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2018 Benefits Strategy & Benchmarking Survey —
Higher Education Industry Addendum

Gallagher

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Survey Overview

Gallagher's 2018 Benefits Strategy & Benchmarking Survey asked U.S. employers close to 300 questions across the spectrum of total rewards. This addendum highlights key findings and implications based on responses from 84 higher education employers participating in this year's research. Almost all participants are nonprofits, with a mix of both public and private institutions.

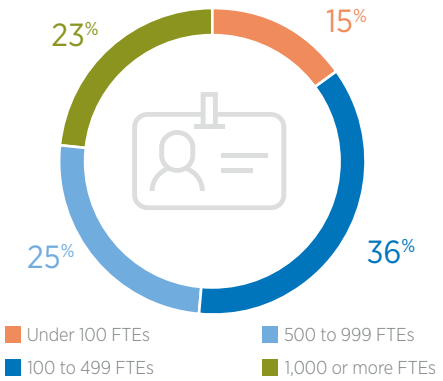
Higher education employers are held to the utmost standards of institutional performance, but meeting those standards has become increasingly difficult in recent years. Recruiting and retaining key talent are resource-intensive endeavors. Constrained public support, coupled with reliance by many on tuition revenue and a shrinking population of traditional students, puts institutions in a bind. Forced to do more with less, educators and staff are often tasked with additional duties beyond their role and title.

In the face of these financial and management challenges, rising medical and pharmacy costs are a major issue in the higher education sector. Unfortunately, one-size-fits-all cost shifting won't fully address the problem.

Higher education institutions face a dramatic need to attract and reward a diverse, multi-cultural and multi-generational workforce — representing a wide spectrum of compensation and benefits needs — to better support the emerging student population.

This benchmarking report showcases how multi-source, data-driven planning can help address these challenges and identify areas of opportunity for compensation and benefit programs, resulting in better outcomes for both employees and employers.

FULL-TIME EMPLOYEES (FTES) — DOMESTIC[1]



[1]Due to rounding, percentages do not equal 100%

TYPE OF EDUCATIONAL ORGANIZATION

ANNUAL OPERATING REVENUE[2]

REVENUE	
Less than $1M	3%
$1M to $4.9M	6%
$5M to $19.9M	23%
$20M to $99.9M	37%
$100M to $499M	18%
$500M or more	12%

[2]Due to rounding, percentages do not total 100%

Human Capital Strategy

ATTRACTING AND RETAINING A COMPETITIVE WORKFORCE IS A TOP PRIORITY

55% Top operational priority

70% Top HR priority

TURNOVER RATES HIGHER THAN EXPECTED IN 2017

19% Targeted turnover of 10% or more

34% Experienced turnover of 10% or more

FEW TAKE A MULTI-YEAR APPROACH TO PLANNING

23% Benefits planning

24% Compensation planning

Attracting and retaining a competitive workforce is the top priority for both operations (55%) and HR (70%) this year. This is underscored by the fact that 34% experienced turnover of 10% or greater in 2017. Just 19% of higher education employers expected turnover that high. A contributing factor to this trend is a relatively tight labor market for administrative staff in addition to faculty and leadership talent.

Maintaining a qualified workforce and controlling benefit costs is an acute challenge in the face of static revenues. Yet only 23% of higher education employers have a multi-year benefits strategy and 24% have one for compensation, although a multi-year strategy helps develop sustainable total compensation.

Benchmarking and financial performance are valuable — and most commonly referenced — data types or resources for benefits planning. But, they should be the starting point for a more robust design process. Fifty-five percent (55%) of higher education employers say benefits and compensation are tools to attract and retain talent, but just 23% consider them investments in maximizing workforce performance to achieve business outcomes. Only one-third (33%) use employee preference survey results in benefits planning, and even fewer (22%) consider workforce characteristics such as length of service, age or gender.

