

STUDY OF EMPLOYEE BENEFITS: 2007 & BEYOND



INSIGHT INTO
THE NEXT
GENERATION
OF **EMPLOYEE
BENEFITS**



Table of Contents

Welcome	1
Study Overview	2
Methodology	3
Key Themes	5
Benefits Balancing Act—Getting Tougher	6
Closing the Education Gap on Income Replacement	18
Revolutionizing the Enrollment Experience	26
Benefits Strategy—Going Global	34
Women Seek Greater Value from Workplace Benefits	40
Summary of Key Findings	46
About Prudential	48





We are pleased to introduce our most current research report, **Study of Employee Benefits: 2007 & Beyond**. This comprehensive report explores current and future employee benefits needs, and how employers plan to respond to those needs. It closely examines the link between employee benefits strategies and business and financial goals, and how that link is expected to intensify by 2012.

We believe research can be a valuable way to gain an understanding of plan sponsor and plan participant needs. That's why we are committed to keeping plan sponsors, producers, third-party administrators, and other key stakeholders informed by researching current trends and developments. Our findings arm you with knowledge you can use to adjust benefits plan strategies as appropriate for your situation—recognizing that benefits plans are an imperative component to attracting and retaining a talented workforce.

Study of Employee Benefits: 2007 & Beyond reveals several emerging trends that are shaping the employee benefits landscape. Among them are the increased focus on employee education during the enrollment experience; the need to help workers better understand the disability benefits available to them; the importance of having a global benefits strategy; and the knowledge that women are seeking greater value from their workplace benefits packages.

As our research shows, the range of benefits offered, how they are funded, and the ways in which they are communicated and delivered will change as the composition of the workforce continues to evolve.

I hope this research proves to be a useful tool as you hone your company's employee benefits strategy.

Sincerely,

Ed Baird
President, Prudential's Group Insurance



In the past decade, the employee benefits industry has undergone considerable change with regard to the types of benefits available at the workplace, and the ways those benefits are funded and administered. Plan sponsors have experimented with a variety of strategies to provide employees with appropriate financial, health care, and lifestyle benefits while at the same time, reign in escalating benefits expenses that continue to reduce corporate earnings. Consumer-driven health plans, health savings accounts, increased cost-sharing with employees, cash balance pension plans, benefits administration outsourcing, and integrated health care and disability management are a few of the recent strategies that have been tested.

Prudential is dedicated to helping benefits professionals navigate the shifting industry landscape through thoughtful research and insights that will contribute to the greater good—ultimately improving the financial well-being of U.S. workers and their families. Our 2007 research identifies current and future trends that we believe will shape the delivery of employee benefits programs for the next five years—and beyond.

Research Objectives

For the second consecutive year, Prudential has surveyed a representative cross-section of benefits plan sponsors and benefits plan participants across the United States and compiled the findings here, in the **Study of Employee Benefits: 2007 & Beyond**.

This year's study addressed many of the emerging issues and trends facing employers and their employees with respect to workplace benefits, including:

- Ways employers plan to manage benefits costs while maintaining a competitive package
- Top financial concerns of U.S. workers and the ways employers plan to address them
- Effectiveness of benefits education, communication, and enrollment efforts
- Emergence of global benefits strategy among multinational firms
- The role of technology in employee benefits
- Needs of various employee demographic segments, such as women, employees age 50 and over, and non-English speaking employees

Five Key Themes Emerged from This Research

1. **Benefits Balancing Act—Getting Tougher:** Plan Sponsors Struggle to Balance Dueling Objectives: Reduce Benefits Costs While Maintaining a Competitive Benefits Program
2. **Closing the Education Gap on Income Replacement:** Workers Lack Awareness and Knowledge about the Benefits of Disability Insurance
3. **Revolutionizing the Enrollment Experience:** Current Communication, Education, and Enrollment Efforts Fall Short of Helping Workers Make the Best Benefits Choices to Meet Their Financial Needs
4. **Benefits Strategy—Going Global:** Multinational Companies Increasingly Recognize the Importance of a Global Benefits Strategy to Manage Costs and Improve Effectiveness
5. **Women Seek Greater Value from Workplace Benefits:** Women Have Unique Financial and Lifestyle Needs and Look to Their Employers for Support



The **Study of Employee Benefits: 2007 & Beyond** was conducted via the Internet during April and May 2007 and consists of two distinct surveys: one among benefits plan sponsors, and the other among benefits plan participants. This dual focus allowed us to compare and contrast opinions of employers and employees on key benefits issues.

We expanded our 2007 study in several ways. For example, we surveyed larger sample sizes of plan sponsors and plan participants—allowing us to better understand differences according to business size, region, and industry; or by demographic factors such as age, income, and education. We also covered a broader scope of topics that enabled us to explore emerging trends while maintaining a core set of questions for tracking purposes.

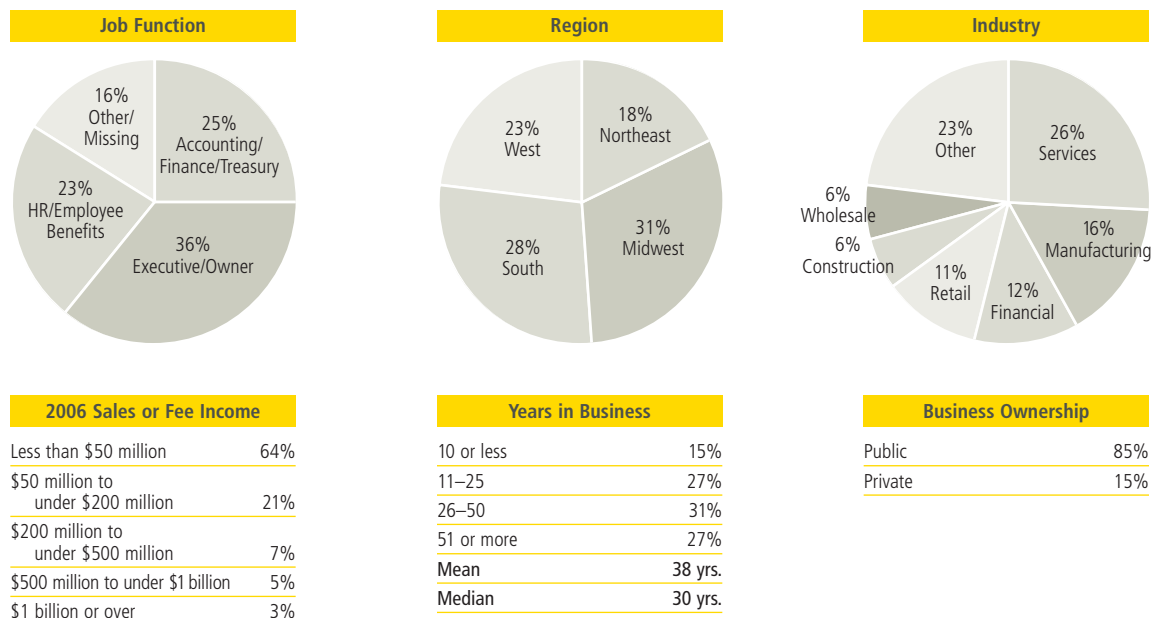
This year’s study was conducted for Prudential by The Center for Strategy Research, Inc., a Boston-based, independent, market research firm.

Overview of Plan Sponsor Survey

Plan sponsor results are based on a national survey of 1,400 employee benefits decision-makers. Respondents included business executives, business owners, human resources professionals, and financial management professionals. The survey sample covers all industries, including government, and is nationally representative of all U.S. businesses with at least 50 full-time, benefits-eligible employees.

Data shown in this report are weighted to reflect the actual proportion of U.S. businesses by company size and region, based on Dun & Bradstreet business counts. The margin of error is +/- 2.0% at the 95% confidence level.

Below is a breakdown of survey respondents by survey participant job function, region, industry, company size, years in business, and approximate 2006 sales.





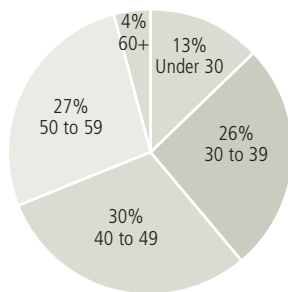
Overview of Plan Participant Survey

Plan participant results are based on surveys conducted among 1,028 employees, age 18 or older who work full-time for a company with at least 50 employees. The survey of employees was conducted during the same time period as the employer surveys.

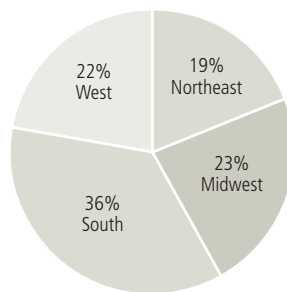
The survey sample is nationally representative of all U.S. workers at companies with at least 50 full-time employees. Data shown in this report are weighted to reflect the actual proportion of U.S. workers by gender, region, race, and age based on data from the Bureau of Labor Statistics and the Census Bureau. The margin of error is +/- 3.0% at the 95% confidence level.

Below is a breakdown of survey respondents by age, region, household income, gender, ethnic/racial background, education level, as well as employer industry and size.

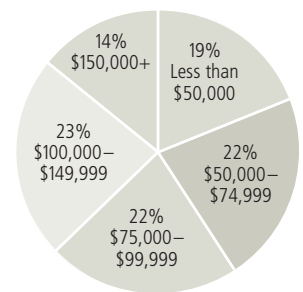
Age



Region



Household Income



Employer Industry

Manufacturing	14%
Services	11%
Financial	9%
Retail	5%
Construction	2%
Wholesale	2%
Other	57%

Gender

Male	48%
Female	52%

Ethnic/Racial Background

Caucasian	68%
Hispanic	13%
African-American	11%
Asian	1%
Other	7%

Education

Some High School	0%
High School Graduate	3%
Some College or Technical School	18%
College Graduate or Technical School	45%
Post-Graduate School	34%

Employer Size

50-99	6%
100-499	19%
500-999	9%
1,000-1,999	11%
2,000-9,999	20%
10,000-24,999	12%
25,000 or more	23%

Key Themes

This study looks at the latest trends within the benefits landscape and how those trends will continue to evolve over the next five years. The following key themes that emerged from the study show how employers and employees are at once driving and reacting to those trends.



Benefits Balancing Act—Getting Tougher

Plan Sponsors Struggle to Balance Dueling Objectives: Reduce Benefits Costs While Maintaining a Competitive Benefits Program

Employee Benefits Remain a Priority for Attracting and Retaining Talent, but...

