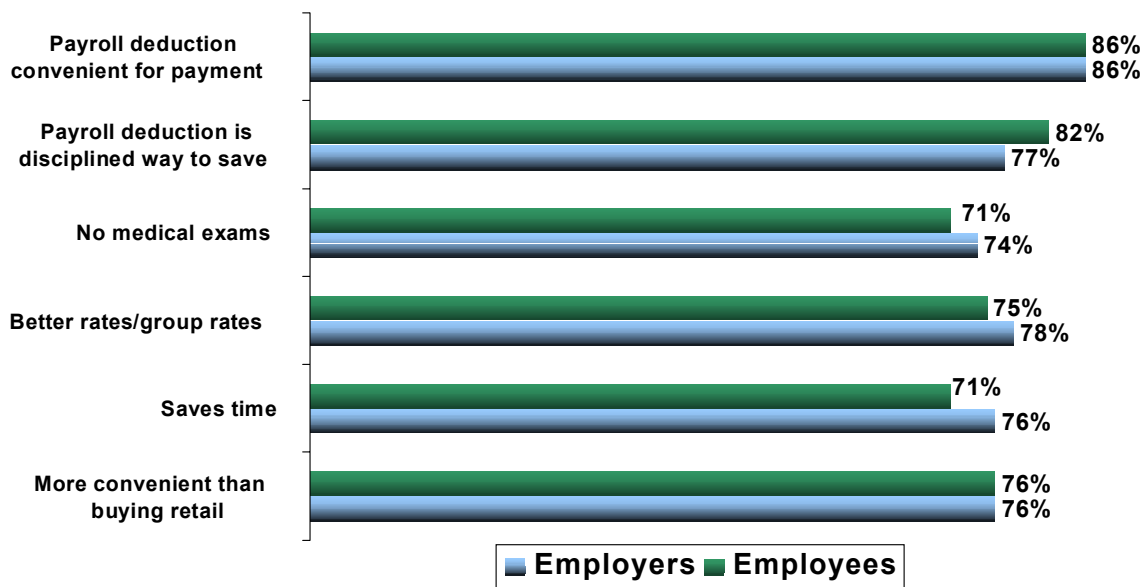
II. Employees' Appetite for Voluntary Offerings Continues to Grow

Despite significant growth in the breadth of voluntary offerings by employers, employees surveyed continue to demand additional workplace products. More than three in five (61%) employees surveyed cite interest in purchasing a wider array of voluntary benefits at work. Only 11% of employees surveyed indicate that they are not interested. Currently 59% of employees surveyed purchase voluntary benefits at work.

Eighty-six percent of employees surveyed cite “payroll deduction” as the top advantage of a voluntary benefits program. An additional 82% note that voluntary products help them to be “disciplined about saving,” while 76% laud the “convenience” of voluntary offerings, 75% cite group rates, and 71% the ability to “sign up for insurance benefits without going through a medical exam.” The survey found that employers also are in alignment with these perceived advantages.

Perceived Advantages of Voluntary Benefits

*Based on % Agreeing with Statements**



* % responding with a 5, 6, or 7, on a 7 point scale where 1 means “do not agree at all” and 7 means “agree completely.”

Source: 2002 MetLife Employee Benefits Trend Study

III. Increased Need for Employee Education

Many employees lack an understanding and, consequently, an appreciation of their benefits. In fact, 51% of employees surveyed agree that their employer should provide them with more information to help them make decisions about their benefits.

