

Insights from MetLife's 14th Annual
U.S. Employee Benefit Trends Study

MetLife



STABILITY AMID CHANGE

Benefits in State and Local Government

PEACE OF MIND IN TIMES OF CHANGE

This is a time of rapid change for employers everywhere, but especially for state and local governments where workforce demographics are shifting dramatically. Baby Boomers are retiring in increasing numbers and the demand for younger talent is growing. In addition, employers are grappling with escalating health care costs and a host of regulatory changes brought by health care reform.

In this climate of great change, benefits that resonate with employees can go a long way in helping employers to recruit and retain workers and give them the peace of mind that frees them to do their best work.

In MetLife's 14th Annual *U.S. Employee Benefit Trends Study*, we surveyed state and local government employers and employees to learn about their attitudes toward workplace benefits and determine what they value.

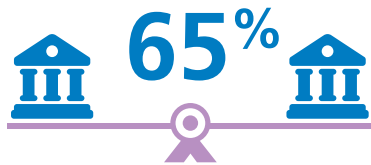
Visit **[BenefitTrends.MetLife.com](https://www.benefit-trends.metlife.com)** for additional findings, more insights and helpful resources from MetLife's 14th Annual *U.S. Employee Benefit Trends Study*.

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Seeking Stability — Concerns and Priorities

The benefits landscape is continually shifting with regulatory changes, new technologies, and ever-soaring health care costs. In the midst of uncertainty, government employers and employees look at benefits as a way to create stability in a changing environment.

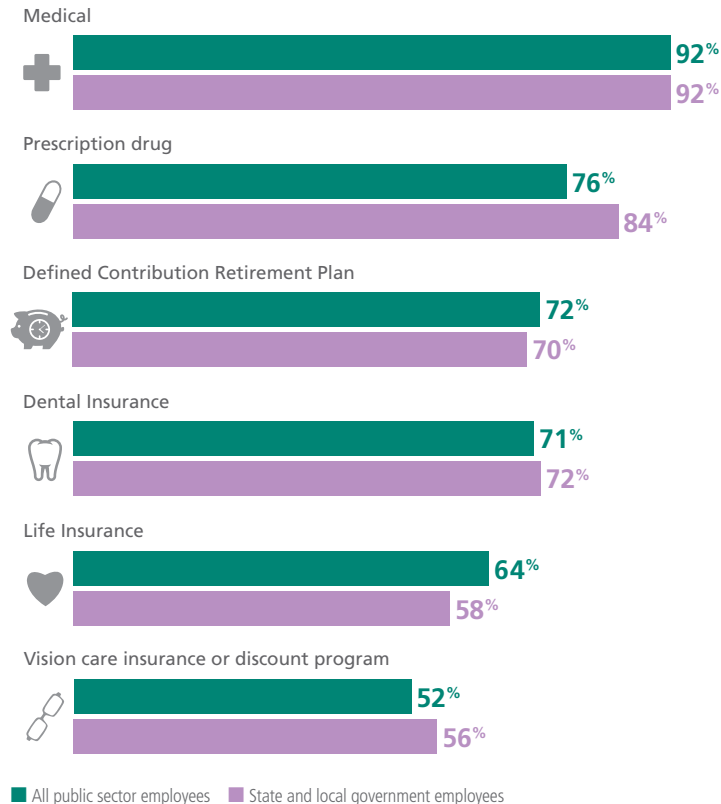


While about half of all employers are focused on growth in the coming year, **65 percent** of state and local governments are focused on stability.



86% of public sector government employees agree that having insurance/benefits gives them peace of mind for the unexpected.

Employees view certain benefits as “must haves”



When it comes to choosing benefits, major life events and someone close being diagnosed with a chronic illness, are the biggest factors influencing a public sector employee's decisions.

