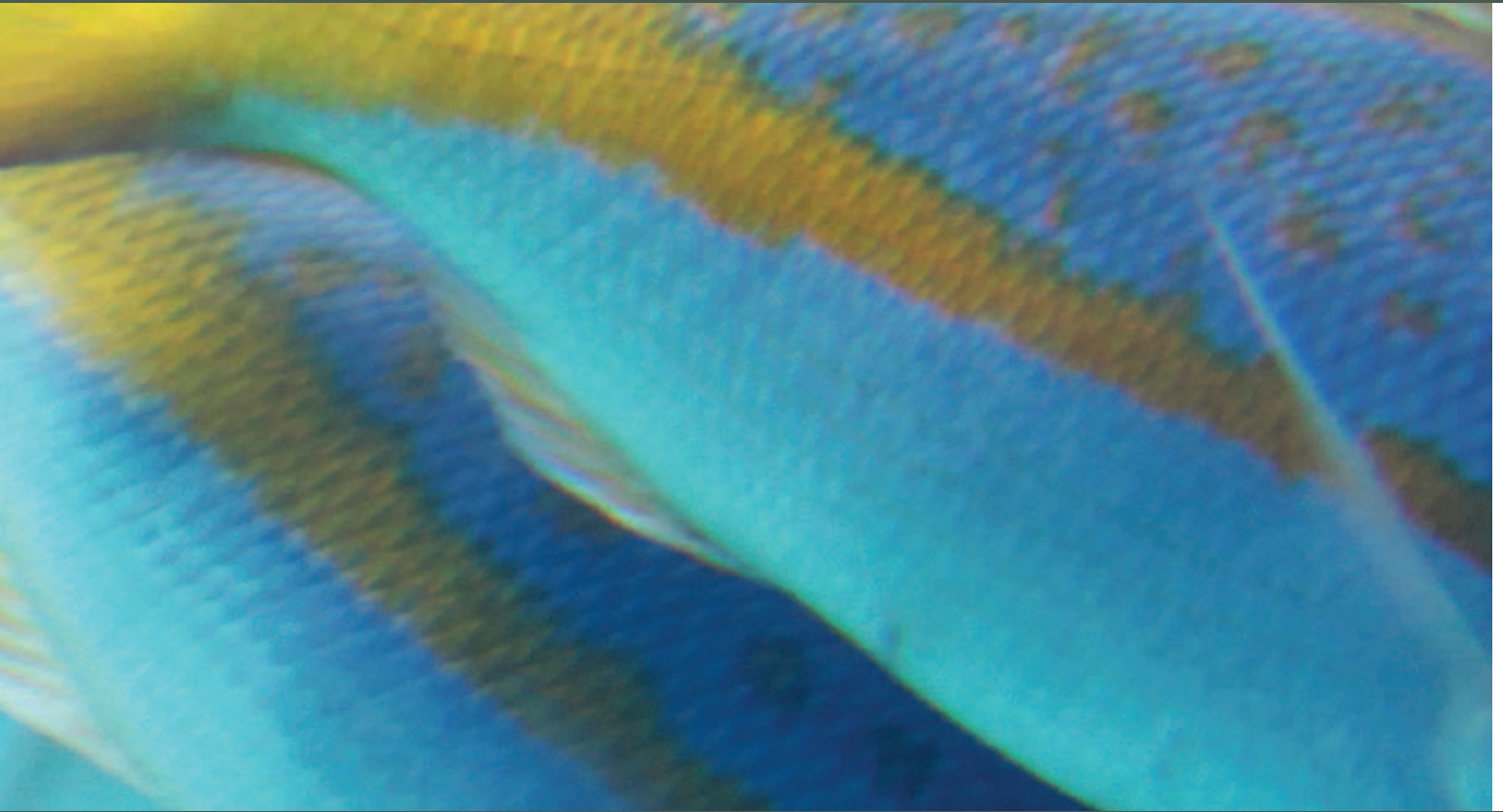


MetLife®



PRIMARY & SECONDARY SCHOOLS

Benefits Trends Industry Spotlight

Addendum to 8th Annual Study of Employee Benefits Trends



Few things are as awe-inspiring as the graceful patterns created by a swimming school of fish, where the synchronized movement of the group provides the strength to accomplish more in perfect harmony. This innate ability is not unlike the way a comprehensive suite of employee benefits can create financial stability and peace of mind. Working together, each product and service complements the other to meet the needs of the organization as a whole.