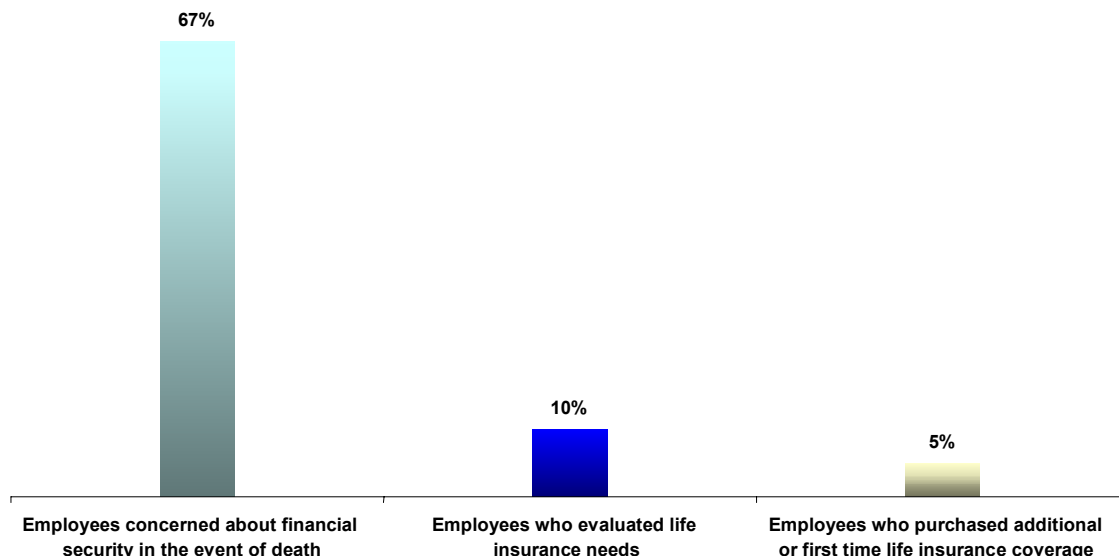
The need for education is apparent when comparing employees' concerns about protection issues with their level of coverage. For example, while 75% of employees surveyed overall claim to be concerned about their financial security in the event of a disability, half (48%) feel their disability coverage is inadequate or are unsure if they have enough. Maternity leave is one of the most common claims covered under group disability plans, yet 72% of full-time female employees age 21-39 do not think, or are not sure, that maternity leave is covered.

A similar pattern emerges with life insurance. Two-thirds (67%) of employees surveyed state they are concerned about their family's financial security in the event of premature death. In the past year, only 10% of employees surveyed evaluated their life insurance needs, while fewer than 5% purchased additional or first-time coverage. Among "prime needs" consumers (primary-wage earners with dependents), half have life insurance coverage less than three times their annual income – an alarmingly low level of protection; 34% admit it wasn't enough.

With regard to retirement and savings, 79% of employees surveyed are concerned about outliving their retirement assets, yet only 24% feel they are on track toward their retirement savings goals.

The Need for Benefits Education

Financial Security in the Event of Premature Death



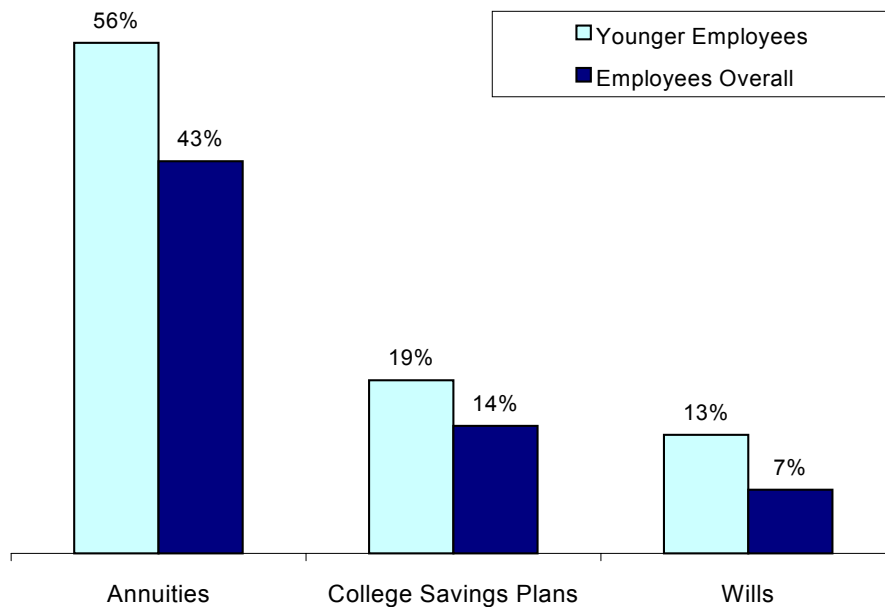
Turning to long-term care (LTC), 73% of the employees surveyed are concerned about providing for their own or their spouse's long-term care needs and 24% believe they have LTC insurance – a percentage significantly higher than most industry figures indicate. This discrepancy suggests the need for more education about long-term care coverage.

IV. Employees Embrace Diverse Mix of Products

Traditional benefits have the greatest penetration – most employees surveyed purchase medical, dental, disability and vision insurance through their employers. Investment products are still a relatively new concept, but employees are showing interest. Among employees surveyed who own investment products, a significant number have purchased these products through their workplace or their spouse's workplace: annuities (48%), stocks/bonds (43%), mutual funds (42%), IRAs (24%) and savings accounts (11%).

