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NEW METLIFE STUDY PROVIDES INSIGHT INTO THE FUTURE OF PENSION RISK MANAGEMENT

– *MetLife U.S. Pension Risk Behavior Index*^{SM} Uncovers Gaps Between Pension Plan Risk Factors Deemed 'Important' and Reported 'Success' in Managing Those Risks –

New York, NY, January 26, 2009 – Plan sponsors for the largest U.S. defined benefit (DB) pension plans – which account for $2.3 trillion in assets and cover nearly 42 million plan participants – report that they are focused on only a few risk factors associated with their pension plan. Many also report inconsistent success in addressing the risks they view as most important. These are two of the key findings from the *MetLife U.S. Pension Risk Behavior Index*^{SM} ("PRBI"), released today. The first of its kind study polled 168 corporate plan sponsors among the 1,000 largest US defined benefit plans on 18 different risk factors identified by a panel of industry experts and researchers.

MetLife designed and fielded this study to encourage public dialogue around pension risk issues. The primary objective of the research is to help plan sponsors develop a new framework for understanding risks, and to explore solutions for mitigating risk exposure.

On an aggregate basis, the plan sponsors surveyed by MetLife ranked "asset allocation," "meeting return goals," and "underfunding of liabilities" as most important – factors that are relatively easy to model and measure. The risks ranked least important by plan sponsors are slower to change, more difficult to model/measure and may be less well understood. Among them: "longevity risk," "mortality risk" and "early retirement risk."

What's surprising about the ranking is not the *order* in which the risk factors appear; this is relatively consistent with the asset centric, "total rate of return" pension plan management model that has prevailed over the past 15 years. What's unexpected, however, is the *range* of importance among risk items. The top four risk factors received the vast majority of attention, while the bottom four items received nearly negligible readings. Asset allocation (the most important attribute) was ranked "most important" 54% of the time, while 13 of the remaining 18 factors were picked as "most important" fewer than 30% of the time.

"We believe that the results of this study will help increase awareness among pension plan sponsors about the need to take a more comprehensive view of the risks associated with today's pensions plans," said Bill Mullaney, President of MetLife's Institutional Business division.

Looking separately at the responses of individual plan sponsors, the gap between "most" and "least" important risk factors is even greater. Only 26% of the individual respondents rated a majority of risk items (i.e., more than half) as important. Every respondent did not consider at least five of the 18 risk factors (assigning at least five an importance rating of 0.00%).

"This research suggests that many plan sponsors tend to view and manage risks individually rather than holistically," said Cynthia Mallett, Vice President of MetLife's Institutional Business. "Over time, the approach of focusing on some risks – and ignoring others – could have serious repercussions, including unnecessary volatility in earnings and/or cash flow with the potential to adversely affect the ability of the plans to provide retirement security to plan participants. During the next 12 to 24 months, we expect DB plans to develop a broader view of the risks to which their plans may be exposed as demographic forces, regulatory pressures and market volatility combine to make pension plan management more challenging and more transparent."

Gap Between Importance and Success Scores

In addition to measuring the relative importance of the 18 risk factors, the PRBI tracks how well plan sponsors report that they are managing each area of risk – i.e., the study tracks aptitude as well as attitudes. Looking at these two measures together, the PRBI shows a significant gap between "importance" and "success." Nearly two-thirds of the study respondents report some degree of inconsistency between importance and success, and about one of every six reports significantly greater discrepancies. Of the 18 risk factors studied, eight were given an above-average importance score but below-average success score or vice versa. Only two of the risk factors had the same ranking for importance and success.

“The research indicates that, for many plan sponsors, risk management is out of alignment. As a result, many plan sponsors may be missing the opportunity to manage the array of risk factors applicable to their plan as optimally as possible,” added Mallett. “Against this backdrop, the potential for incomplete decision-making could be significant. Today’s corporate plan sponsors should be encouraged more than ever to improve the processes by which they identify the full range of short- and long-term risks associated with their plans, and the industry has an opportunity to focus on the importance of developing tools and protocols for managing these risks.”

MetLife U.S. Pension Risk Behavior Index℠ Score: A Baseline Measure with Room for Improvement

By comparing the consistency of plan sponsors’ rankings for importance and success, MetLife developed a PRBI score. The score takes into account the relative importance of each risk and the relative size of each retirement plan. The PRBI score is 76 out 100. This score establishes a baseline for risk management practices against which future changes may be measured.

“The PRBI score leaves significant room for improvement,” remarked Dev Clifford from Greenwich Associates and Richard Dunne from Bdellium, Inc., two researchers who collaborated with MetLife on the PRBI study. “It would be desirable to see every plan sponsor agreeing that they are addressing the risk factors that they believe are most important. While it is unrealistic to expect an index value of 100, a score in excess of 87 is both achievable and desirable.”

Dr. Susan Mangiero of Pension Governance, Incorporated, who also collaborated with MetLife on the groundbreaking research, commented: “This research should broaden awareness among plan sponsors of risk factors outside their present comfort zone, thereby enabling them to have a more balanced understanding of their plan’s dynamics.”

About the Study

The MetLife U.S. Pension Risk Behavior Index℠ was conducted by three research partners – Greenwich Associates, Bdellium Inc. and Pension Governance, Inc. – during the period of June through August 2008. The PRBI consists of a quantitative telephone survey of 168 large plan sponsors (73 of which reported defined benefit assets of more than $1 billion), supplemented by a series of in-depth individual interviews and rigorous statistical analysis. The quantitative portion of the study addressed 18 different investment, liability and business risks faced by DB plan sponsors. These risks were identified by a panel of industry experts and researchers, including: Bdellium Inc., Greenwich Associates and Pension

Governance, Incorporated. Greenwich Associates completed the quantitative research for the PRBI, while the detailed analysis and qualitative interviews were conducted by Bdellium Inc. and Pension Governance, Inc. respectively. Respondents for all phases of the research consisted of senior financial professionals whose primary focus included finance, risk management and investment policy. A complete report of the findings for the PRBI (and detailed description of the research methodology) is available at www.metlife.com/pensionrisk.

About MetLife

MetLife is a subsidiary of MetLife, Inc. (NYSE: MET), a leading provider of insurance, employee benefits and financial services with operations throughout the United States and the Latin America, Europe and Asia Pacific regions. Through its subsidiaries and affiliates, MetLife, Inc. reaches more than 70 million customers around the world and MetLife is the largest life insurer in the United States (based on life insurance in-force). The MetLife companies offer life insurance, annuities, auto and home insurance, retail banking and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions. For more information, visit www.metlife.com.

In 1921, MetLife was the first company to issue a group annuity contract. Today, the company manages group annuity assets of over $65 billion,[1] leads the market[2] with over $30 billion in transferred defined benefit pension liabilities[1] and provides benefit payments to over one million annuitants every month.[3]

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1 As of December 31, 2007.
2 Based on LIMRA International Stable Value and Funding Agreement Products report, fourth quarter 2007 results—statistics for single premium buyouts and terminal funding.
3 Available through group annuity contracts issued by Metropolitan Life Insurance Company. Like most annuity contracts, MetLife's contracts contain limitations, exclusions, and terms for keeping them in force. Please contact your MetLife representative for details.

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