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

Nichole Johnson | October 16, 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
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

**MALE**
- Entry-Level: 95 (1.3%)
- Mid-Career: 600 (12.2%)
- Established: 476 (9.7%)
- Pre-Retiree: 509 (10.3%)
- All Other Employees: 24 (0.5%)
- Key/Critical Employees: 103 (2.1%)
- Total Male: 952

**FEMALE**
- Entry-Level: 166 (3.4%)
- Mid-Career: 882 (17.9%)
- Established: 772 (15.7%)
- Pre-Retiree: 909 (18.5%)
- All Other Employees: 23 (0.5%)
- Key/Critical Employees: 69 (1.4%)
- Total Female: 1579

**Total Workforce:** Male + Female = 2531
Workforce Distribution

Alternative View

<table>
<thead>
<tr>
<th>Category</th>
<th>% of All EEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Retiree</td>
<td>34.8%</td>
</tr>
<tr>
<td>Established</td>
<td>28.8%</td>
</tr>
<tr>
<td>Mid-Career</td>
<td>31.0%</td>
</tr>
<tr>
<td>Entry Level</td>
<td>5.3%</td>
</tr>
</tbody>
</table>
Workforce Distribution by Duration

- 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

Pre-Retiree
Established
Mid-Career
Entry Level

Average of All EEs

<table>
<thead>
<tr>
<th>Category</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Retiree</td>
<td>$71,763</td>
</tr>
<tr>
<td>Established</td>
<td>$67,773</td>
</tr>
<tr>
<td>Mid-Career</td>
<td>$57,443</td>
</tr>
<tr>
<td>Entry Level</td>
<td>$38,947</td>
</tr>
</tbody>
</table>
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?**

<table>
<thead>
<tr>
<th>Priorities</th>
<th>Entry Level (under 30)</th>
<th>Mid-Career (30-44)</th>
<th>Established (45-54)</th>
<th>Pre-Retiree (55+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lots of “firsts”</td>
<td></td>
<td>• Having children</td>
<td>• Sending kids to college</td>
<td>• Wealth and lifestyle spending out of balance</td>
</tr>
<tr>
<td>• Getting married</td>
<td>• Buying a house</td>
<td>• Growth in career</td>
<td>• Taking care of parents</td>
<td>• Analyzing budget and current investments</td>
</tr>
<tr>
<td>• Pay off student loans</td>
<td>• Making a budget</td>
<td>• Estate planning</td>
<td></td>
<td>• Downsizing</td>
</tr>
<tr>
<td>• Wealth and lifestyle</td>
<td></td>
<td>• Beneficiaries</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Align Rewards with today’s workforce

**What does each career/life stage want?**

<table>
<thead>
<tr>
<th>Benefits &amp; Comp</th>
<th>Entry Level (under 30)</th>
<th>Mid-Career (30-44)</th>
<th>Established (45-54)</th>
<th>Pre-Retiree (55+)</th>
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</thead>
<tbody>
<tr>
<td>Income is #1</td>
<td>Income</td>
<td>Time off/flex time</td>
<td>Time off/flex time</td>
<td>Health &amp; wellness</td>
</tr>
<tr>
<td>Career growth</td>
<td>Career growth</td>
<td>Build wealth</td>
<td>Health &amp; wellbeing</td>
<td>Savings</td>
</tr>
<tr>
<td>Learning &amp; advancement</td>
<td>Preserve wealth</td>
<td>Savings &amp; income protection</td>
<td>Catch up on retirement contributions</td>
<td>Long term care</td>
</tr>
<tr>
<td>Feedback from leadership</td>
<td>More disposable income to spend on benefits, like VB</td>
<td>Tax planning</td>
<td>Maximize &amp; preserve retirement funds</td>
<td>Long term care</td>
</tr>
<tr>
<td>Flexible schedules</td>
<td>Life &amp; Disability insurance</td>
<td>Long term care</td>
<td>VB &amp; supplemental coverage options</td>
<td></td>
</tr>
<tr>
<td>Recognition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Least interested in Voluntary Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDHP options</td>
<td></td>
<td></td>
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</table>
Adopt a multi-year planning approach using financial modeling

<table>
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<tr>
<th>Compensation</th>
<th>1 year</th>
<th>64%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-2 years</td>
<td>21%</td>
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<td></td>
<td>3+ years</td>
<td>14%</td>
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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

44% Have an effective strategy to manage healthcare costs

Consider other cost control options

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

INCREASING USE OF TELEMEDICINE¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>36%</td>
</tr>
<tr>
<td>2018</td>
<td>55%</td>
</tr>
<tr>
<td>2020</td>
<td>79%*</td>
</tr>
</tbody>
</table>

*PROJECTED

Enable retirement readiness

Delayed retirement is an expensive risk for employers

43%

MEASURE RETIREMENT READINESS¹

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.
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 FUNDING¹

<table>
<thead>
<tr>
<th>Year</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>41%</td>
</tr>
<tr>
<td>BY 2020*</td>
<td>50%</td>
</tr>
</tbody>
</table>

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
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

- Compensation philosophy
  - Provides essential framework for rewards packages
  - Sustains strong leadership

- Competitive agility
  - Stay current on market trends
  - Observe regulatory developments

- Culture
  - Welcoming, supportive environment
  - Motivates performance
  - Secures commitment to lead organization to a better future
Thank You!

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