

# The Future Workforce of Illinois Community Colleges and the Sustainability of Compensation and Benefits

Nichole Johnson | October 16, 2019



Higher Education Practice



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# Agenda

## ICCCFO Fall 2019

- ✓ **Current Landscape-** Gallagher Workforce Analysis Results
  - Workforce life/career stages
  - Workforce distribution by career length, compensation, life/career stage
  
- ✓ **Prepare for the Future-** Compensation & benefits strategies for our future workforce
  - Future healthcare cost-control tactics
  - Actively manage healthcare costs
  - Enable retirement readiness
  - Alternative funding arrangements
  
- ✓ **Future Leaders-** Packaging executive compensation to secure a long legacy of strong leadership
  - Internal and external pay equity
  - Executives with unique skill sets that are critical to the College's success
  - New strategies and solutions create new opportunities



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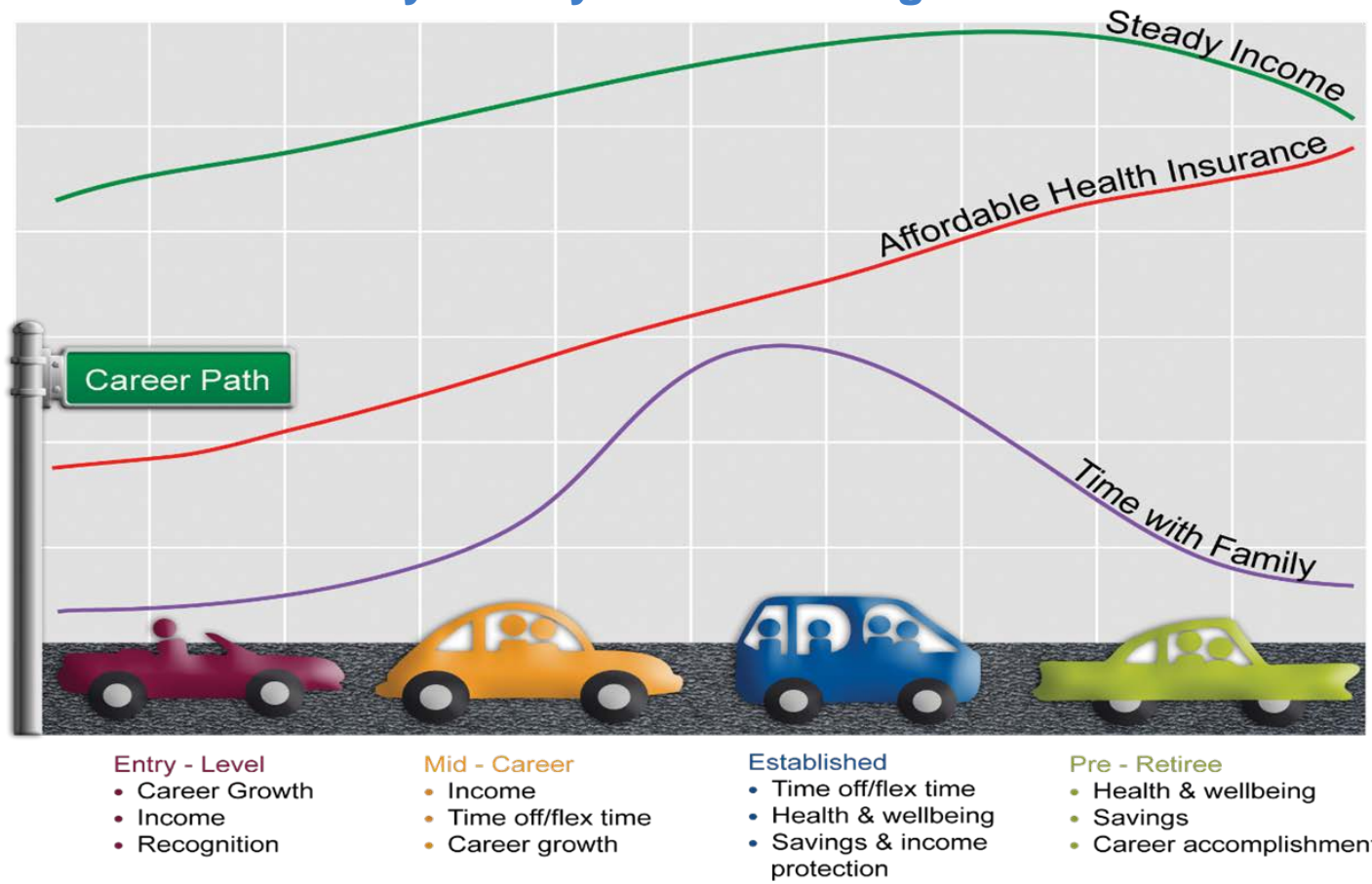
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# Current Landscape