Younger employees (age 21-30) tend to purchase more products through the workplace than other age groups. For example, younger employees are more likely to buy voluntary financial and legal products such as annuities (56% vs. 43%), college savings plans (19% vs. 14%) and wills (13% vs. 7%) through the workplace. The penetration trend among younger employees suggests that over the long term, the workplace will be a growing channel for the purchase of financial products.

Buying Patterns of Younger Employees vs. Employees Overall



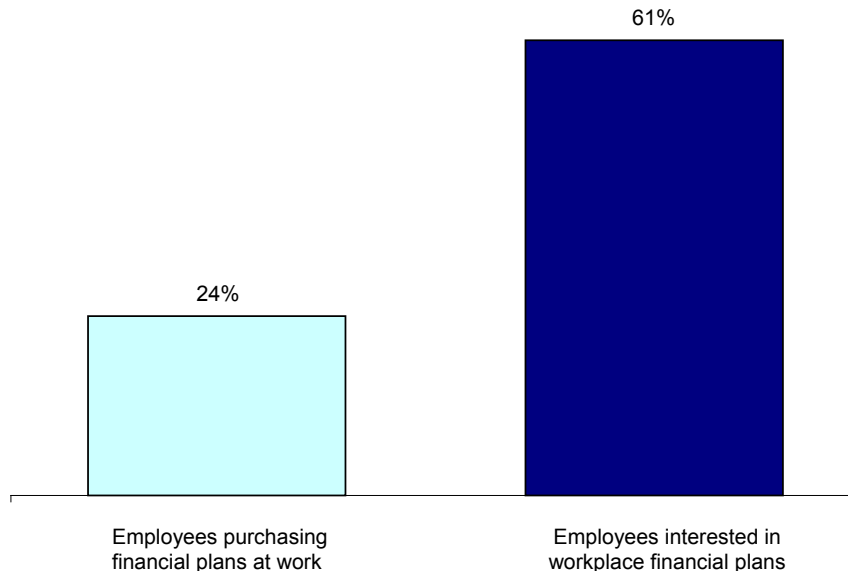
V. Employees Seek Financial Planning Services in the Workplace

The survey found that 76% of employees surveyed are concerned about having a financial plan but only 18% indicate that they have a formal financial plan. Older employees (age 51+) are more likely to have had formal discussions with a financial planner (31% vs. 26% of employees overall), while younger employees (age 21-30) are the most interested in purchasing financial planning services at work (69% vs. 61% overall).

Overall 64% of employees surveyed are concerned about finding a trusted source to provide financial advice to help them achieve their major financial goals. These statistics indicate a demand for financial planning and, as employees purchase more financial products at work, a growing percentage are eager to have access to financial planning and advisory services. Currently 24% of employees surveyed who consult a financial planner access his/her services through the workplace. An additional 61% of employees surveyed express interest in having access to a financial planner at work.

Financial Planning in the Workplace

*Based on % Agreeing with Statements**



% responding with a 5,6, or 7, on a 7 point scale, where 1 means "do not agree at all" and 7 means "agree completely."

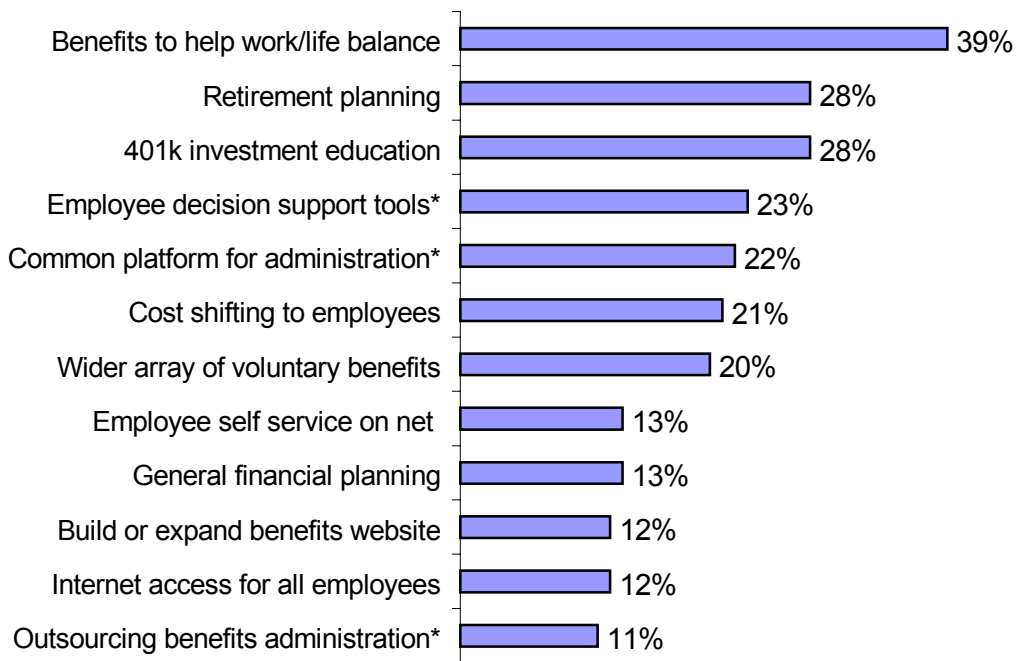
Source: 2002 Employee Benefits Trend Study