Impact of environmental factors on benefits selection



57%

Major life event



56%

Family, friend, co-worker or myself diagnosed with a chronic illness/cancer



51%

State of the economy



45%

Car accident

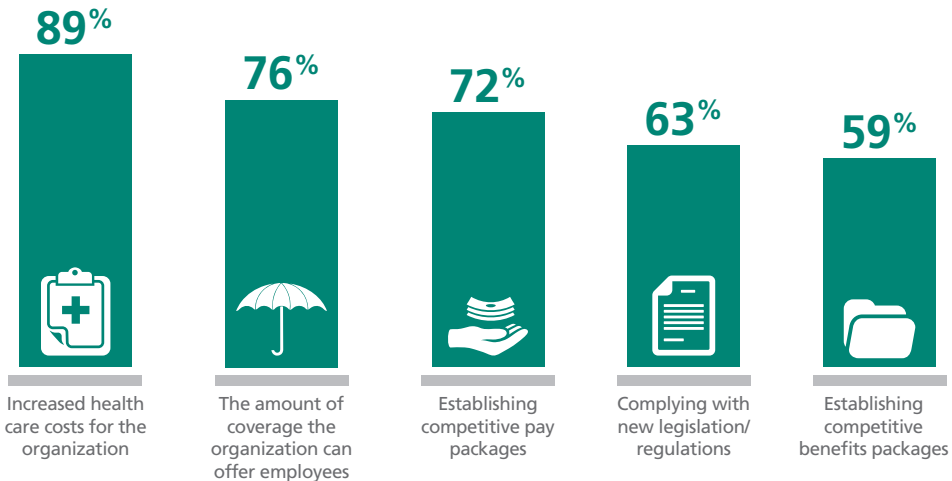


45%

Workplace stress

Employers face many obstacles in their efforts to manage costs, but rising health care costs and legislative compliance pose the biggest challenges, followed by concerns about their ability to offer competitive pay and benefits.

Government employers' top 5 concerns



Not surprisingly, the top benefit objectives cited by an overwhelming number of public sector employers reflect those concerns.

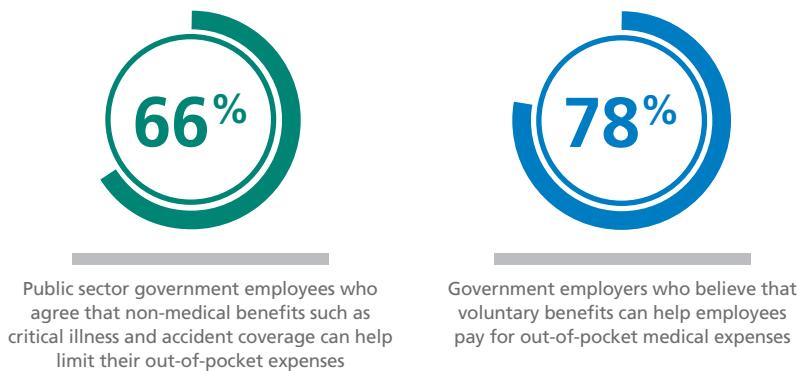
State and local governments' top 4 benefit objectives