- Despite cost-shifting and benefits cutbacks at many companies during the past five years, employee benefits continue to be a key tool for recruiting and retaining skilled talent. Most U.S. workers (84%) say that a company’s benefits package is highly important to their decision to change employers or remain with their current company.

Women and those over age 30 tend to place greater importance on employee benefits when deciding whether to accept a job offer or remain with their current employer.

- Cultivating an environment where employees are engaged and productive is an important corporate goal for most firms, and many plan sponsors say their senior leadership teams view employee benefits as strategically important to the company. Half (51%) of those surveyed strongly agree that upper management considers benefits strategically important to the company. In addition, more than two in five plan sponsors (43%) strongly agree that offering very competitive benefits can be a significant advantage and can aid a company’s employee recruiting/retention efforts.

Plan sponsors in the Southern region of the U.S. are most likely to agree that benefits are strategically important and that offering significantly better benefits gives their company a competitive advantage.

ROLE AND IMPORTANCE OF EMPLOYEE BENEFITS

PLAN PARTICIPANTS	High Importance (7, 6)*
Importance of...“Employee benefits overall when deciding whether to stay with a company or take a new job”	84%
PLAN SPONSORS	Strong Agreement (7, 6)*
Agreement with...“Upper management sees decisions regarding employee benefits as being strategically important for our company”	51%
Agreement with...“Offering significantly better or more generous benefits than others in our industry gives our company a significant advantage, including having positive effects on attracting and/or retaining the employees we seek”	43%

*Top two scores on a 7-point scale.

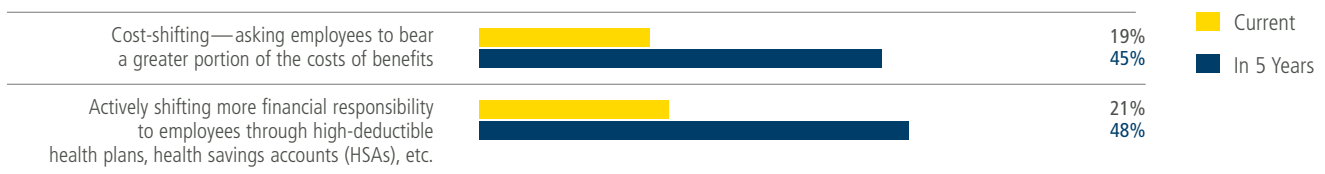
...Plan Sponsors Are Shifting Even More Benefits Costs and Financial Responsibility to Employees

- In today's highly competitive business environment, companies are focused intently on expense management and meeting Wall Street expectations for earnings growth and return on shareholder value. To that end, plan sponsors say that their top benefits objective—today and over the next five years—is to manage employee benefits costs. This surpasses other objectives such as attracting/retaining employees, offering a wider range of benefits programs, and offering a more competitive benefits package.
- To address their cost-reduction goals, firms say that their top expense-reduction strategies are:
 1. Asking employees to bear a greater portion of their cost of benefits (i.e., cost-shifting).
 2. Shifting more financial responsibility to employees through high-deductible health plans, health savings plans, and 401(k) plans.
- The percentage of plan sponsors rating these strategies “highly important” will more than double over the next five years. By 2012, cost-shifting (19% in 2007 to 45% in 2012) and financial responsibility (21% in 2007 to 48% in 2012) will be a very important strategy for nearly half of all plan sponsors surveyed.

Plan sponsors most likely to rate cost-shifting as a “highly important” strategy by 2012 tend to be large, private firms (10,000+ employees) and mid-size public administration and education organizations.

IMPORTANCE OF COST-CONTAINMENT STRATEGIES—2007 VS. 2012

PERCENTAGE OF PLAN SPONSORS RATING ITEM “HIGHLY IMPORTANT” (7 OR 6 ON A 7-POINT SCALE)





Cost Is a Top Consideration When Plan Sponsors Are Choosing Benefits Providers

- First and foremost, plan sponsors are seeking cost-effectiveness from their benefits providers. For many companies, that means a fair price for the quality of products and services desired. In fact, 51% of employers surveyed say that cost-effectiveness through lower total costs is their top decision criterion when selecting a benefits provider. Cost-effectiveness, specifically the lowest priced option, is a close second with 46% of employers rating that “highly important.”
- And each measure of cost-effectiveness will only be more important in selecting benefits providers in the next five years, increasing by at least 10% by 2010.
- Beyond cost, plan sponsors also place a great deal of importance on financial stability, service quality (claims, call center, and account management), and product expertise.
- Interestingly, the benefits provider selection criteria that will increase the most in terms of importance over the next five years are the quality of online tools for benefits administrators (+22%) and plan participants (+27%). Also, the importance of effective employee education and communications will increase significantly (+20%) by 2012.

The importance of cost as a benefits provider selection criterion does not vary significantly by size, industry, region, years in business, ownership type, etc. Rather, a company's benefits philosophy and the strategic importance of benefits within the organization are more predictive of its buying criteria and behavior.

IMPORTANCE OF BENEFITS PROVIDER SELECTION CRITERIA

PERCENTAGE OF PLAN SPONSORS RATING ITEMS "HIGHLY IMPORTANT" (7 OR 6 ON A 7-POINT SCALE)

Selection Factor	High Importance		
	2007	2012	+/-
Cost effectiveness—may not be lowest priced, but lowers total costs through increased effectiveness or efficiency	51%	63%	12%
Cost effectiveness—specifically lowest priced option	46%	56%	10%
Financial strength	45%	53%	8%
Quality of claims and call center service provided to employees	44%	58%	14%
Quality of account service provided to HR staff	42%	56%	14%
Expertise of provider with specific product	42%	51%	9%
Flexibility with respect to underwriting/plan design	33%	47%	14%
Experience/knowledge of your industry	32%	42%	10%
Innovative financial and benefits solutions	30%	47%	17%
Reputation, name recognition of provider	30%	35%	5%
Local account management team (within your time zone)	29%	37%	8%
Effectiveness of employee education and communication materials	29%	49%	20%
Quality of online tools for HR staff	28%	50%	22%
Quality of online tools for employees	25%	52%	27%



The Linkage Between Employee Benefits Strategies and Business/Financial Goals Is Likely to Strengthen by 2012

- For the employee benefits function to gain further strategic importance in most companies, it is critical that benefits objectives be consistent with, and complement, corporate goals. Today, however, few plan sponsors say that their company's benefits strategy is in fact linked to their company's broader business strategy or financial goals. Less than one in four (22%) plan sponsors surveyed have a "strong linkage" between their benefits and business strategies. This would appear to represent a missed opportunity to elevate the function's position and contributions within the organization.
- However, nearly twice as many plan sponsors expect to have "strong linkage" (41%) between their benefits and business strategies by the year 2012.

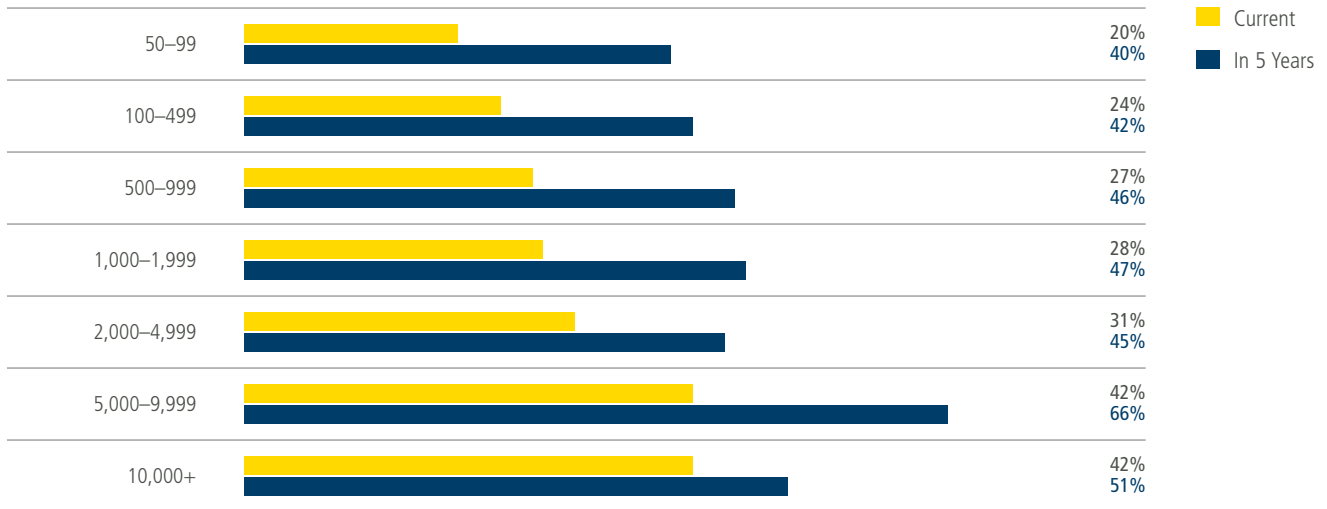
Larger firms and those who are more "progressive" in their approach to employee benefits are the most likely to link their benefits and business strategies.

EXTENT TO WHICH BENEFITS STRATEGY IS LINKED TO BUSINESS STRATEGY/FINANCIAL GOALS BASED ON A 7-POINT "LINKAGE" SCALE (7 = "COMPLETELY LINKED"; 1 = "NOT LINKED AT ALL")



LINKAGE BETWEEN BENEFITS AND BUSINESS STRATEGY BY EMPLOYER SIZE

PERCENTAGE OF PLAN SPONSORS WHO SAY THEIR BENEFITS AND BUSINESS STRATEGY IS "STRONGLY LINKED"
(RATED 7 OR 6 ON A 7-POINT SCALE)

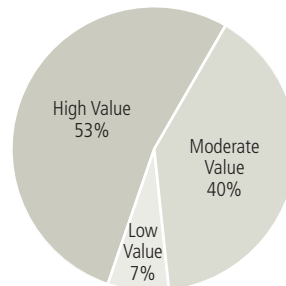




With Continued Cost-Shifting and Cutbacks, Workers' Enthusiasm about Their Benefits Wanes

- Certainly most employees appreciate the benefits they receive from their companies—including paid time off, flexible work arrangements, medical insurance, and 401(k) plans. But due to cutbacks in health care coverage, elimination of traditional pension plans, and increased cost-sharing, only about half of all U.S. workers (53%) place “high value” on their current benefits package.