# Gallagher Workforce Evaluation

Proprietary methodology to examine underlying trends with each of your key workforce segments



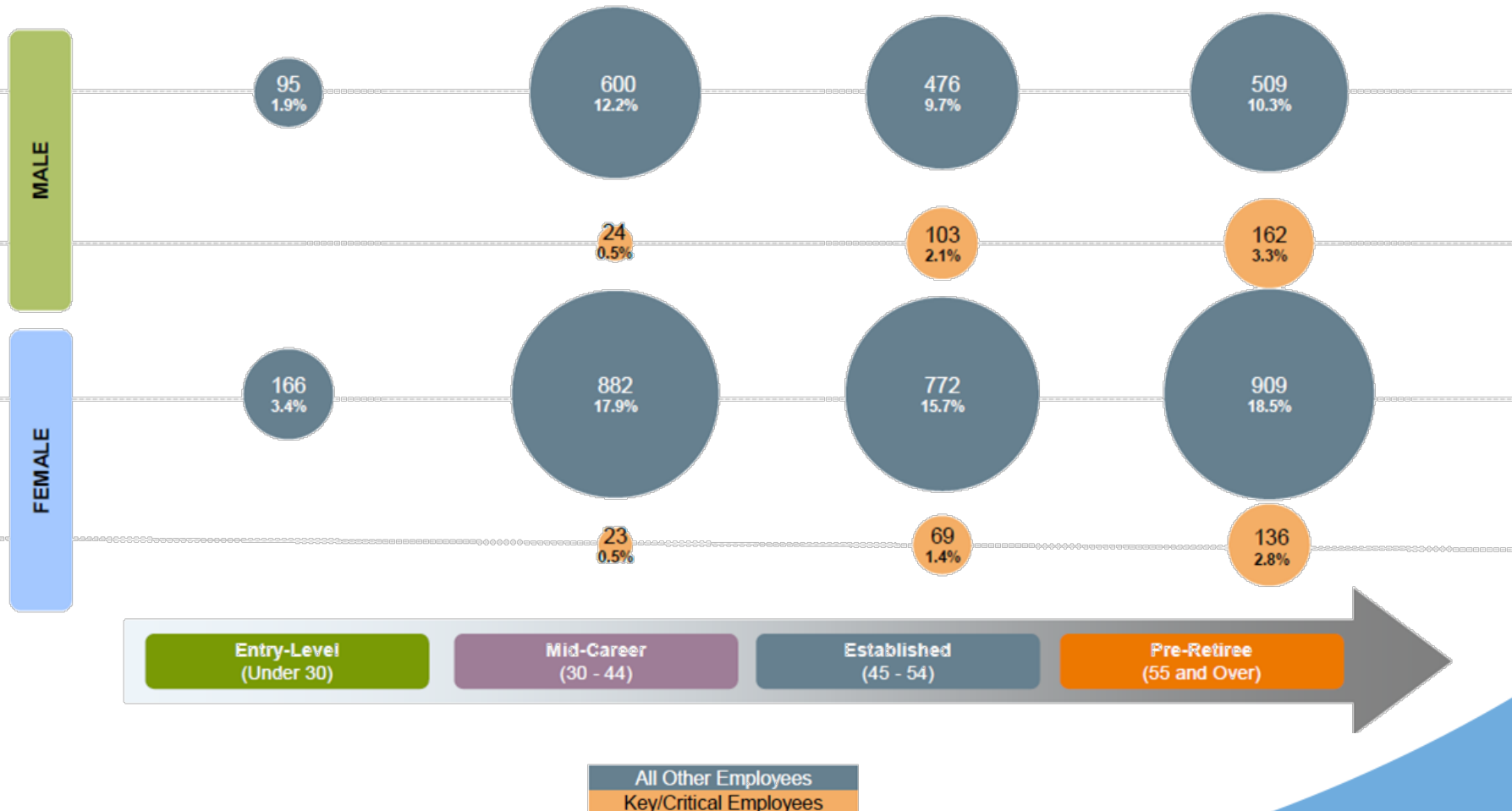
We will be sharing the results from the Illinois Community Colleges that Gallagher works with.

\*No personal data or individual school data will be revealed.