Achieving Stability

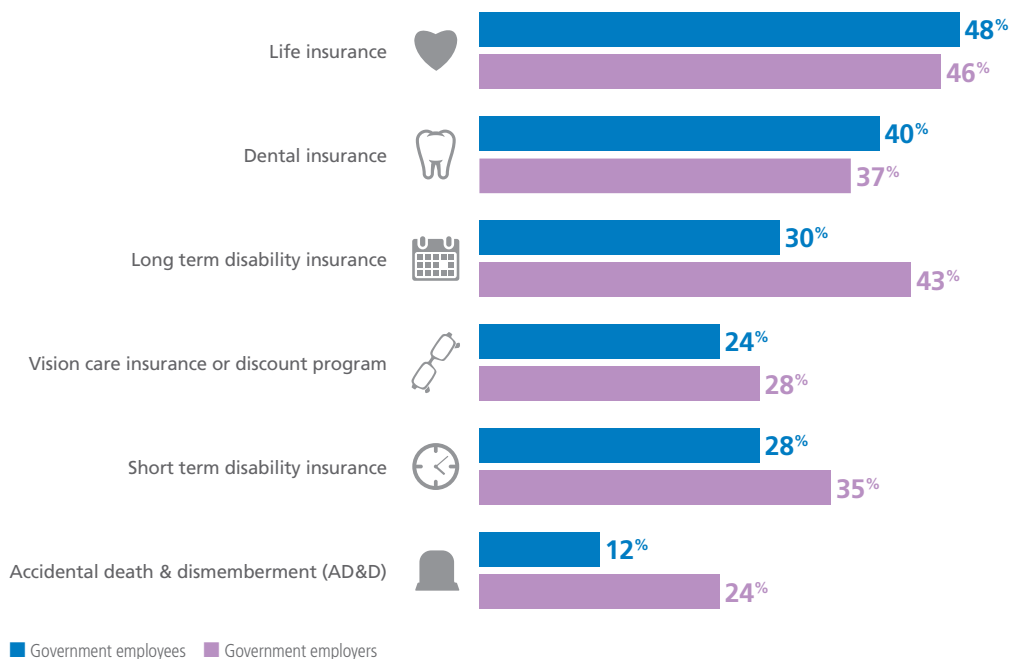
Balancing a budget when employee benefit costs seem to increase every year is a challenge that leads government employers to try a variety of approaches. Asking employees to contribute more is the leading strategy. While cost sharing puts more responsibility on employees to manage their health care costs and their wellbeing, public sector employers and employees agree that voluntary benefits can help.

Limiting out-of-pocket expenses



When it comes to reducing financial stress, both employers and employees agree that life and dental insurance are the non-medical benefits most likely to ease that burden.

Non-medical benefits that reduce stress

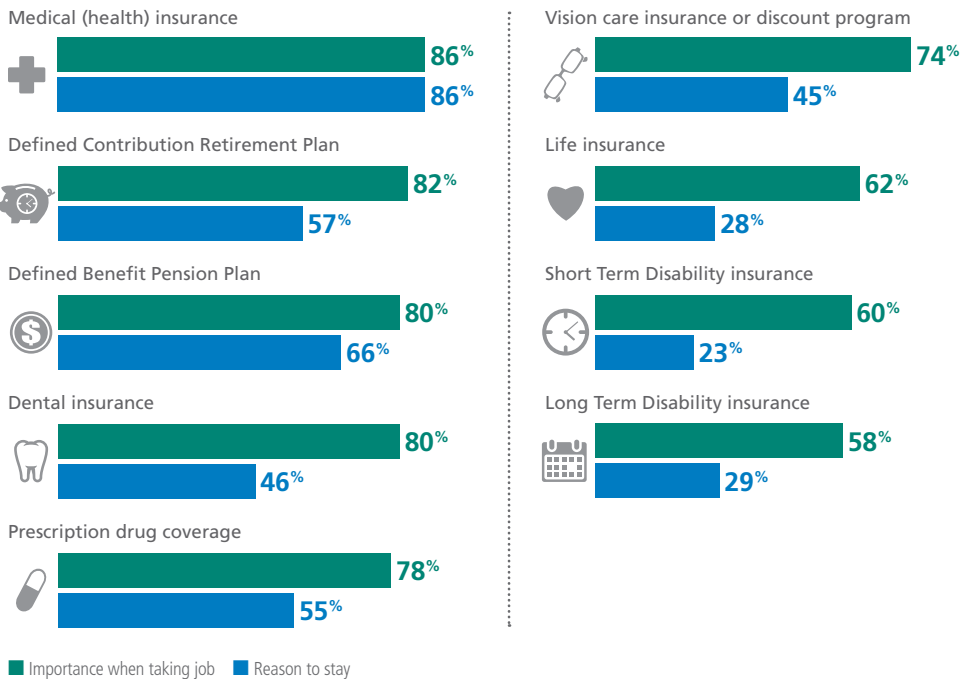


Recruiting, Retention and Loyalty

The need for competitive pay and benefits is more critical than ever when it comes to attracting and keeping top talent in the state and local government sectors. Understanding what employees value is key to this effort.