PERCEIVED VALUE OF EMPLOYEE BENEFITS AMONG U.S. WORKERS
7-POINT “VALUE” SCALE

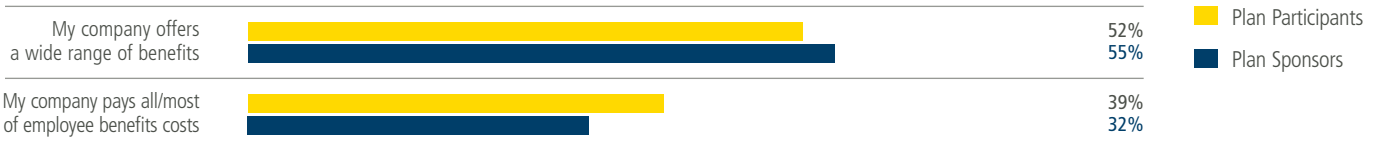


- Consequently, only about half of employees (52%) and employers (55%) surveyed strongly agree that their companies offer a “wide range of benefits” while even fewer strongly agree that their firms pay for most/all of the cost of their benefits (39% of employees and 32% of employers). Real and perceived benefits cutbacks are eroding employee satisfaction with their benefits, and negatively impacting employee satisfaction and loyalty.

There is little difference in perceived value of employee benefits by size of company despite the fact that large companies tend to have more generous benefits packages. This underscores the importance of plan sponsors effectively communicating the total cost of benefits per employee and the company’s contribution to the total.

PERCEIVED RANGE AND COST OF BENEFITS

PERCENTAGE WHO “STRONGLY AGREE” (RATED 7 OR 6 ON A 7-POINT SCALE)





Plan Sponsors Will Continue to Use Cost-Containment Programs

- Employers have experimented with, and plan to continue to use, a variety of benefits cost-reduction initiatives to meet their expense management goals over the next five years.
- Top cost-containment strategies being addressed today—and by 2012—include:
 - Wellness/prevention programs to improve workforce health (19% in 2007; 44% in 2012)
 - Consumer-directed health plans (17% in 2007; 43% in 2012)
 - Increasing employee share cost on contributory plans (16% in 2007; 39% in 2012)

Larger firms (those with 5,000+ employees) are more likely than others to be implementing any additional cost-containment programs over the next five years.

Multinational companies are more likely than other firms to implement consumer-driven health plans by 2012.

Employers in public administration and the transportation/communication industries and those in private firms are the most likely to focus on return-to-work programs over the next five years.

Financial services firms are the most likely to expand their array of voluntary plans to address cost-reduction goals by 2012.

IMPORTANCE OF COST-CONTAINMENT STRATEGIES—2007 VS. 2012

PERCENTAGE OF PLAN SPONSORS RATING ITEMS “HIGHLY IMPORTANT” (7 OR 6 ON A 7-POINT SCALE)

	Current	In 5 Years	Change
Offering programs to help employees maintain a healthy life	19%	44%	25
Implementing consumer-directed health plans	17%	43%	26
Shifting more of the cost of contributory benefits to employees	16%	39%	23
Coordinating/integrating parts of medical, pharmacy, disability, and worker’s compensation plans	15%	34%	19
Providing a wider array of voluntary benefit offerings (100% employee-paid)	14%	33%	19

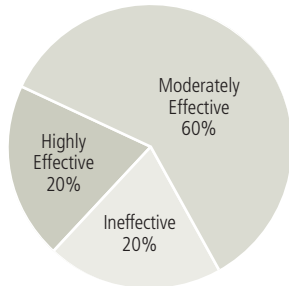
Wellness and Prevention Programs Are Prevalent Despite Their Limited Success to Date

- Programs to promote smoking cessation, fitness, nutrition, blood pressure screening, and healthier pregnancies have increasingly been adopted at the workplace by employers of all sizes. These programs have experienced mixed results caused by under-utilization and lack of HR resources available for monitoring and oversight.
- A majority of employers indicate that their “healthy lifestyle” programs have been only moderately effective at achieving the intended goals. Only one in five (20%) plan sponsors surveyed rates their wellness/prevention programs “highly effective” while an equal percentage rate them “ineffective.”
- On-site gyms or gym discounts, incentive programs for smoking cessation and weight loss (monetary rewards or paid time off), and mandatory/paid-for annual physicals and screenings are among the top mentions for programs that have been most successful.

Plan sponsors that have had the greatest success with wellness/prevention programs are those with 2,000–5,000 employees, those with a younger workforce, and those who have been in business for less than 20 years.

EFFECTIVENESS OF HEALTHY LIFESTYLE PROGRAMS

PLAN SPONSORS OFFERING HEALTHY LIFESTYLE PROGRAMS



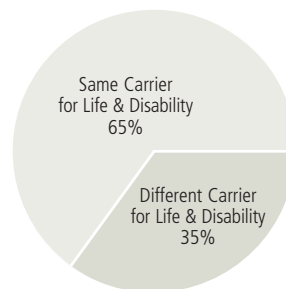


Consolidation of Benefits Providers Will Continue Over the Next Five Years

- Another cost-containment strategy for many plan sponsors is to streamline the number of benefits providers they work with across their health and welfare and retirement plans.
- More than eight in ten firms surveyed (84%) say they are currently consolidating benefits providers to some extent, while 16% are significantly consolidating today—reducing the number of providers they use by more than half. By 2012, twice that many plan sponsors (32%) will be significantly consolidating while virtually all will have consolidated to some extent.
- In 2007, two-thirds of plan sponsors use the same carrier for their group life and disability benefits plans. Of those currently consolidating their life and disability business, a majority “strongly agree” that consolidation has improved the ease of administration (62%) and reduced benefits costs (51%) associated with their group life and disability plans.

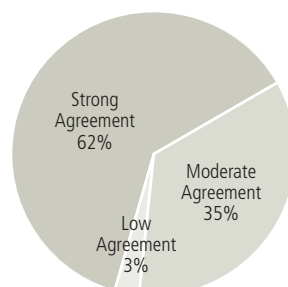
Respondents from the HR/Benefits function are more likely than other decision makers to say that consolidating group life and disability carriers has yielded cost savings.

PLAN SPONSOR USE OF SAME CARRIER FOR GROUP LIFE AND DISABILITY BENEFITS

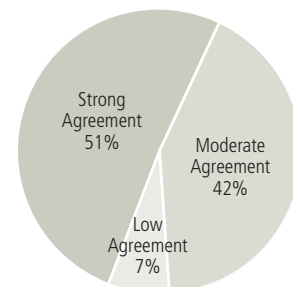


PLAN SPONSOR AGREEMENT THAT USING SAME PROVIDER FOR GROUP LIFE AND DISABILITY BENEFITS...

...Improves Ease of Administration



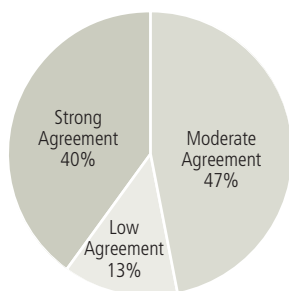
...Reduces Costs



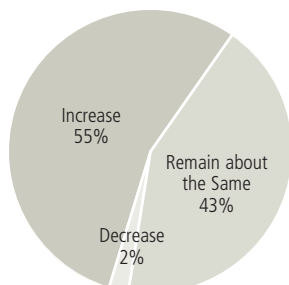
Changes to Benefits Plan Designs Will Be Increasingly Important to Plan Sponsors

- Modifying benefits plan design features to offset rate increases associated with unfavorable claims experience or inflation is a common practice among plan sponsors. Many firms achieve cost savings by making adjustments to maximum coverage levels, deductibles, exclusions, and other provisions without making wholesale changes to the benefits offered or eliminating them altogether.
- Nearly nine in ten (87%) employers surveyed agree that their companies have implemented plan design changes as a means of controlling benefits costs; of those, 40% are in strong agreement.
- Use of plan design modifications is expected to continue over the next five years, with 55% of plan sponsors looking to increase their use of plan design changes by 2012.

EXTENT TO WHICH PLAN SPONSORS MAKE PLAN DESIGN CHANGES TO CONTROL BENEFITS COSTS



EXPECTED CHANGES IN PLAN SPONSOR USE OF PLAN DESIGN CHANGES TO CONTROL BENEFITS COSTS





Closing the Education Gap on Income Replacement

Workers Lack Awareness and Knowledge about the Benefits of Disability Insurance

Workers Need Help Understanding Their Disability Benefits

- U.S. workers are not particularly concerned about disability insurance, but they are quite concerned about financial security should they be unable to work due to an illness or injury. In fact, six in ten employees surveyed say that it is highly important to have financial security if a wage earner in their household is unable to work due to illness or injury.
- Perhaps the perceived importance of disability insurance would be greater if employees better understood the likelihood of an injury or illness forcing them out of work and the extent to which their group disability plan will provide income replacement. Industry research suggests that most workers greatly underestimate their chances of being out of work for an extended time and the need to replace their income. This “gap” suggests the need for increased communication and education to better inform U.S. workers about disability insurance.
- According to workers surveyed, only 21% of their employers are currently addressing their need for disability insurance, yet we know that, on average, more than two-thirds of all employers offer short-term/long-term disability benefits. Employees simply don’t make the connection between income replacement and their group disability plan.

TOP EMPLOYEE FINANCIAL CONCERNS

EXTENT TO WHICH EMPLOYEES ARE CONCERNED AND FEEL THEIR EMPLOYERS ARE ADDRESSING CONCERNS

	Importance to Employees*	Extent Employers Addressing*	Gap
Having appropriate health insurance	83%	52%	31
Needing to save for retirement	76%	42%	34
Having more flexible, or generous, paid-time-off policies	67%	35%	32
Maintaining a healthy lifestyle	62%	31%	31
Having financial security if a wage earner can no longer work due to a disability or serious illness	60%	21%	39
Having a financial plan for achieving major financial goals	53%	18%	35
When nearing retirement, having advice about how to invest your retirement money and how to make it last as long as needed	51%	23%	28
Having financial security in the event of a premature death	47%	22%	25
Having flexible workplace arrangements to better balance work and personal life	47%	27%	20
Having to provide for long-term care needs of either yourself or a spouse	40%	16%	24
Finding a trusted source to provide financial advice	39%	18%	21
Having enough money for your children's college education	33%	11%	22
Needing to work in retirement	29%	15%	14
Having access to mental health or emotional well-being counseling	22%	35%	-13

*Top two answer categories (7, 6) on a 7-point scale.