Executive Summary

In today's world, stories about school budget cuts, employee layoffs, and general frustration about the challenges facing the education industry frequently lead the news. Statistics show that more than two-thirds (68%) of schools cut positions in the 2009-10 school year, and 90% anticipate having to do so in 2010-11.¹ Despite dedicated funds made available from the American Recovery and Reinvestment Act of 2009, budgets are still strained because administrators were forced to use much of that money to prepare for future cut-backs.

Unlike other industries that have benefited from initial signs of economic recovery, the near-term outlook for primary and secondary schools (referred to as "K-12" throughout this document) does not look as bright. As they struggle to maintain operations under tapering subsidies and increasing demand, K-12 employers are focused on balancing cost-drivers and retaining a quality workforce. At the same time, they continue to underestimate the power of employee benefits as a factor in driving employee loyalty, particularly some of the non-traditional benefits that are growing in popularity across the country. As a result of the economic downturn, employees want to take a more active role in managing their current financial status and retirement planning, but they need advice and guidance and are looking to their employers for help.

While perhaps more intense and widespread, these are not all entirely new issues for K-12 organizations. Findings from MetLife's *8th Annual Study of Employee Benefits Trends* support the fact that the education industry has been dealing with some level of financial challenges for many years. The findings presented here will:

- explore what has changed in K-12 employers' benefits priorities between 2008 and 2009,
- compare this sector to all employers across all industries, and
- identify gaps between administrators' perspectives and those of school employees.

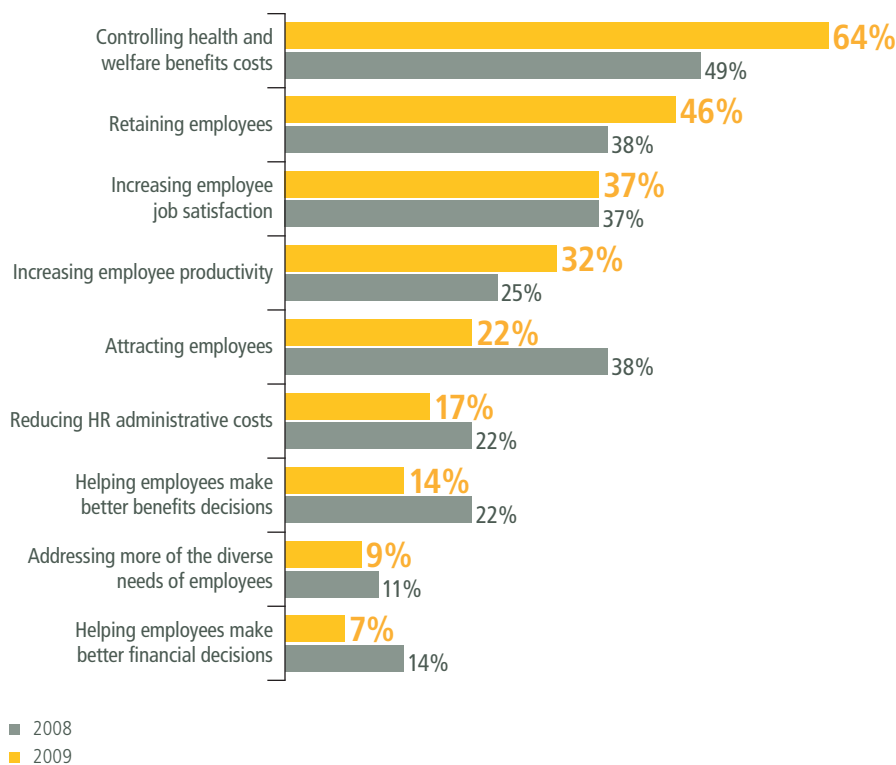
Employees' interest in programs and advice & guidance through the workplace provides an opportunity for K-12 employers to maximize the value of their benefits programs to achieve returns in the way of employee loyalty, retention and improved productivity.

BENEFITS, LOYALTY AND PRODUCTIVITY

Overall benefits objectives and their relative importance among K-12 employers have remained much the same year over year but, as Figure 1 indicates, a few issues are being prioritized with greater intensity. This year's Study reveals that more than half of K-12 employers are most focused on controlling health and welfare benefits costs, which is significantly higher than the percentage that named this a top benefits objective in 2008. Cost control is not necessarily a new objective since most schools have struggled with budgets and funding at one time or another, albeit it is a much more pervasive battle in today's economy. The number of organizations focused on benefits objectives related to employee retention and improving employee productivity also increased since last year. However, attracting employees has significantly decreased in importance which seems to fit given recent employment cutbacks.

fig. 1

K-12 Employers' Most Important Benefits Objectives



Given K-12 employers' deeper interest in retaining employees, it is not surprising to see that their sense of loyalty to their employees went up this year: 52% believe that their organization has a strong sense of loyalty to employees, up from only 33% last year. There is, however, a perception gap when comparing to their employees' views. While 49% of K-12 employees report a strong sense of loyalty to their employer, this number is lower than the 57% who reported the same last year. Furthermore, only 26% of employees feel their employer has a strong sense of loyalty to them, down from 35% in 2008. Organizations might consider ways to better demonstrate their loyalty to employees to reverse negative perceptions.