## Workforce Distribution

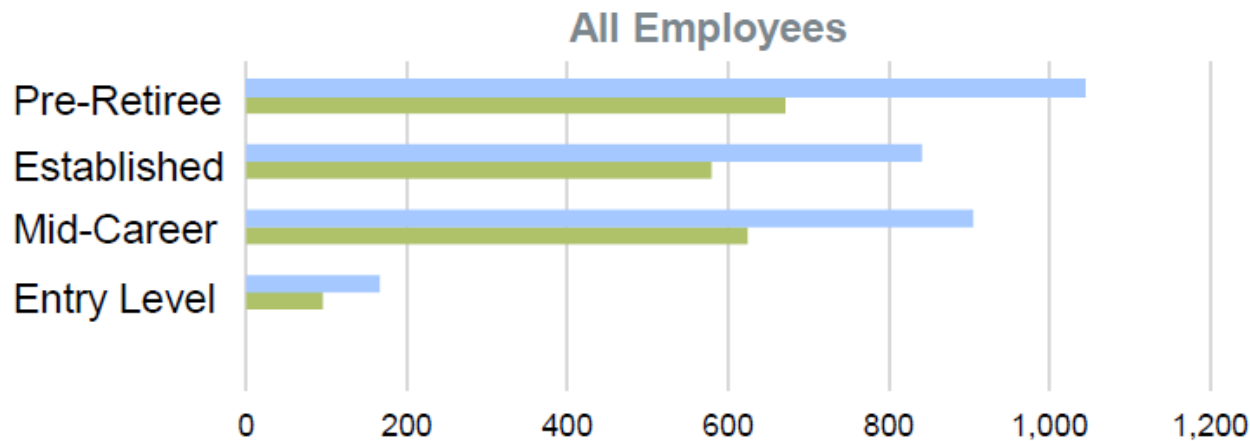
### By life/career stage





# Workforce Distribution

## Alternative View

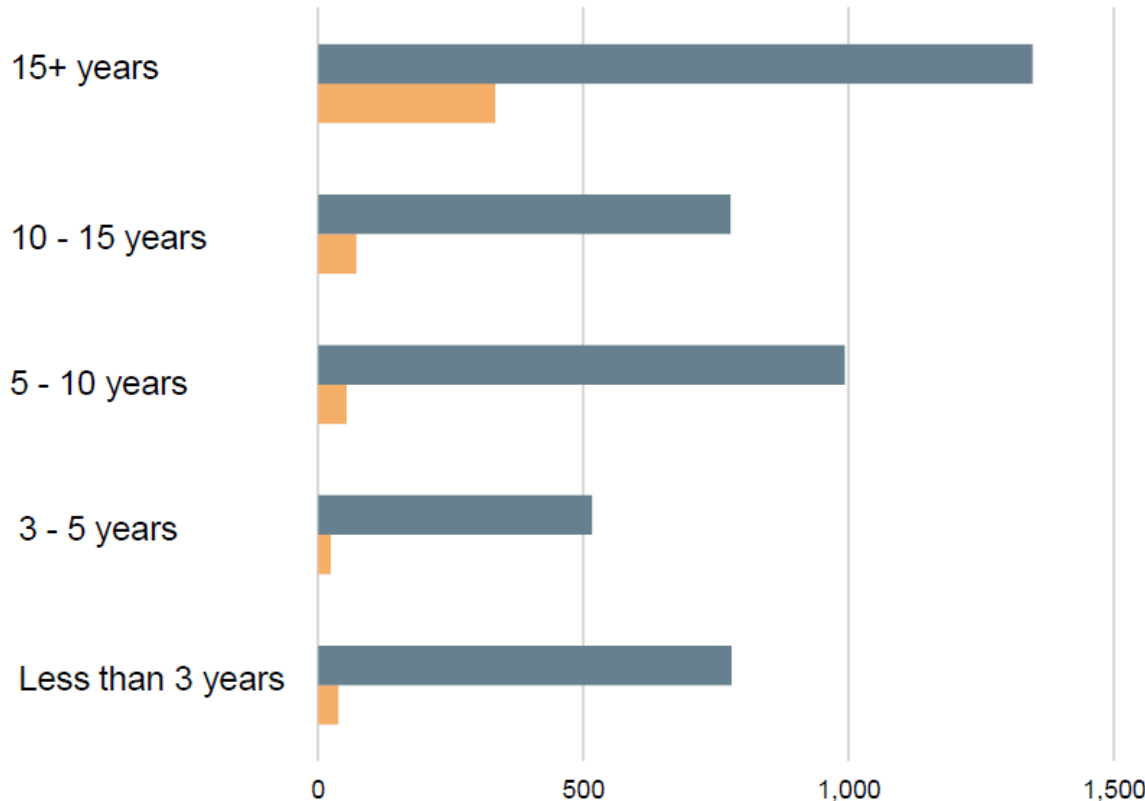


	<b>% of All EEs</b>
Pre-Retiree	34.8%
Established	28.8%
Mid-Career	31.0%
Entry Level	5.3%