Fewer than one in five (19%) higher education employers have an HR and benefits technology (HRBT) strategy to support their human capital strategy, and just 12% have a comprehensive HRBT plan aligned with organizational strategies. In the next 24 months, 37% of institutions expect to expand their HRBT; 12% to replace it, and 7% plan to do both. These moves reduce the burden on an oft-overworked workforce: 75% of employers cite automating processes and 53% cite increasing employee productivity as a main reason to invest in HRBT. Unsurprisingly, 47% of employers include investment in HRBT as a top solution to address HR-related challenges.

Medical Benefits

BIGGEST CHALLENGES IN MANAGING HEALTHCARE COSTS

57%

HIGH COST OF PRESCRIPTION DRUGS

61%

HIGH COST OF MEDICAL SERVICES

TYPE OF MEDICAL PLANS OFFERED

Preferred provider organization (PPO)	77%
Health maintenance organization (HMO)	39%
High-deductible health plan (HDHP)	37%
Consumer-directed health plan (CDHP)	31%
Point of service (POS)	11%
Exclusive provider organization (EPO)	4%
Indemnity	1%

PRESCRIPTION DRUG COST-SHARING MECHANISMS

57% Copayments

14% Coinsurance

29% Both

Medical service and prescription costs continue to be a pressure point for higher education employers. Seventy-eight percent (78%) say cost management is a high priority for their institution, yet just 51% have an effective strategy to contain costs.

While the current influx of younger workers brings an opportunity to reshape expectations of medical benefits and introduce new and cost-sustainable plan designs, there is still a sizable older workforce that has enjoyed traditionally rich medical coverage. Finding the right balance of coverage options, cost sharing and cost controls is key to successful plan design.

Most higher education institutions (81%) provide two or more medical plan options; 55% have three or more. Preferred provider organizations (PPOs) are the most commonly (77%) offered plan.

Perceived affordability is rising for both single coverage (88% feel that it's affordable, versus 80% in 2017) and family coverage (67% versus 57%). Meanwhile, 73% say that employees are satisfied with their health benefits, and 84% agree their health benefits are competitive with other regional or industry employers' offerings.

Prescription drug costs are a growing concern for employers and employees alike. The employee share of prescription drug costs is usually through copayments (57%) or by copayments and coinsurance combined (29%). Only 12% of institutions carve out their prescription coverage from their health plan, although doing so increases transparency and helps control pharmacy expenses.

Though controlling expenses is a major issue for higher education employers, just one in five (20%) have actively discussed ways to manage specialty medications with their health plan providers. This shows a clear opportunity for deeper discussion and better understanding to determine the best approach to curb these costs.

Employee Engagement

49%

REPORT A HIGHLY ENGAGED WORKFORCE

47%

CONDUCTED AN ENGAGEMENT SURVEY WITHIN THE LAST TWO YEARS

TOP TACTICS USED TO IMPROVE ENGAGEMENT

Identify development needs and create action plans	65%
Define clear performance goals	62%
Connect employees' efforts to positive impacts on strategy, mission, vision or values	62%
Give timely and constructive feedback	58%
Support employees in developing and pursuing a career path	54%
Communicate in a way that fosters trust and confidence	54%

Low turnover, workplace culture and institutional outcomes reflect employee engagement. But while only 41% of higher education employers agree and 8% strongly agree their workforce is highly engaged, even fewer (38%) have a strategy to improve engagement.

Developing early professionals and promoting equity across the entire workforce are fundamental tools for any engagement strategy, and will help employees connect with a diverse student population. Measuring the workforce's beliefs ensures engagement initiatives align with employee values; however, since 2016, only 47% of institutions have surveyed employees to measure engagement, while 31% haven't surveyed employees and have no plans to do so.

A well-constructed engagement survey reveals insights on employee effort, passion, job satisfaction and commitment. In turn, these insights inform the engagement strategy, helping to reduce turnover and assist with the attainment of institutional goals and execution of the mission.