Disability Plan Communication Is Generally Overshadowed by Other Benefits Communications

- Many benefits departments have limited resources and/or competing priorities and are unable to spend time on improving their communication efforts for benefits other than medical and retirement plans. Consequently, plan sponsors are admittedly doing little to help employees understand their disability benefits and the amount of insurance coverage they should have.
- There are half as many companies addressing their employees' needs for disability education as there are companies providing investment education and retirement planning support. This trend is expected to continue over the next five years. While these efforts are certainly important to securing the financial futures of American workers and their families, more should be done to better protect employees from the risk of losing a significant portion of their current income stream.
- In 2007, only 12% of employers say they are doing a great deal to help employees determine their disability insurance needs. The good news is that more plan sponsors—22%—expect to help employees with disability education/communication by 2012.

EXTENT TO WHICH PLAN SPONSORS ADDRESS TOP EMPLOYEE FINANCIAL CONCERNS*—
2007 VS. 2012

	Current	In 5 Years	Change
Investment education related to selecting investments and allocating fund investments in your company's 401(k), 403(b), or other defined contribution plan	23%	41%	18
Investment education related to the disbursement and management of their 401(k), 403(b), or other defined contribution plan assets	23%	40%	17
Providing employees access to general financial advisors	17%	28%	11
Helping employees determine if they need long-term care insurance, and the amount and type of coverage they should have	8%	22%	14
Helping employees determine if they need disability insurance, and the amount of coverage they should have	12%	22%	10
Helping employees determine if they need life insurance, and the amount of coverage they should have	9%	21%	12
Making available a 529 plan or other initiatives for college funding	8%	18%	10

*Top two answer categories (4, 5) on a 5-point scale.



Workers Focus on Medical and Retirement Benefits and Gloss Over Disability Insurance

- Despite their level of concern about financial security in the event of an injury or illness, U.S. workers place less importance on their group disability plan relative to other benefits, especially retirement and medical. This is certainly understandable, given the out-of-pocket expense associated with medical and the long-term importance of adequate retirement savings—both of which have received considerable press in recent years.
- When asked to allocate an extra \$100 across seven financial concerns, employees allocated just \$5.00 toward providing replacement income in the event of a serious injury or illness—among the lowest of the seven financial concerns. Saving for retirement received the greatest dollar allocation—\$49.75—close to half of the total amount allocated.

HOW PLAN PARTICIPANTS WOULD ALLOCATE \$100 FOR EMPLOYEE BENEFITS (MEAN SCORES)

Retirement		\$49.75
Medical		\$19.49
Dental		\$7.53
Long-Term Care		\$7.50
Life		\$6.26
Disability		\$4.84
Vision		\$4.63

- Not only would they contribute much less money toward their group disability plan relative to other benefits, but they would also spend less time figuring out how much disability coverage they need. Not surprisingly, workers spend most of their time during open enrollment evaluating their medical and retirement plan options.

Male workers over age 50, with annual income of less than \$50,000, and employed by smaller businesses (<500 employees) tend to place greater importance on having financial security in the event of a serious injury or illness compared to other workers surveyed.

PERCENTAGE OF TIME PLAN PARTICIPANTS SPEND MAKING BENEFITS DECISIONS DURING OPEN ENROLLMENT (MEAN SCORES)

Medical		36%
Retirement		31%
Dental		10%
Life		8%
Vision		6%
Disability		5%
Long-Term Care		4%

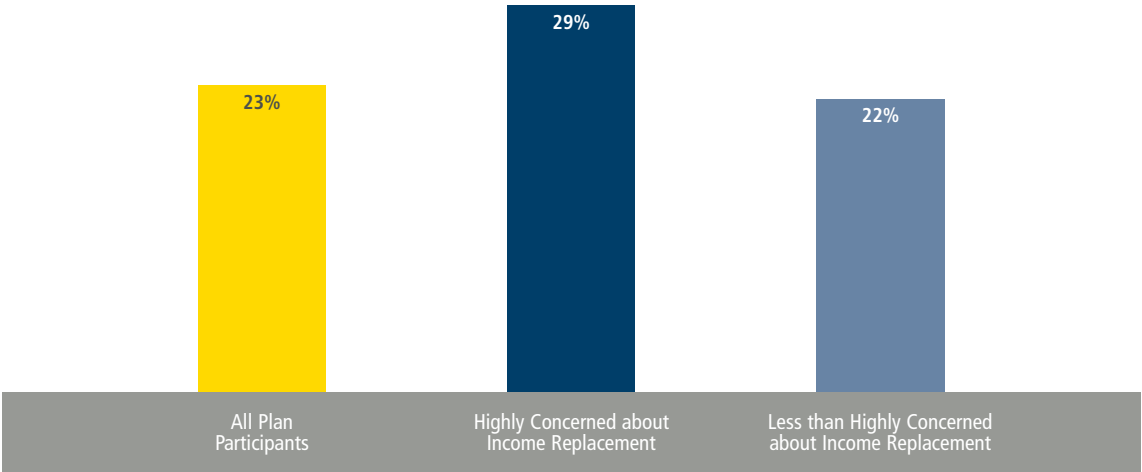


Separating Disability and Medical Enrollments Will Help Increase Employee Awareness

- Non-medical plan benefits such as group life, disability, and long-term care insurance are critical components of a sound financial portfolio, yet these benefits get little attention during the annual open enrollment period. Most of plan sponsors' time and attention goes toward communicating medical plan changes or retirement plan enhancements.
- On average, nearly one in four workers surveyed say that they would be able to make better decisions about their group disability and group life benefits if the enrollment was separate from their annual open enrollment for their medical plan.
- Workers who are highly concerned about income replacement in the event of a serious injury or illness are the most likely to prefer separate enrollment periods for group disability and other non-medical benefits.

EMPLOYEE PREFERENCE FOR SEPARATING MEDICAL FROM GROUP LIFE AND DISABILITY ENROLLMENT

PERCENTAGE OF EMPLOYEES WHO "STRONGLY AGREE" THEY SHOULD BE SEPARATED (RATED 7 OR 6 ON A 7-POINT SCALE)





Revolutionizing the Enrollment Experience

Current Communication, Education, and Enrollment Efforts Fall Short of Helping Workers Make the Best Benefits Choices to Meet Their Financial Needs

Improving Benefits Communication and Education Is Increasingly Important to Many Plan Sponsors

- As plan sponsors have shifted greater financial responsibility and decision-making to their employees for their insurance and retirement benefits, increased attention has been given to the effectiveness of benefits plan education and communication.
- One of the top benefits objectives in 2007 for many plan sponsors is to increase employee education and advice to help their associates make better benefits choices. One in three (34%) plan sponsors surveyed rate employee education and advice as a “highly important” benefits objective for their firm. Another one in four (26%) says that enhancing employee communication and enrollment by tailoring the messages to specific segments of their population is a top benefits objective.
- Furthermore, by 2012, the importance of employee education and targeted communication/enrollment efforts will be of even greater importance—with nearly half of all plan sponsors rating them “highly important” objectives in the next five years.

Larger companies (5,000+ employees) place greater importance on tailoring benefits communication/enrollment to meet the specific needs of their varied employee segments, compared to smaller firms.

TOP EMPLOYEE BENEFITS OBJECTIVES—2007 VS. 2012

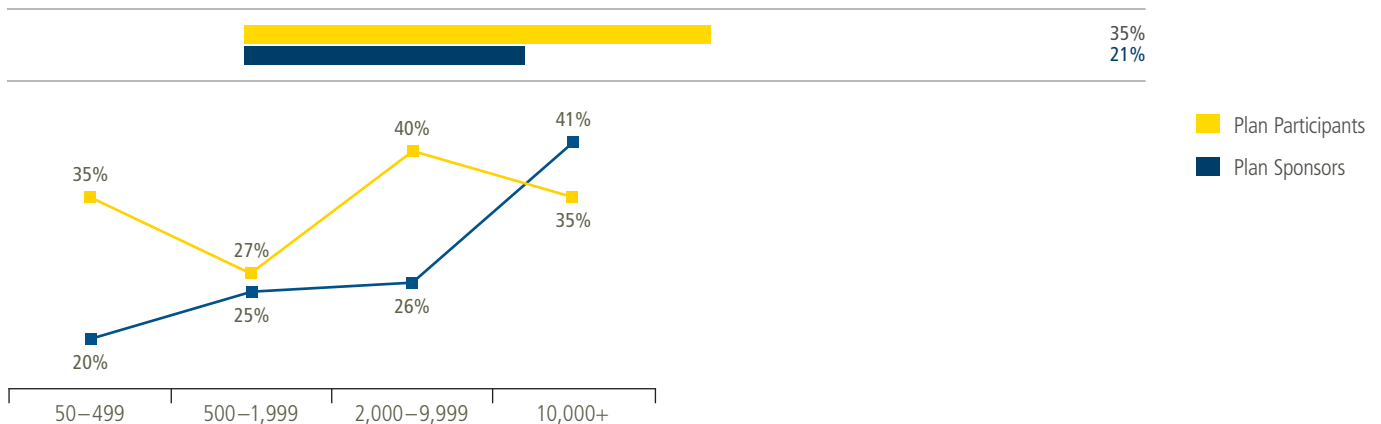
PERCENTAGE OF PLAN SPONSORS RATING ITEMS “HIGHLY IMPORTANT” (7 OR 6 ON A 7-POINT SCALE)

Objectives of Employee Benefits Strategy	2007	2012	Points Change
Attempting to control benefits costs by addressing the health of the workforce by promoting wellness, prevention, and work/life balance	32%	64%	+32
Applying/using Internet technology to reduce benefits costs or to increase efficiency	27%	58%	+31
Increasing employee education and/or advice—helping employees understand how to make the best choices	34%	54%	+20
Actively shifting more financial responsibility to employees through high-deductible health plans, health savings accounts (HSAs), etc.	21%	48%	+27
Cost-shifting—asking employees to bear a greater portion of the costs of benefits	19%	45%	+26
Tailoring communication and enrollment to meet the needs of various employee segments	26%	44%	+18

Current Benefits Communication and Education Efforts Receive “Low Grades”

- Recent growth in voluntary insurance programs, defined contribution retirement plans, and consumer-driven health plans has heightened the importance of effective benefits communication and education. However, feedback from U.S. workers indicates current communication and education efforts are falling short of meeting their needs.
- Just one in three (35%) plan participants rate their employer’s benefits communication efforts as “highly effective”; however, even fewer plan sponsors (21%) give their communication efforts high marks.
- Larger plan sponsors tend to have higher regard for their benefits communication efforts compared to smaller firms, and are much more likely to rate their communication efforts as “highly effective”. But workers in these large companies tend to disagree and rate the effectiveness of their benefits communications lower than do their employers.
- Conversely, workers in smaller companies are more favorable toward their benefits communications and rate them higher than do their employers.
- Interestingly, despite large employers having access to far greater internal and external resources, there is no difference in how employees from the largest and the smallest companies perceive the effectiveness of benefits communication. This finding may suggest the need for all plan sponsors, particularly the largest companies, to reevaluate current communication and education efforts based on employee feedback.