# Workforce Distribution by Duration

All Employees



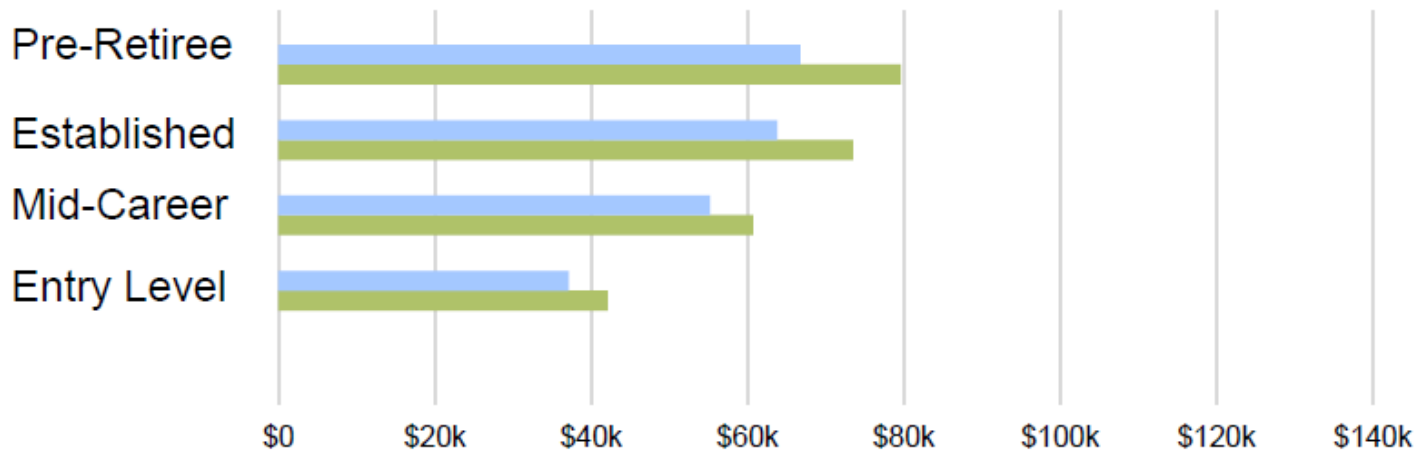
	% of All EEs
15+ years	34.1%
10 - 15 years	17.2%
5 - 10 years	21.2%
3 - 5 years	10.9%
Less than 3 years	16.5%

51% of these Higher Ed employees have been with their College for 10+ years!



# Workforce Distribution by Compensation

All Employees



## Average of All EEs

Pre-Retiree	\$71,763
Established	\$67,773
Mid-Career	\$57,443
Entry Level	\$38,947





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# Prepare for the Future

Raising the bar on sustainability of compensation and benefits

## Align rewards with culture, priorities and values

- Making changes to compensation and benefits can be difficult
  - Change should be thoughtful and incremental
- HR management philosophy should help determine the approach to rewards
  - Guide investments accordingly





# Align Rewards with today's workforce

## What does each career/life stage want?

	Entry Level (under 30)	Mid-Career (30-44)	Established (45-54)	Pre-Retiree (55+)
Priorities	<ul style="list-style-type: none"><li>• Lots of “firsts”</li><li>• Getting married</li><li>• Buying a house</li><li>• Pay off student loans</li><li>• Making a budget</li></ul>	<ul style="list-style-type: none"><li>• Having children</li><li>• Growth in career</li><li>• Estate planning</li><li>• Beneficiaries</li></ul>	<ul style="list-style-type: none"><li>• Sending kids to college</li><li>• Taking care of parents</li></ul>	<ul style="list-style-type: none"><li>• Wealth and lifestyle spending out of balance</li><li>• Analyzing budget and current investments</li><li>• Downsizing</li></ul>