VI. Employers' Most Important Benefits Objectives: Employee Retention and Benefit Cost Reduction; Rate Work-Life Balance as Top HR Strategy

Employers surveyed identified their two most important benefits objectives: employee retention (43%) and benefit cost reduction (43%). Other important benefits objectives include increasing employee productivity (36%) and increasing employee job satisfaction (35%). To meet these objectives, the MetLife study finds that work/life balance continues to be the benefits strategy that employers surveyed rate as their most important (39%). Another key strategy is “providing retirement planning services” (28%).

Most Important Employee Benefit Strategies

% of Employers Ranking as Most Important



*New item in 2002 Study

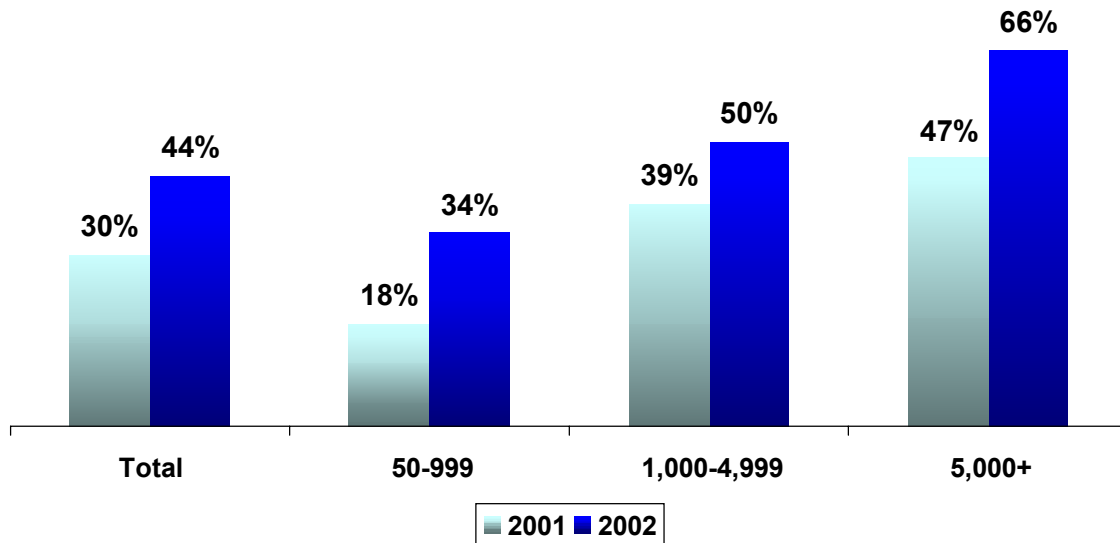
Source: 2002 MetLife Employee Benefits Trend Study

VII. Use of eBenefits Platforms Grew by Nearly 50% in the Last 12 Months

The popularity of Web-based benefits programs has grown significantly over the past year – and all signs point to continued growth. While 30% of employers surveyed delivered benefits via the Web in 2001, the percentage has grown to 44% today. Many employers are also using the Web for retirement planning (37%), financial planning (34%), eligibility verification (32%) and claims submission (30%). Among employers with 5,000 or more employees who offer Web sites, 71% now use the Web for benefits enrollment, up from 47% in 2001.