OVERALL EFFECTIVENESS OF BENEFITS COMMUNICATION EFFORTS—PLAN SPONSORS VS. PARTICIPANTS
 PERCENTAGE RATING BENEFITS COMMUNICATIONS “HIGHLY EFFECTIVE” (7 OR 6 ON A 7-POINT SCALE)





Back to the Future? Personalizing Benefits Communications

- Many years ago, when companies were smaller and offered fewer benefits, providing employees with personalized benefits information was the cost-effective standard. Today, due to a much larger workforce, a wider array of benefits available at the workplace, regulatory issues, and privacy concerns, most benefits communications and education efforts apply a “one-size-fits-all” approach. Regardless of age, income, marital status, and job function, all employees generally receive the same benefits information.
- More recently, the industry has experimented with targeted messaging and communications to appeal to specific segments of a company's workforce, such as by life stage (e.g., “new families” or workers in the family formation years who are having babies, buying and furnishing a home, etc.). Tailoring a message about the importance of life insurance is more likely to resonate with the new-family segment than with singles or with empty-nesters. Effective benefits communications are about getting the right message to the right employees at the right time.
- For a company to execute a targeted communications strategy, it must have access to certain personal information about its workforce. The good news is that most employees surveyed (70%) are interested in receiving tailored information to better meet their personal needs. The bad news is that only 45% of plan participants are comfortable giving their employers access to such information.

- In addition, most plan sponsors have not yet warmed to the idea of targeted communications. Most are still unwilling to use select employee data for the purpose of tailoring benefits communications, even if employees give their permission.

Larger companies (5,000+ employees) and those in the financial services industry are more receptive to using employee data to tailor benefits communications.

Workers with annual household incomes over \$100,000 are more willing to allow their employer to use personal information to tailor benefits communications to better meet their needs.

Plan participants who have a wider range of benefits available at their workplace tend to be more interested in tailored benefits communications and in sharing personal information.

RECEPTIVITY TO TARGETED BENEFITS COMMUNICATIONS AND SHARING PERSONAL INFORMATION

PERCENTAGE OF PLAN PARTICIPANTS RATING EACH ITEM "HIGHLY IMPORTANT" (7 OR 6 ON A 7-POINT SCALE)

	Plan Participants	Plan Sponsors
Tailoring benefits communications and information to better meet employee's and/or their family's situation and needs	70% (% Highly Interested)	26% (% Highly Important)
Have employer use select personal information, with employee's permission, to more effectively tailor company's benefits offerings to better meet employee's and/or their family's situation and needs	45% (% Highly Willing)	25% (% Highly Willing)



Workers Agree That Providing Personal Information Should Result in More Effective Communications

- Though concerns exist about employers and benefits providers gaining access to certain personal information, many workers acknowledge that such information would improve the effectiveness of benefits communications efforts.
- A majority of plan participants surveyed believe that life-stage information (e.g., married with children, empty-nester, pre-retiree), age, and income would be “very helpful” in ensuring that benefits communications are relevant.

The older a plan participant and the higher their annual household income, the more likely they are to feel that sharing personal information, such as life stage, age, and income, would be very helpful in targeting benefits communications to best meet their individual financial needs.

Women are more likely than men to rate the value of life-stage information as “very helpful” to their employer’s benefits communications efforts (79% vs. 68%). Women are also more favorable toward employers using gender information in targeting benefits communications compared to men—44% vs. 32% rate gender as at least “moderately helpful”.

MOST HELPFUL PERSONAL INFORMATION FOR TAILORING BENEFITS COMMUNICATIONS

PERCENTAGE OF PLAN PARTICIPANTS RATING EACH ITEM “VERY HELPFUL” (7 OR 6 ON A 7-POINT SCALE)

Life Stage		73%
Age		71%
Income		62%
Gender		12%
Ethnicity		3%

Plan Participants Seek Professional Help in Benefits Decision-Making

- Each year thousands of U.S. workers receive a hefty packet of information from their human resources department as a harbinger of the annual benefits enrollment period. Reading through the sometimes-daunting printed material is the most common way plan participants learn about their benefits options. In fact, nine in ten workers surveyed cite their benefits manuals as a source of benefits information.
- A majority of plan participants also rely on “colleagues and friends” (68%), “HR/Benefits staff” (57%), “online calculators” (54%), and “enrollment meetings” (47%).
- Sources of professional financial assistance—such as financial advisers outside the workplace, professional enrollers, and financial advisers available via an 800-number—are mentioned by less than 30% of plan participants.
- Workers indicate that they would prefer more personal and professional assistance than they are receiving today. In particular, they would like more professional financial assistance during on-site enrollment meetings.
- Conversely, plan participants would like to rely a little less on impersonal and non-professional information sources, such as colleagues/friends, benefits manuals, and HR/Benefits staff.

PLAN PARTICIPANT SOURCES OF BENEFITS INFORMATION — USAGE VS. HELPFULNESS

Benefits Information Sources	Information Sources Used	Information Sources Most Helpful	Gap
Benefits manuals/materials	90%	64%	-26
Colleagues/friends	68%	38%	-30
HR/Benefits department staff	57%	42%	-15
Web calculators	54%	34%	-20
Enrollment meetings	47%	42%	-5
Financial professional outside workplace	28%	39%	+11
Financial professional onsite during enrollment period	18%	36%	+18
Financial professional via 800-number	15%	27%	+12

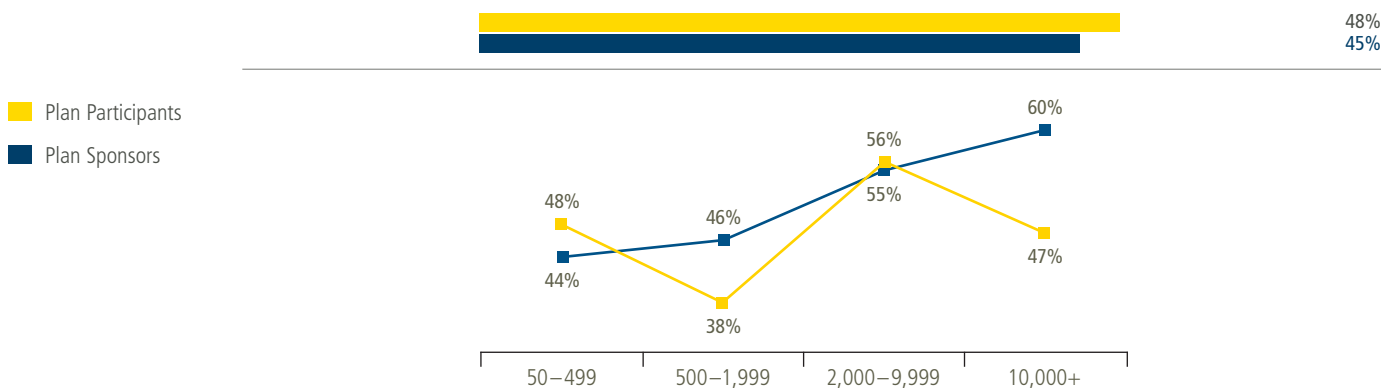


Many Employees Feel Pressured for Time During Open Enrollment

- There are mixed opinions about whether or not employees have adequate time to make the best benefits decisions for themselves and their families. Only about half of plan sponsors (45%) and plan participants (48%) surveyed “strongly agree” that their companies allow adequate time for employees to make good decisions about their benefits options.
- Plan participants and plan sponsors are remarkably similar in their responses except in the largest companies. Workers from large companies are much less likely than their employers to agree that they have adequate time to make benefits decisions.
- Today, most plan sponsors (64%) have a single, annual benefits enrollment period. Small firms are more likely than large companies to report using multiple enrollment periods during the course of a year.
- Among those workers with more than one benefits enrollment period per year, most (60%) “strongly agree” that they have adequate time to make benefits decisions, versus 46% who have just one enrollment period.

Workers under age 40 are least likely to feel their employers provide adequate time for benefits decision-making.