For job seekers, dental insurance ranks in the top benefits to consider along with medical insurance, defined contribution and benefit retirement plans. For current employees, a desirable benefits package is a key reason to stay.

Benefits to attract and retain government employees



A majority of employees agree that their loyalty is tied to benefits they receive.

Benefits drive loyalty



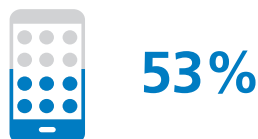
Improving Benefit Education and Communication

While most public sector employees fully understand their traditional benefits such as medical, dental, and prescription drug coverage, many are not as clear on voluntary benefits such as critical illness insurance and group legal plans. Overall, they indicate that employers can do a better job communicating information about benefits, especially soliciting feedback on benefits enrollment experiences. More than half of state and local government employees want help in choosing benefits.

Benefit tools and support — government employees' perspective



would find one-on-one consultations with benefits experts who aren't peddling products to be helpful



expressed interest in mobile apps for managing benefits

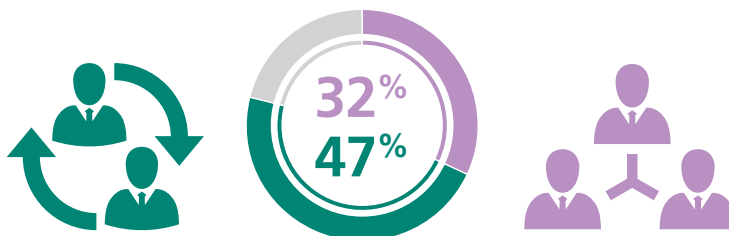


would find apps useful when it comes to enrollment information



would find a mobile app helpful in learning about their benefits

Benefit support — government employers' perspective



■ Prefer one-on-one meetings ■ Prefer group meetings.

A Changing Workforce, A Different Approach to Benefits

Employers everywhere are bracing for the coming waves of Baby Boomers leaving the workforce, but state and local governments are especially concerned with the demographic changes underway. Baby Boomers are retiring and the number of state and local government workers under age 30 has declined, making recruiting Millennials and retaining Gen X employees a priority.¹

Gen X and Millennials

Benefits are a key way that employers can show employees that they are valued, and survey after survey shows that younger workers put a premium on work-life balance. In fact, 40% of Millennials would consider a part-time position if they received the same benefits as they do as full-time employees, compared to 34% of Gen X and 38% of Baby Boomers.

Older Workers

While many Baby Boomers expect to work past retirement age, state and local government workers expect to retire earlier than other public sector employees and are least likely to delay retirement because of financial concerns.

¹ <http://slge.org/wp-content/uploads/2016/04/March-2016-ASPA-Millennials-in-Public-Sector-Amber-Snowden-v2.pdf>