# Align Rewards with today's workforce

## What does each career/life stage want?

	Entry Level (under 30)	Mid-Career (30-44)	Established (45-54)	Pre-Retiree (55+)
Benefits & Comp	<ul style="list-style-type: none"> <li>• Income is #1</li> <li>• Career growth</li> <li>• Learning &amp; advancement</li> <li>• Feedback from leadership</li> <li>• Flexible schedules</li> <li>• Recognition</li> <li>• Least interested in Voluntary Benefits</li> <li>• Financial education</li> <li>• HDHP options</li> </ul>	<ul style="list-style-type: none"> <li>• Income</li> <li>• Time off/flex time</li> <li>• Career growth</li> <li>• Build wealth</li> <li>• Preserve wealth</li> <li>• More disposable income to spend on benefits, like VB</li> <li>• Life &amp; Disability insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Time off/flex time</li> <li>• Health &amp; wellbeing</li> <li>• Savings &amp; income protection</li> <li>• Max out retirement contributions</li> <li>• Tax planning</li> <li>• Long term care</li> </ul>	<ul style="list-style-type: none"> <li>• Health &amp; wellness</li> <li>• Savings</li> <li>• Catch up on retirement contributions</li> <li>• Career accomplishment</li> <li>• Maximize &amp; preserve retirement funds</li> <li>• VB &amp; supplemental coverage options</li> <li>• Long term care</li> </ul>



# Adopt a multi-year planning approach using financial modeling

## COMPENSATION AND BENEFITS PLANNING HORIZON<sup>1</sup>

COMPENSATION	
1 year	64%
1-2 years	21%
3+ years	15%
BENEFITS	
1 year	64%
1-2 years	22%
3+ years	14%



<sup>1</sup>Arthur J. Gallagher & Co., "2018 Benefits Strategy & Benchmarking Survey," November 2018



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# Actively manage healthcare costs

## Healthcare accounts for the largest portion of benefit costs

**74%**

Consider health  
benefits cost  
management a top  
priority<sup>1</sup>



**44%**

Have an effective  
strategy to manage  
healthcare costs<sup>1</sup>

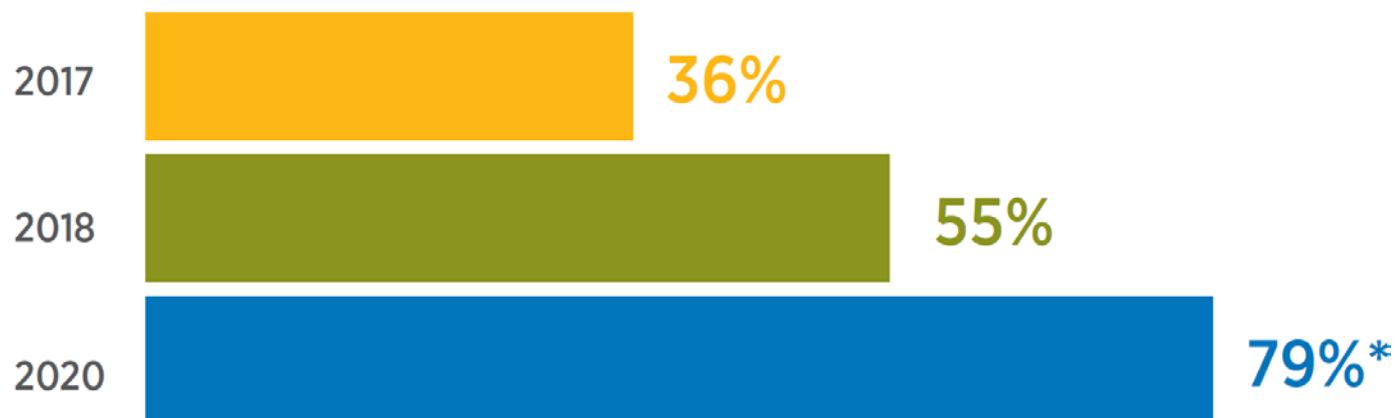
<sup>1</sup>Arthur J. Gallagher & Co., "2018 Benefits Strategy & Benchmarking Survey," November 2018



# Consider other cost control options

Alternative approaches can make healthcare expenses more predictable and lower the administration burden

## INCREASING USE OF TELEMEDICINE<sup>1</sup>



\*PROJECTED

<sup>1</sup>Arthur J. Gallagher & Co., "2018 Benefits Strategy & Benchmarking Survey," November 2018



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# Enable retirement readiness

## Delayed retirement is an expensive risk for employers

**43%**

MEASURE RETIREMENT READINESS<sup>1</sup>



<sup>1</sup>Arthur J. Gallagher & Co., "2018 Benefits Strategy & Benchmarking Survey," November 2018





Building a plan to evaluate, benchmark, improve and monitor compensation and benefits — and refine them over time — will ensure a sustainable balance that's an affordable investment in a successful future.