Rise in Benefits Delivery Via the Web

By Employer Size (number of employees)



Source: 2002 MetLife Employee Benefits Trends Study

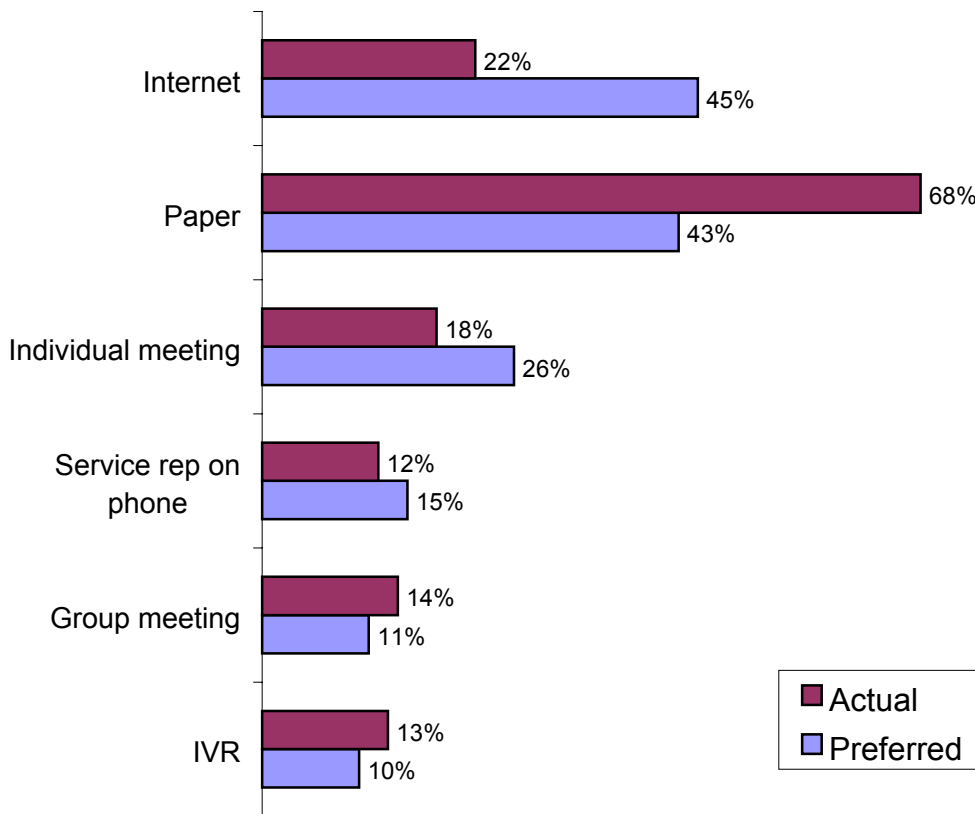
Companies offering Web-based benefits platforms tend to put greater emphasis on employee education. For example, nearly three-quarters (71%) of employers surveyed that have benefits Web sites rate retirement investment education as a top priority, compared with 50% of employers surveyed without a Web site.

VIII. The Web is Emerging as Employees' Channel of Choice for Enrollment

Among employees, the Internet is the channel of choice for benefits enrollment, with 57% of younger employees (age 21-30) – and 45% of employees overall – expressing a preference for e-enrollment. Other preferred channels include paper forms (43%), individual meetings (26%) and group meetings (11%).

Usage/Preferred Channels of Benefits Enrollment

*Actual vs. Preferred Channels of Benefits Enrollment**



**Multiple responses permitted so categories add to more than 100%*

Source: 2002 MetLife Financial Freedom Study

The Web also scores high points for benefits service. Among younger employees (age 21-30), the Web is the preferred channel for benefits service (43%). However, it ranks second among employees overall (34%), falling behind “face-to-face meetings with HR” (43%).