MetLife has long explored the strong relationship between benefits satisfaction and job satisfaction. The good news for employers is that 44% of K-12 employees are satisfied with their benefits and slightly more than that are satisfied with their current jobs. Moreover,

Survey findings revealed that 42% of K-12 employees now place greater value on the benefits they receive through the workplace as a result of the economic decline. Looking more closely at the types of benefits that drive employee loyalty is important for employers, especially in their efforts to retain talented faculty and staff. Figure 2 shows a notable gap between the two groups with regard to the perceived importance of retirement and non-medical benefits as factors in employee loyalty. Since 38% of K-12 employees say benefits are a reason they came to work for their employer and 53% state this as a reason they *remain* with their employer, organizations should reconsider the value of these programs.

fig. 2

Perceptions of Factors Influencing Employee Loyalty

Loyalty Factors	K-12 Employer Perceptions	K-12 Employee Perceptions
Health benefits	64%	76%
Retirement benefits	53%	72%
Salary & wages	63%	71%
All other benefits (Dental, Disability, Vision, etc.)	47%	61%
Company culture	51%	51%

In addition to the relationship between benefits satisfaction and job satisfaction, there is a link between benefits programs and improved employee productivity. Many employers and employees across the board say that programs that foster health & wellness, financial security, and work-life balance can be very effective at improving productivity at work. The increased importance of cost control, retention and productivity among K-12 employers will necessitate rethinking benefits strategies to help accomplish their key objectives.

Employees' desire for good health is a main motivator for participating in wellness programs. The realization that good health can lead to lower medical costs is growing among employers and employees alike, and nearly three out of four K-12 employers believe that wellness programs can be effective at reducing these costs. A healthier workforce also decreases absences and presenteeism, and 59% of K-12 employers say wellness programs are an effective way to improve employee productivity.

Consider that an employee's health status can also impact his or her financial status. The Study shows that participants in wellness programs are more likely to report that they are financially healthy. K-12 employers recognize the impact that financial worries may have on employee productivity:

- 68% strongly believe that employees are less productive at work when they are worried about personal financial problems.
- 58% strongly believe absenteeism increases when employees are dealing with personal financial issues.

Therefore, it is surprising that only 38% of K-12 employers acknowledge that financial advice and guidance programs are effective at improving productivity.

SHIFTING BENEFITS STRATEGIES

The findings indicate that K-12 employers are looking to improve administrative efficiencies, as well. Figure 3 shows how significantly the top benefits strategies shifted since 2008, with leave administration jumping 17 percentage points to emerge as the top strategy this year. About one-third of these organizations were also more likely than employers across all industries to believe that absence management plays a role in improving employee productivity. Employers in today's world are forced to do "more with less" and it can be difficult to self-administer an absence management program to accurately track varying schedules and several types of approved leaves and absences. Outsourcing absence management provides a way for employees to report that time directly to an expert. In turn, that expert vendor will feed real-time information to the employer. Having a total absence management solution in place can help employers maximize workforce productivity by managing the impact of employee absences.

Another top benefits strategy – consolidating all benefits administration on a common platform – increased from 12% in 2008 to 32% in 2009. While schools have much to gain by implementing strategies that increase administrative efficiencies, K-12 employers should not lose sight of the importance of some other benefits strategies that focus on helping employees make sense of the benefits they receive, such as providing benefits decision-support tools and facilitating ways for employees to use their defined contribution plan to create a stream of income for life.

fig. 3

K-12 Employers' Most Important Benefits Strategies



BACK TO BASICS

Due to the general nature of those in the teaching profession, the economic events of the past couple of years and enduring financial struggles, K-12 employees are among those who plan to work past the age of 65. Many teachers are career changers, have an interest in and experience with combining teaching with other roles in education, and have a desire to continue to work in the field of education beyond traditional retirement. In fact, other MetLife research found that 75% of teachers say they would like to continue to work in education beyond traditional retirement.² In addition, about one in four K-12 employees said their planned retirement age has increased compared to the age they believed they would retire a year ago.