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# Prepare for the Future

Revisiting the options in a changing medical benefits funding landscape



# Self-funding is on an upswing

The likelihood of self-funding increases with employer size

## USE SELF-INSURED BENEFITS FUNDING<sup>1</sup>



41% 2018

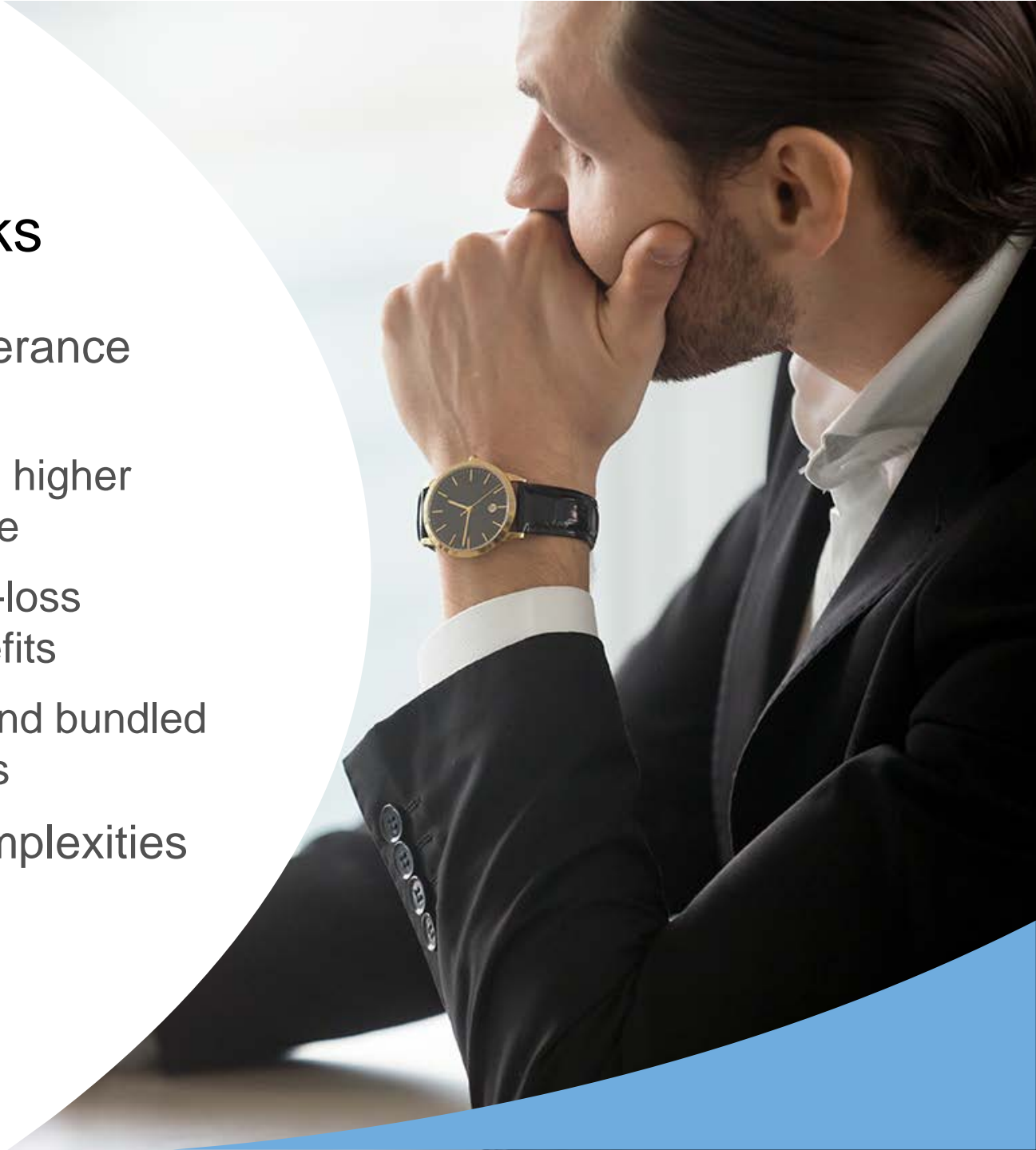
50% BY 2020\*

\*PROJECTED

<sup>1</sup>Arthur J. Gallagher & Co., "2018 Benefits Strategy & Benchmarking Survey," November 2018