ADEQUACY OF AMOUNT OF TIME FOR BENEFITS DECISION-MAKING — PLAN SPONSORS VS. PARTICIPANTS
PERCENTAGE WHO “STRONGLY AGREE” TIME IS ADEQUATE (RATED 7 OR 6 ON A 7-POINT SCALE)

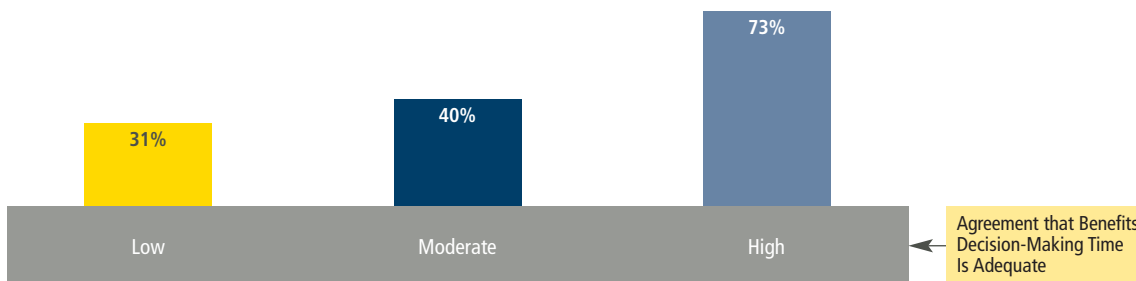


Giving Employees Adequate Time to Make Benefits Decisions Translates into Higher Satisfaction

- Given the wider array of benefits available in many companies today and the growing complexity of many insurance and retirement plans, having sufficient time to read about and research their benefits is becoming increasingly important to U.S. workers.
- In fact, plan participants who feel their employers provide adequate time for benefits decision-making tend to have much more favorable views of their benefits programs overall.
- Specifically, plan participants who “strongly agree” that their employer provides adequate time for making benefits decisions are far more likely to say:
 - Their benefits plan offers a great deal of value (73%)
 - Their employer’s benefits communications are very effective (55%)

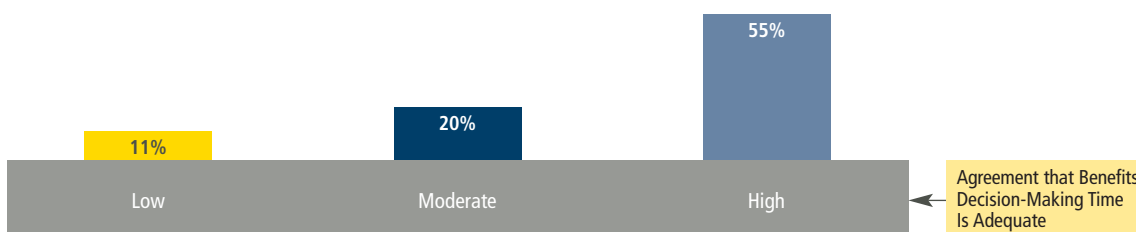
VALUE OF BENEFITS BY PERCEIVED ADEQUACY OF DECISION-MAKING TIME

PERCENTAGE OF PLAN PARTICIPANTS WHO “STRONGLY AGREE” THAT BENEFITS PROGRAM HAS VALUE (RATED 7 OR 6 ON A 7-POINT SCALE)



EFFECTIVENESS OF COMMUNICATIONS BY PERCEIVED ADEQUACY OF DECISION-MAKING TIME

PERCENTAGE OF PLAN PARTICIPANTS RATING BENEFITS COMMUNICATIONS “HIGHLY EFFECTIVE” (RATED 7 OR 6 ON A 7-POINT SCALE)





Benefits Strategy—Going Global

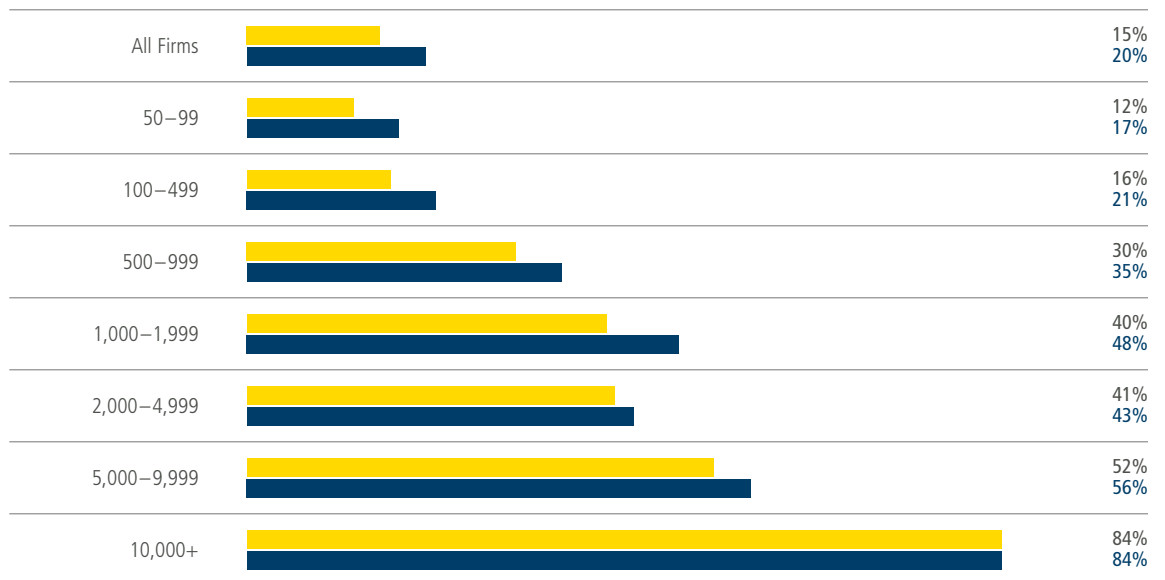
Multinational Companies Increasingly Recognize the Importance of a Global Benefits Strategy to Manage Costs and Improve Effectiveness

More Companies Anticipate Growth in Their Overseas Employment

- To achieve their future revenue and earnings goals, more U.S. companies are seeking growth from their overseas businesses. Today, 15% of benefits plan sponsors report having employees based outside the U.S., and this is expected to grow to 20% over the next five years.
- The extent to which companies have employees based outside the U.S. is highly correlated to size: 84% of the largest plan sponsors (10,000+ total employees) have employees overseas, compared to just 12% of firms with 50–99 employees.

PERCENTAGE OF PLAN SPONSORS WITH EMPLOYEES BASED OUTSIDE THE U.S. (BY COMPANY SIZE)

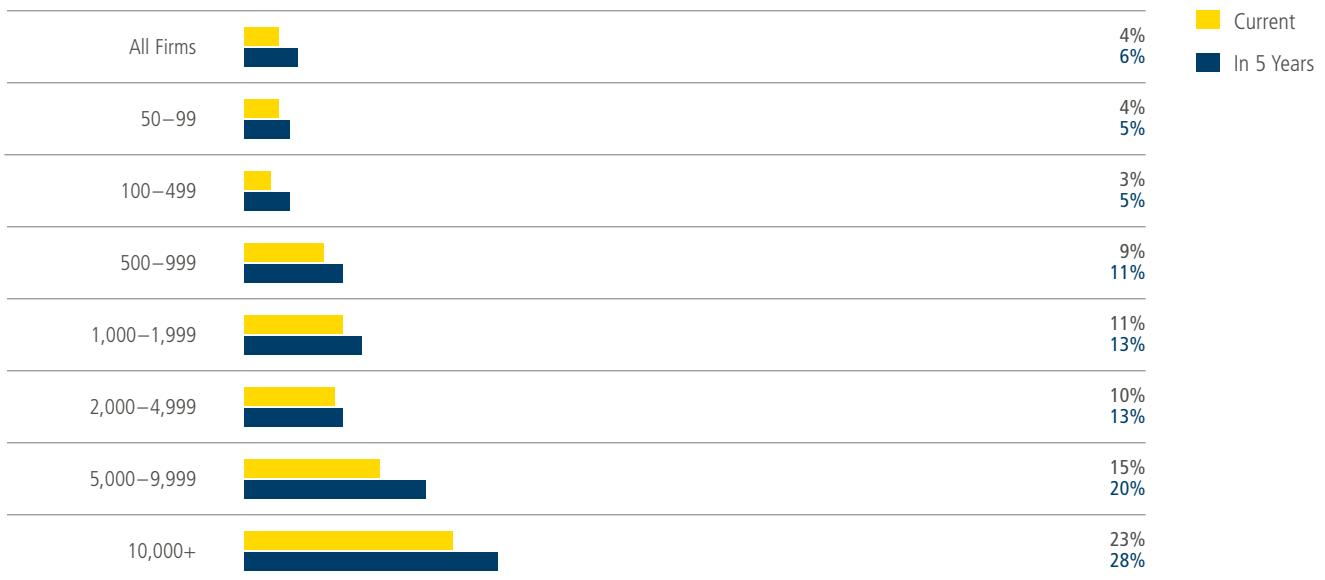
■ Current
■ In 5 Years



- Multinational firms report that on average, 4% of their workforce is based outside the U.S. This is expected to grow slightly to 6% over the next five years. However, growth in overseas employment will be greater among larger firms. Plan sponsors with 5,000–9,999 employees expect to increase overseas employment by 33% (15% in 2007 to 20% in 2012), while companies with 10,000 or more total employees anticipate growth of more than 20%.

Besides large companies, plan sponsors most likely to have above average overseas employment by 2012 are: firms in business less than 10 years (6% in 2007 to 10% in 2012); those with at least 20 different office locations worldwide (9% to 13%); and heavy manufacturing companies (8% to 11%).

PERCENTAGE OF PLAN SPONSORS' EMPLOYEES BASED OUTSIDE THE U.S. (BY COMPANY SIZE)

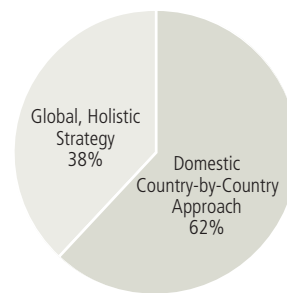




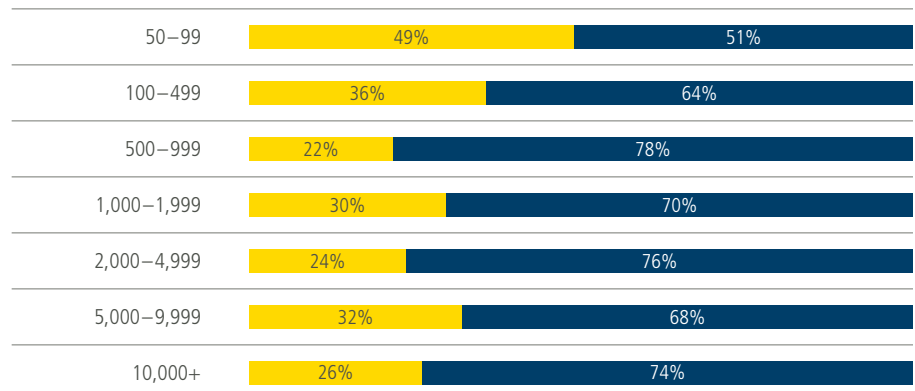
Most Multinational Companies Do Not Have a Global Benefits Strategy

- As multinational firms establish office locations in more countries, one of the many business challenges they face is the different laws and regulations governing employee benefits in each country. Another challenge is trying to efficiently manage the disparate HR and payroll systems, benefits administration systems, and supplier management processes. For most multinational firms, coordinating employee benefits globally is a seemingly monumental task and, without a solid understanding of the return-on-investment for doing so, it is a relatively low priority over the next five years.
- Today, 38% of multinational firms say their company has a “global view” with respect to its employee benefits strategy, meaning they take into account all their employees in all countries when designing and managing their benefits program.
- Smaller, multinational firms (<500 employees) are the most likely to report having a “global benefits strategy,” perhaps because with fewer overseas office locations, it is easier to take a more holistic view of their worldwide benefits offerings.