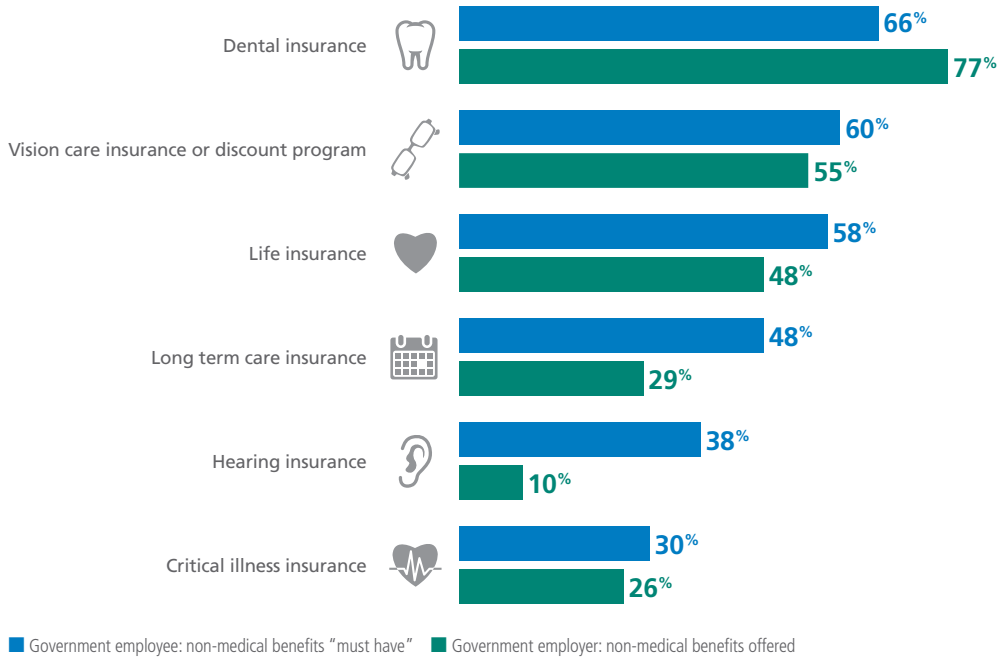
Retiree Benefits Inspire Loyalty

Retiree benefits have a big impact on employee loyalty. Public sector employers are more likely to enjoy retiree non-medical benefits than are their private sector counterparts.

- 66% of state and local government employees say that these benefits are the key reason they stay on the job. Retiree benefits are more important to Millennials than to their older colleagues.
- 47% of Millennials say these benefits are the key reason for staying on the job compared to 39% for Gen X and 40% for Boomers.

The retiree benefits that government employees are most interested in are dental, vision, and life insurance.

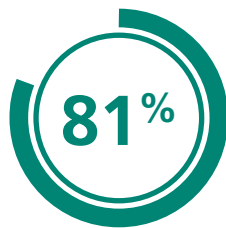
“Must have” retiree non-medical benefits



Employees On the Move

As workplace flexibility becomes important to many workers, interest in portable benefits, which allows workers to take their benefits with them when they change jobs or prepare to retire, is also growing. Employees across all public sectors are equally interested in portability but state and local government employers are less likely to offer these benefits.

Portable benefits



Employee Interest



Employers' offering

The percentage of government employers offering portable benefits significantly lags behind the percentage of employees who are interested.

Reasons government employers offer portable benefits



Conclusion

The need for the right talent is ever pressing for state and local government employers. A growing number of Baby Boomers are exiting the workforce and younger ones looking to join the public sector are in short supply. While many state and local governments have weathered financial uncertainty in recent years, hiring is bouncing back and employee benefits will likely play an important role in recruiting and retaining the best workers.² A well-designed benefits package can also provide employees with a sense of stability during times of rapid change. While traditional benefits will continue to play a key role in attracting and retaining employees, voluntary benefits are becoming increasingly important. Understanding the benefits that employees want and need to help them meet the demands of work and family is critical for employers. It is the key to creating a workforce ready to tackle challenges that lie ahead.

Turn Insights into Action

Government employers should seek to better understand their employees' benefit needs and then work with their brokers, consultants and providers to evaluate cost-effective ways to enhance their benefit offerings.

Quick tips:



Provide a wide range of non-medical benefits to ensure that employees of all ages and life stages have access to the coverage that can give them peace of mind for the unexpected. The study shows employees understand that non-medical benefits can limit their out-of-pocket expenses.



Look for solutions to better educate your employees on their benefit choices. Employees value their benefit options but are looking for one-on-one consultations to make informed decisions.



Adapt to the changing workforce. The shift in employee demographics is highlighting a need for portable benefits. Millennials place greater value on work-life balance than their older counterparts and Baby Boomers are interested in continuing to work past the traditional retirement age. This shift of employees moving to part-time or consulting status is driving a need for portable benefits.

*For tips and more resources on how to meet employees' benefit needs:
Visit **MetLife.com/PublicSector***

² <http://slge.org/wp-content/uploads/2016/05/State-and-Local-Government-Workforce-2016-Trends.pdf>

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