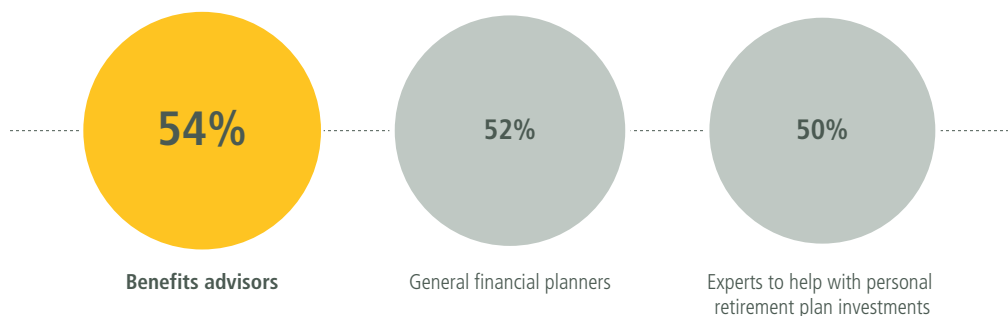
Even though some will delay retirement, either by choice or necessity, retirement concerns are widespread. K-12 employees report almost equal concern on a variety of issues including affording healthcare in retirement years – the top retirement concern for the second consecutive year – and being able to maintain insurance benefits offered through their employer.

Four in ten K-12 employees are very concerned about outliving their retirement money and an equal percentage realized over the past year that they need to more actively manage saving for retirement. Moreover, 47% of employees in this sector – compared to 55% of employees across all industries – strongly prefer to receive part of their 403(b) plan savings over the course of their retirement years rather than in one lump sum that they would then have to invest on their own. There are a number of ways individuals can take control of their finances and prepare for retirement, and many employers are playing a more active role in providing employees with access to planning resources. K-12 employers are no exception: 38% of these organizations offer retirement planning seminars to their employees which are designed to help individuals understand their personal retirement needs and the actions to take to reach their savings goals.

When asked about retirement savings goals, about one-quarter of K-12 employees report being on track to achieving their goals, but a much higher percentage (62%) report being somewhat or significantly behind where they hoped they would be at this time. This percentage is higher than the 52% of employees across all industries, as well as the 52% of K-12 employees who were behind last year. Therefore, it's not surprising to see that 61% of K-12 employees would like their employer to provide access to retirement seminars. In addition to retirement planning, K-12 employees are interested in accessing a number of other resources through their employer, as illustrated in Figure 4.

fig. 4

K-12 Employees Interested in Access to Advice & Guidance through Employers



Retirement benefits are clearly very valuable to employees, but so are the other benefits they receive at the workplace. Designed to protect an individual and his or her family in the event of unforeseen events, insurance products and services are growing in importance among employees. In fact, 42% of K-12 employees consider workplace benefits a foundation of their financial safety net, up from 35% last year. However, only 34% of K-12 employees understand which benefits options best meet their needs. With 63% of K-12 employees saying they are very worried about having enough money to make ends meet and 36% living paycheck to paycheck, employees undoubtedly need all the help they can get in establishing and maintaining financial security.

Almost nine out of ten K-12 employers consider their organization's benefits programs to be better or comparable to those of their competitors in meeting the diverse needs of employees, so most employees have access to a range of useful benefits options. Although many K-12 employers may have built strong benefits programs for their employees, an important element – communications – may be overlooked. Only 30% of K-12 employers think their benefits communications effectively educate their employees, and about an equal percentage of K-12 employees feel the same way.

The Study shows that good benefits communications in the workplace may lead to employees' greater appreciation, participation and usage of benefits. Another advantage is stronger feelings of loyalty, which bodes well for retention strategies. However, even the best benefits programs are useless if underutilized and misunderstood. Employees need help in understanding the benefits available to them so they can select options that best meet their needs. Statistics indicate that employees are not utilizing benefits such as life and disability insurance to their fullest potential. For example, of those K-12 employees who report having some form of life insurance and feel the amount is adequate, slightly less than half have protected only two times their annual household income or less and, therefore, are likely to be underinsured. Consider that MetLife research has found that 53% of beneficiaries who received three or more times their annual household income in life insurance benefits after losing their spouse felt financially secure in the year following their loss compared to only 27% of beneficiaries receiving a lesser amount.³ When employees feel their company's benefits communications are effective, they are more likely to increase their life insurance coverage.