PLAN SPONSOR APPROACH TO BENEFITS FOR EMPLOYEES OVERSEAS



- Global view taking all employees into account
- Domestic strategy for employee benefits—country-by-country approach

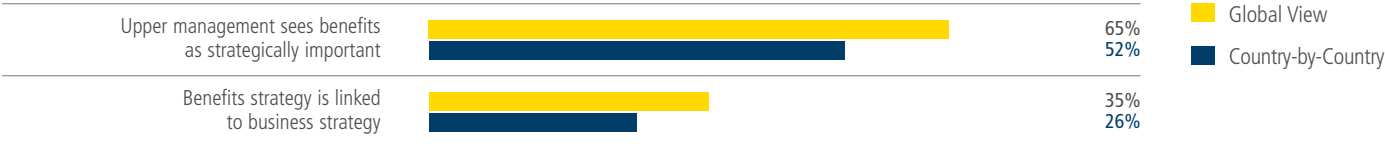


Plan Sponsors with a Global Approach to Benefits Also Tend to Have a More Strategic Orientation to Benefits

- For multinational companies ready to tackle the challenges of implementing a global benefits strategy, senior leadership plays a critical role in driving the strategy across the enterprise. Success hinges in large part on the linkage of the global benefits strategy to the corporation’s overall business and financial goals.
- Among multinational firms whose senior management views employee benefits as strategically important to their company, 65% take a holistic, global approach to managing their benefits worldwide, compared to 52% of those who take a more domestic, country-by-country approach.
- In addition, multinationals whose benefit strategies are well linked to their broader business strategy and financial goals are more likely than other firms to take a global approach to their benefits for employees overseas.

PLAN SPONSOR STRATEGIC ORIENTATION TO EMPLOYEE BENEFITS

BY TYPE OF APPROACH TO BENEFITS FOR EMPLOYEES OVERSEAS



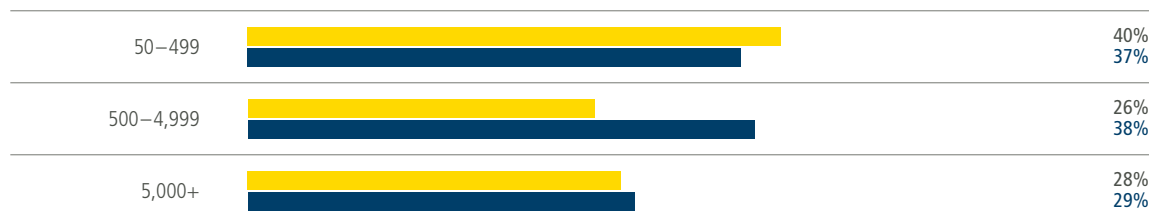


Mid-Size Firms Are More Likely than Others to Adopt a Global Benefits Strategy

- This research suggests that plan sponsors with 500–5,000 employees are different, yet similar, in many ways when compared to larger and smaller firms. It seems that a segment of mid-size companies are in growth mode and they take a large-company approach to their business, including their employee benefits programs. Another segment of mid-size plan sponsors operate with more of a small business model and culture—they tend to be in slower-growth industries, and are more price-sensitive than value-oriented in their purchase behavior.
- Plan sponsors with 500–5,000 employees expect their overseas employment to grow by more than 40% (from 9% to 13% of total payroll) over the next five years. These mid-size plan sponsors will increasingly take a global view of their benefits strategy—more so than larger and smaller firms. While 26% of mid-size companies say they currently take a “global view” of their benefits strategy, it is expected to increase to 38% by 2012.

PLAN SPONSOR APPROACH TO BENEFITS FOR EMPLOYEES OVERSEAS
 PERCENTAGE TAKING A “GLOBAL STRATEGY”—2007 VS. 2012

■ Current
 ■ In 5 Years

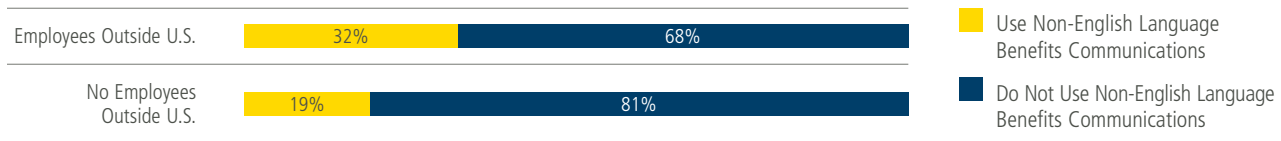


The Need for Non-English Language Benefits Communications Is Growing Rapidly

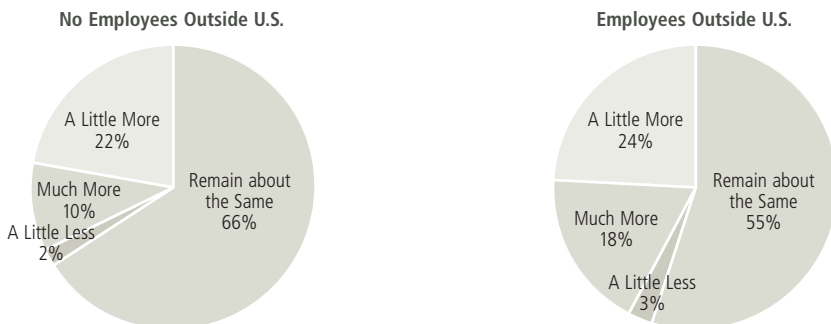
- An increasingly diverse U.S. workforce presents challenges for many benefits plan sponsors. Not only is it more challenging to design the right mix of benefits to address the various financial and lifestyle needs of their employees who cross different generational and cultural lines, but communicating their benefits programs in languages other than English is also becoming critical for many companies.
- On average, 22% of all plan sponsors surveyed say they currently use non-English language benefits communications materials and 32% expect the need to increase by 2012.
- The need for non-English language communications is even greater among plan sponsors with employees overseas, with nearly one-third (32%) of multinational firms currently using non-English materials in the U.S., and 42% expecting a greater need for non-English materials over the next five years.
- While Spanish is the most prevalent non-English language used for benefits communications within the U.S., multinational firms need materials in a wider range of languages, including Chinese, Korean, Japanese, Indian, and Russian.

PLAN SPONSOR CURRENT USE OF NON-ENGLISH LANGUAGE BENEFITS COMMUNICATIONS

BY EMPLOYEES OUTSIDE U.S. OR NOT



PLAN SPONSOR NEED FOR NON-ENGLISH BENEFITS COMMUNICATIONS BY 2012





Women Seek Greater Value from Workplace Benefits

Women Have Unique Financial and Lifestyle Needs and Look to Their Employers for Support

Women Express Greater Concern than Men about Financial and Lifestyle Needs

- Over the past few decades, the composition of the U.S. workforce has changed in a variety of ways, including a greater representation of women. There is more reliance on a woman's income and benefits in most households. For single, working mothers, insurance benefits, day-care services, and flexible work arrangements available through their employers have become even more essential to their families.
- It is not surprising then, that women surveyed in 2007 place greater importance and tend to have higher levels of concern about a wider variety of financial and lifestyle matters when compared to men. For example, across 14 different employee concerns, women are more likely than men to rate 9 of the 14 as "highly important."
- The greatest difference between women and men regarding the importance of financial/lifestyle concerns is on "flexible paid-time-off policies" (75% vs. 57%). Sizeable gaps also exist on "flexible workplace arrangements" (52% vs. 40%) and "maintaining a healthy lifestyle" (67% vs. 55%). In many households, women handle the children's schedules, such as day-care drop-off/pick-up, school, extracurricular activities, doctor visits, etc. Consequently, women are more likely to require additional flexibility with their work schedules.

- Women also place greater importance on financial concerns, particularly “advice about investing for retirement” (56% vs. 43%), “having adequate health insurance” (89% vs. 77%), and “finding a trusted source for financial advice” (43% vs. 32%). As cited in previous Prudential research,¹ women tend to lack confidence in their ability to make the best decisions for themselves and their families regarding financial matters. This lack of self-confidence appears to translate into higher levels of concern about financial matters.

IMPORTANCE OF EMPLOYEE FINANCIAL/LIFESTYLE CONCERNS—MEN VS. WOMEN

PERCENTAGE OF EMPLOYEES RATING ITEM “HIGHLY IMPORTANT” (7 OR 6 ON A 7-POINT SCALE)

Employee Financial/Lifestyle Concerns	Men	Women
Having more flexible, or generous, paid-time-off policies	57%	75%
When nearing retirement, having advice about how to invest your retirement money	43%	56%
Having appropriate health insurance	77%	89%
Maintaining a healthy lifestyle	55%	67%
Having flexible workplace arrangements to better balance work and personal life demands	40%	52%
Finding a trusted source to provide financial advice	32%	43%



For Women, Financial and Work/Life Balance Needs Are More Pressing Concerns than Retirement

- Saving for retirement is one of women’s top financial concerns, rated “highly important” by 78% of those surveyed—second only to having adequate health insurance. However, their level of concern doesn’t appear to translate into action—even more so than for men.

Women spend a lower percentage of their benefits decision-making time learning about their retirement benefits options compared to men (29% vs. 33%).

When asked to allocate a hypothetical \$100 across seven benefits categories, women allocated less toward retirement savings than did men (\$48 vs. \$52).

- Retirement benefits are an important factor for women and men in deciding whether or not to stay with their current employer or to leave for a new company. But for women, paid time off also ranks higher than retirement benefits as a job decision criterion. Consistent with other findings from this study, paid time off and, to a lesser degree, job flexibility are rated higher in importance to women than to men. This suggests that time is precious to many women who are trying to balance their work and personal lives.