# Self-funding risks

- Determine risk tolerance threshold
  - Lower tolerance = higher stop-loss coverage
  - Alignment of stop-loss contract and benefits
  - Rewards-based and bundled payment contracts
- Administrative complexities and staffing



# Self-funding advantages

- Eliminates margins, fees and state taxes
- Surplus from premiums belong to employer
- Minimizes regulatory requirements
- Allows for greater plan design flexibility
- Transparency of claims data
- Visibility into improving employee and organizational wellbeing

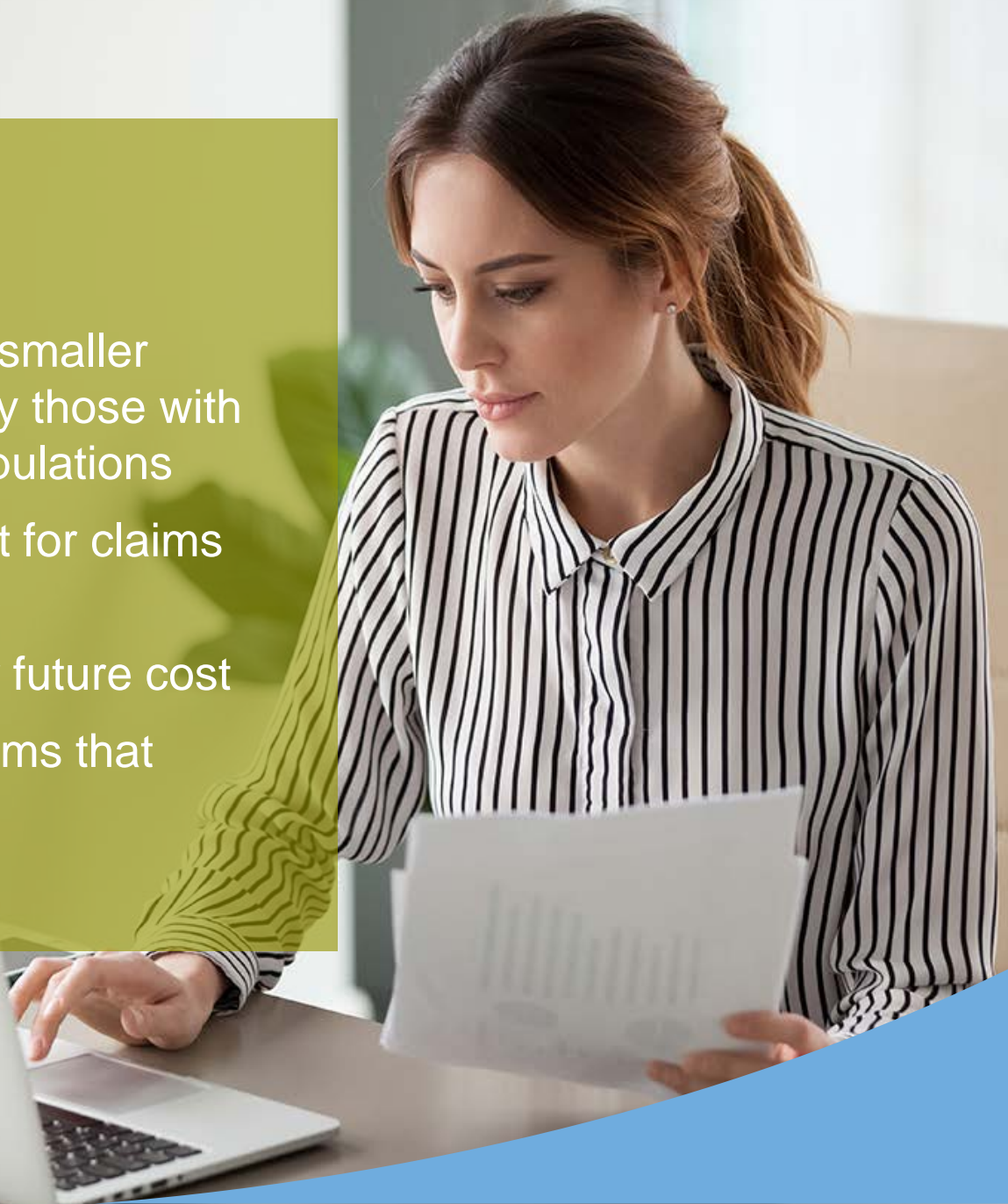


# Captive arrangement

- Share healthcare risk and reduce cost by pooling populations
- Pricing reflects member Institution experience — not broader market
- Administrative and start-up costs