On a related note, 35% of K-12 employees are uncertain what percentage of their income is covered by disability insurance. Even among those who do know how much is covered by their disability policy, as many as 44% either do not feel their coverage is adequate or are not sure. Since 70% of K-12 employees are concerned about having financial security in the event the primary wage earner is unable to work due to disability or serious illness, disability insurance would appear to be an important part of their financial protection plan.

¹ *A Cliff Hanger: How America's Public Schools Continue to Feel the Impact of the Economic Downturn*, American Association of School Administrators, April 2010

² *The MetLife Survey of the American Teacher: Collaborating for Student Success (Part 3: Teaching as a Career)*

³ *MetLife Group Life Whitepaper: Three Steps to Closing the Underinsured Gap: Evaluate, Enhance and Educate*

What K-12 Organizations Can Do

Employers can achieve cost efficiencies and demonstrate their commitment to retaining top performers by capitalizing on the opportunity to assist employees in making the most of their benefits programs. The recession may have prompted more employees to reevaluate their financial security and retirement readiness, but many may need a helping hand to get them on the right track. Here are a few things K-12 organizations can do to help employees gain the peace of mind that a sound financial safety net can provide.

REFRAME RECRUITMENT AND RETENTION EFFORTS

Thinking about the gap between employer perceptions and the reality of what truly drives loyalty among K-12 employees, organizations have an opportunity to reevaluate their perspectives on the compensation and benefits package they offer, and realize the value of wellness programs and non-medical benefits. These non-traditional offerings are a good way to keep programs relevant among today's diverse workforce. While a customized program may be nice to have, many off-the-shelf programs exist which can be implemented with minimal burden on administrative resources. The Study shows that many employees participate in wellness programs to maintain good health and to cut down on rising medical costs. After all, health insurance is not necessarily health assurance, and a healthier workforce is likely to have fewer medical and disability costs. Establishing a culture of health and encouraging preventative behaviors and disease management is becoming an important part of overall benefits education and awareness. Over time, medical benefits may become less of a differentiator in retention tactics as employers turn to wellness programs and non-medical benefits such as life, dental, disability and retirement resources.

CRAFT BENEFITS COMMUNICATIONS THAT SPEAK TO "PEOPLE LIKE ME"

There remains a large opportunity for employers to maximize the first-rate programs they currently offer to employees. If nothing else, K-12 employers should take steps to reevaluate and improve benefits communications since this is one of the most critical components of any successful benefits program. Employers should take the time to assess their overall communications process and talk to peer organizations, benefits consultants,

or insurance carriers for fresh ideas about getting the word out and reinforcing their commitment and ongoing dedication to caring for employees – their greatest resource. Evaluating existing channels (home mailings, school newsletters, intranet links, etc) is a good way to determine the effectiveness of each against the preferences of an evolving workforce. Better yet, employers can help employees break through the clutter by delivering a personalized benefits package that outlines costs for some different options; 42% of K-12 employees strongly agree that this would make their decision-making process easier. Since this can be complex and resource-intensive to execute, consider starting small by offering suggestions based on “people like me” profiles that are available through benefits consultants or providers.

HELP EMPLOYEES GET BACK TO THE BASICS

K-12 employees need help with their benefits decisions and they are looking to employers to provide access to resources across all aspects of financial, benefits protection, and retirement planning. Since only 33% of K-12 employees feel very confident in their ability to make any financial decisions for themselves and their families, employers can use this as an opportunity to reinforce how much value they actually place on their workforce. Conducting online employee surveys might help determine where employees stand so employers can then choose a few areas to focus on each year. For example, a K-12 organization might find that its employees are reflective of the overall K-12 population that is potentially underinsured for life insurance or does not understand the protection a disability policy can offer. In this case, employers could construct a series of educational support tools and resources with the help of their brokers, consultants or benefits providers to inform employees about how to figure out where they are now compared to where they should be, and point out how the programs available to them can satisfy their protection needs. A well-educated employee may be more likely to adopt behaviors that promote financial well-being. Finally, while it might not be a solution for every organization, another option might be to conduct an off-cycle enrollment period for employees so they can focus solely on specific offerings.

1900031348
© 2010 METLIFE, INC. L0610111035(exp0611)(All States)(DC, GU, MP, PR, VI)
PEANUTS © United Feature Syndicate, Inc.

MetLife[®]

Metropolitan Life Insurance Company
200 Park Avenue
New York, NY 10166
whymetlife.com