IX. Employee Loyalty is Correlated with Benefits Satisfaction

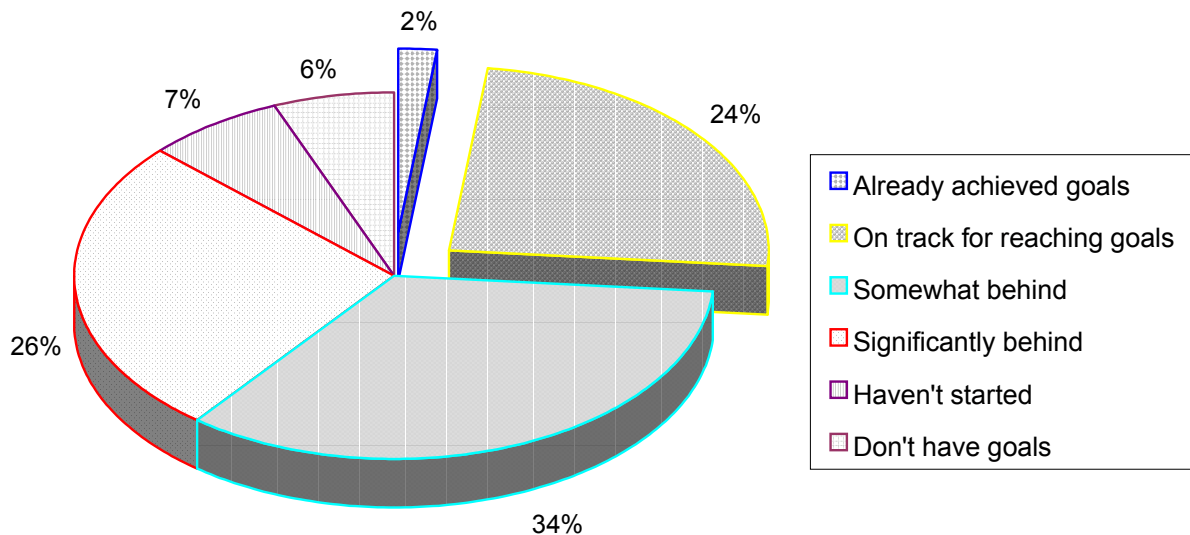
Survey results reveal a correlation between satisfaction with benefits and employee loyalty. Employees surveyed who are satisfied with their benefits program are approximately three times more likely to be satisfied with their jobs and feel loyalty toward their employer than are their peers.

Results also point toward a crisis in “confidence” among employees surveyed with regard to employer loyalty. Employees surveyed were asked whether they believe employers are loyal to their employees – while 73% of employers surveyed agree with this statement, only 41% of employees surveyed agree. Younger employees (age 21-30) are more likely to believe that their employers are loyal than are employees overall (49% vs. 41%).

X. Employees Face Huge Retirement Shortfall

The MetLife study shows that most employees are behind in their retirement savings goals. Of the employees surveyed, 67% are behind in their retirement savings or have not started saving at all. Only 2% of employees surveyed have already achieved their retirement savings goals and 24% are on track for reaching their goals. Despite their proximity to retirement, older employees (age 31-50) are less prepared than younger ones (age 21-30). While 57% of employees surveyed age 21-30 are behind in their savings or haven’t started yet, 71% of employees age 31-50 and 66% of employees age 51 and older are similarly unprepared. In fact, 22% of employees surveyed over the age of 50 have “done no retirement planning,” compared with 20% of employees surveyed age 41-50 and 25% of employees surveyed age 21-30.

Consumer Perceptions of Progress Toward Retirement Savings Goals



Both employers and employees recognize the seriousness of this retirement shortfall. This year, employers surveyed ranked “providing retirement education/planning” as the second most important benefits strategy behind work/life balance. In large part, this interest is driven by employee concern about retirement. More than three-quarters (79%) of the employees surveyed admit being worried that they will outlive their retirement savings – and 76% are concerned they will need to work during retirement. Employees surveyed age 41-50 are the most worried about outliving their retirement savings, with 83% of workers in this age bracket expressing strong concern. Women are somewhat more concerned than men, with 84% of females characterizing themselves as very worried versus 74% of men.

XI. Education Savings Crisis

Employees lag in meeting their goals for preparing and saving for their children’s education as well. The survey found 28% of employees surveyed with children under 18 have “done no specific planning yet.” More than half (55%) of employees surveyed are “significantly behind where they hoped to be,” “haven’t started to save” or “don’t have savings goals” for their children’s education. Only 23% of employees surveyed are on track for achieving, or have achieved, their savings goals.

The most popular savings vehicle for education savings is mutual funds (20%), followed by 401(k) or 403(b) plans (19%), CDs / Money Market accounts (17%) and 529 plans (16%).

XII. Executive Benefits to Expand Sharply Over Next 12 Months

Most employers surveyed (80%) either offer or plan to add at least one executive benefit to address the savings and protection needs of highly compensated executives. Life insurance is the most popular executive benefit, with nearly half (46%) of the employers surveyed offering – or planning to add – this product. Other popular executive benefits include individual disability insurance (19%), long-term care insurance (18%) and non-qualified deferred compensation (14%).

About MetLife

MetLife, a subsidiary of MetLife, Inc. (NYSE: MET), is a leading provider of insurance and other financial services to individual and institutional customers. The MetLife companies serve approximately 12 million individuals in the U.S. and companies and institutions with 33 million employees and members. MetLife also has international insurance operations in 13 countries. For more information about MetLife, please visit the company's Web site at www.metlife.com.

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