IMPORTANCE OF EMPLOYEE BENEFITS IN DECIDING TO STAY OR GO TO NEW COMPANY—MEN VS. WOMEN

PERCENTAGE OF EMPLOYEES RATING ITEM “HIGHLY IMPORTANT” (7 OR 6 ON A 7-POINT SCALE)

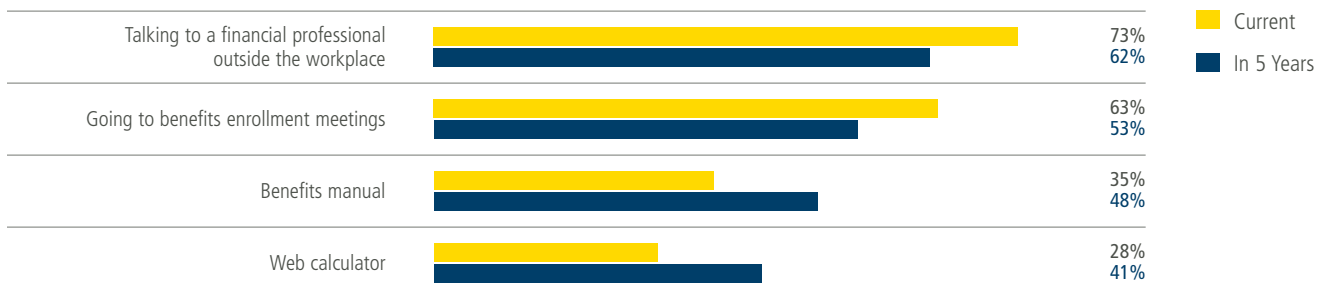
Rank-Order—Men	% Highly Important	Rank-Order—Women	% Highly Important
Salary	75%	Salary	73%
Medical Benefits	63%	Medical Benefits	66%
Retirement Benefits	47%	Paid Time Off	61%
Paid Time Off	44%	Retirement Benefits	52%
Other Insurance Benefits (e.g., Life, Dental, Disability)	31%	Job Flexibility	35%
Job Flexibility	30%	Other Insurance Benefits (e.g., Life, Dental, Disability)	34%
Bonus	24%	Bonus	24%

Women Prefer to Receive Advice about Their Benefits from a Financial Professional

- Women express concerns about financial and lifestyle matters yet feel they lack sufficient knowledge to make the best benefits decisions for themselves and their families. Many women want professional assistance with their personal finances, including guidance during their employee benefits enrollment period.
- Like their male colleagues, women say they tend to rely on printed benefits materials, friends/co-workers, and their companies' HR/Benefits staff for help with their benefits-related questions. Few women say they have had access to financial professionals for assistance with decisions regarding their insurance and retirement benefits.
- However, professional sources of financial advice are considered more helpful than benefits manuals, friends/co-workers, and HR/Benefits staff when making benefits decisions. And women appear to have a stronger preference than men for professional support with their benefits decisions. For example, 73% of women surveyed say that financial professionals outside the workplace are "most helpful" as an information source compared to 62% of men. "Attending benefits enrollment meetings" is also viewed more favorably by women than men. On the other hand, men are more likely than women to rate benefits manuals and web calculators as helpful benefits information sources.
- As cited in previous Prudential research,¹ many women tend to be cautious and require more information and explanation before making financial decisions. Women prefer face-to-face contact with a financial adviser before enrolling in insurance or retirement benefit plans. Ideally, women want to establish a relationship with a financial professional whom they can trust with the benefits decisions that will impact their families' financial security.

HELPFULNESS OF INFORMATION RESOURCES IN MAKING BENEFITS DECISIONS

PERCENT SELECTED AS "MOST HELPFUL" (MULTIPLE RESPONSES ACCEPTED)



¹ 2006 Prudential Financial Study on The Financial Experience and Behaviors Among Women.



Can Plan Sponsors Do More to Address Women's Financial and Lifestyle Concerns?

- In Prudential's **Study of Employee Benefits: 2006 & Beyond**, few companies indicated that they had specific programs to address the benefits needs of their female workforce. Our 2007 study confirmed that most plan sponsors are not adequately addressing women's top financial and lifestyle concerns.
- The gap is greatest in the area of "flexible paid-time-off policies," where 75% of women rate that "highly important," yet only 26% say that their employers are adequately addressing paid-time-off policies.
- The second-largest gap is related to "financial security in the event of a serious injury or illness," or income replacement. While 61% rate income replacement as "highly important," only 21% say that their employer is addressing that need. Given that upwards of 60% of plan sponsors, on average, offer group disability insurance, this finding suggests that improved benefits communications would help women better understand and appreciate their employer's disability benefits.
- Other highly important concerns not being adequately addressed at the workplace are: "having appropriate health insurance," "maintaining a healthy lifestyle," and "saving for retirement."
- Through the increased use of Employee Assistance Programs (EAPs) in recent years, plan sponsors appear to be meeting women's needs with regard to providing counseling services for mental health/emotional stress.

Despite feeling that plan sponsors could do even more to help address their top financial/lifestyle concerns, more than half of women (55%) highly value their employer's benefits program.

Women are less likely than men (30% vs. 38%) to say their employer decreased their level of benefits in 2006.

IMPORTANCE OF FINANCIAL/LIFESTYLE CONCERNS AND EXTENT EMPLOYERS ARE ADDRESSING CONCERNS

PERCENTAGE RATING ITEM "HIGHLY IMPORTANT" OR "GREAT EXTENT" (7 OR 6 ON A 7-POINT SCALE)

Employee Financial/Lifestyle Concerns	Importance	Extent Addressing	Difference
Having more flexible, or generous, paid-time-off policies	75%	26%	-49
Having financial security if a wage earner can no longer work due to disability/serious illness	61%	21%	-40
Having a financial plan for achieving major financial goals	54%	16%	-38
Having appropriate health insurance	89%	52%	-37
Maintaining a healthy lifestyle	67%	31%	-36
Needing to save for retirement	78%	43%	-35
When nearing retirement, having advice about how to invest your retirement money	56%	22%	-34
Having financial security in the event of a premature death	50%	21%	-29
Finding a trusted source to provide financial advice	43%	17%	-26
Having flexible workplace arrangements to better balance work and personal life demands	52%	26%	-26
Having to provide for long-term care needs of either yourself or a spouse	41%	16%	-25
Having enough money for your children's college education	30%	11%	-19
Needing to work in retirement	30%	14%	-16
Having access to mental health or emotional well-being counseling	24%	38%	14



Summary of Key Findings

Theme 1: Benefits Balancing Act—Getting Tougher

Plan Sponsors Struggle to Balance Dueling Objectives: Reduce Benefits Costs While Maintaining a Competitive Benefits Program

- Employee benefits remain a strategic priority for attracting and retaining talent, but cost control is a business imperative. To that end, plan sponsors are shifting even more benefits cost and financial responsibility to their employees.
- Consequently, U.S. workers are less enthusiastic about their company's benefits package, though most still see value.
- As companies struggle to reconcile competing objectives—managing benefits costs while attracting/retaining skilled talent—the link between employee benefits strategies and business/financial goals is expected to increase by 2012.
- Plan sponsors will continue to expand their use of cost-containment initiatives to help achieve their expense-reduction goals, including wellness/prevention programs, consolidation of benefits providers, and plan design modifications.

Theme 2: Closing the Education Gap on Income Replacement

Workers Lack Awareness and Knowledge about the Benefits of Disability Insurance

- Workers need help understanding their disability benefits and the extent to which they will provide income replacement. Today, they spend little time and few of their benefits dollars on their disability coverage.
- Disability plan education and communications are taking a backseat to other benefits communications efforts, primarily medical and retirement plans.
- Putting more of a spotlight on disability insurance during or outside the enrollment season may help raise employee awareness and understanding of this important benefit.

Theme 3: Revolutionizing the Enrollment Experience

Current Communication, Education, and Enrollment Efforts Fall Short of Helping Workers Make the Best Benefits Choices to Meet Their Financial Needs

- Improving benefits communications and education is an increasingly important objective for many plan sponsors. Currently, benefits communications and education efforts receive low grades from both plan sponsors and participants.
- Workers are frustrated with today's enrollment process—some find the amount of information and choices overwhelming while others are hungry for more information and assistance. Many feel rushed during open enrollment and would prefer more time to make better benefits decisions.

- More targeted and personalized benefits communication (e.g., by life stage or life events) would more effectively get the right information to the right employees at the time of need. Plan participants want more professional help in understanding and selecting their benefits, especially as they pay a larger share of the bill. They want to feel more confident in the financial decisions they are making that affect themselves and their families.

Theme 4: Benefits Strategy—Going Global

Multinational Companies Increasingly Recognize the Importance of a Global Benefits Strategy to Manage Costs and Improve Effectiveness

- More multinational companies anticipate growth in their overseas employment with one in five plan sponsors expecting to have employees outside the U.S. by 2012. Mid-size firms expect considerable growth in their overseas employment and are more likely than other companies to adopt a well-coordinated, global benefits strategy by 2012 (as opposed to a domestic or country-by-country approach).
- Despite the anticipated growth in overseas employment, these plan sponsors do not have a global benefits strategy. Those with a global approach to managing benefits tend to have a more strategic orientation to employee benefits, in general, and their strategy is better linked to corporate business/financial goals.
- The need for non-English language benefits communications is growing rapidly, especially for plan sponsors with overseas operations.

Theme 5: Women Seek Greater Value from Workplace Benefits

Women Have Unique Financial and Lifestyle Needs and Look to Their Employers for Support

- Women express greater concern about most financial and lifestyle needs compared to their male colleagues. Having enough money in retirement is a concern for many women but not as pressing as other financial and lifestyle concerns, such as work/life balance.
- Women strongly prefer to receive advice about their benefits from a financial professional because they are more comfortable establishing a relationship with a trusted adviser when making benefits and other financial decisions.
- While women do value their benefits and rely on the convenience of the workplace for many of their financial products, they would like their employers to do more to address their specific needs.

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1 2005 Annual Statement of The Prudential Insurance Company of America.

2 Prudential Financial, Inc., Quarterly Financial Supplement, Fourth Quarter 2005.

3 LIMRA, 2005 Annual Group LTC & Individual LTC Sales and In Force Studies.

4 As of March 2006. A.M. Best ratings range from A++ (Superior) to F (In Liquidation); Standard & Poor's ratings range from AAA (Extremely Strong) to CC (Extremely Weak); Moody's ratings range from Aaa (Exceptional) to C (Lowest Rated); Fitch range from AAA (Exceptionally Strong) to D (Distressed).

5 LIMRA, 2005 Annual Surveys of U.S. Group Life, Group Disability, and Group Long-Term Care Insurance.

6 JHA, Inc., The 2005 JHA U.S. Group Disability Market Survey.

7 The Prudential Insurance Company of America, 2006 Group Insurance Client Satisfaction Study.

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