## Level funding

- May appeal more to smaller employers, especially those with relatively healthy populations
- Set monthly payment for claims and fixed costs
- Unspent funds cover future cost
- Stop-loss covers claims that exceed funding





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# Future Leaders

Packaging executive compensation to secure a long legacy of strong leadership



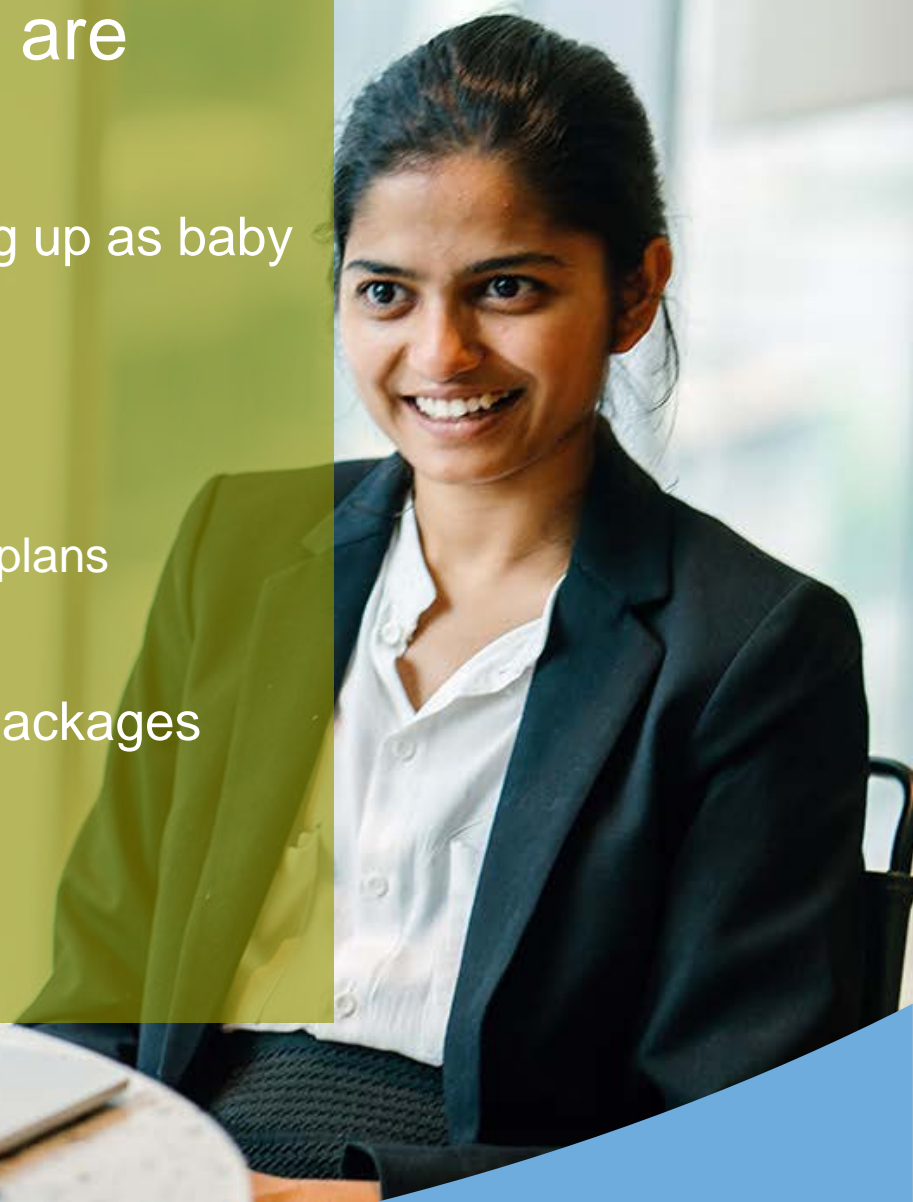


## Designing executive compensation and benefits

- Determine the relative focus on internal and external pay equity
- Identify appropriate peer organizations for benchmarking
- Define the pay positioning strategy in conjunction with goals
- Align expectations and incentives with the organization's strategic plan

# Long-term market trends are changing the game

- Leadership transitions are picking up as baby boomers retire
- These new leaders:
  - Have different career expectations
  - Should be included in succession plans
  - Are often toughest to retain
- Workplace culture and rewards packages remain as critical as ever





# Compete in the present with an eye toward the future



- Provides essential framework for rewards packages
- Sustains strong leadership

- Stay current on market trends
- Observe regulatory developments

- Welcoming, supportive environment
- Motivates performance
- Secures commitment to lead organization to a better future

# Thank You!

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