To improve engagement, institutions employ several tactics — the most common is identifying development needs and creating action plans (65%). The subsequent two most popular tactics, employed by 62% of respondents are defining clear performance goals, and connecting employee efforts to actual results in improving institutional strategy, mission, vision or values.

Fifty-four percent (54%) of higher education employers also consider supporting employees to develop and pursue a career path — especially important for younger professionals early in their tenure — an important tactic to increase engagement. In addition, 54% of institutions also say employee communication that fosters trust and confidence is a top engagement tactic.

Retirement Benefits

94%

HAVE A RETIREMENT PROGRAM

Types of Plans Offered	
Defined contribution	95%
Defined benefit	31%
Non-qualified	8%
Cash balance	3%

METHODS USED TO INCREASE RETIREMENT PLAN ENROLLMENT

64% Match contributions

33% Auto-enrollment

8% Auto-escalation

50%

MEASURE RETIREMENT READINESS

Sustaining a healthy workplace culture requires a total compensation strategy that includes retirement planning. As the higher education workforce comprises a mix of older and younger employees, retirement options and support tools should reflect the broad needs of this population. To that effect, 94% of higher education employers offer a retirement program, most commonly a defined contribution plan (95%). Thirty-one percent (31%) have a defined benefit program, the second most common selection.

But sponsoring a retirement plan isn't enough — its success depends on employees' saving behavior. By pulling the right levers to promote employee participation, employers can improve the richness of their total compensation package and strengthen employee financial wellbeing.

However, only one-third (33%) of higher education employers have auto-enrollment in their retirement plan, and a scant 8% use auto-escalation. Employers in the higher education space match contributions 64% of the time, most commonly a 100% match up to 5% of employee salary. While this match is down from historical values, it's not uncommon to still see rates as high as 8% of employee salary.

Employees aging out of the workforce have drastically different retirement needs than those entering it. For employers, it's essential to understand employee needs and financial goals to ensure the retirement plan strategy is flexible enough to meet employees across all life stages.

Fully 50% of sector employers say they're measuring retirement readiness, and 80% provide access to sessions with a financial advisor. No matter how close an employee is to retiring, empowering them with the right tools, education and resources to effectively address their near-term spending habits and financial stressors will enable long-term savings that lead to better business outcomes.

Final Remarks

Institutions of higher learning are getting squeezed on several fronts. They face demanding performance goals and pressures to maintain enrollment, all the while recruiting in a highly competitive labor market and dealing with tight operating budgets. These pressures — coupled with a strategic focus on diversity and inclusion, and pay equity concerns across the campus community — give higher education employers an opportunity to rethink their traditional approaches to compensation and benefits.

Understanding the makeup and priorities of the workforce can support targeted engagement and retention efforts. Higher education employers should also strive to identify high-performing employees and those with high potential, rewarding them through career development and opportunities for advancement. The cost of such rewards should not be viewed as a business expense, but as strategic investments for institutional success in the future.

And in terms of healthcare, higher education employers must prioritize competing interests and allocate scarce resources. An integrated, data-driven strategy with effective cost controls can help manage skyrocketing healthcare expenses without creating an undue burden on employees.

This report explores key compensation and benefit management issues, trends and solutions in the field of higher education. It is intended to provide direction that can help employers take a strategic approach that is efficient, aligns with their sustainable operational goals and builds better employee and organizational outcomes.

To learn more, contact National Higher Education Practice Leader, Lisa Baglio-Conza (Lisa_Conza@ajg.com) or your local Gallagher consultant.

About Gallagher

Better. It's something all companies strive for. Better outcomes from better performance. But how do you get there?

You start by building a better workplace. One that attracts, engages and retains top talent. What does that look like? It's a workplace where people feel they belong — where there's a stronger sense of developing a career than punching a clock and a culture of opportunity that draws new talent because it inspires employees to deliver their personal and professional best.

Gallagher's comprehensive approach to benefits, compensation, retirement, employee communication and workplace culture aligns your human capital strategy with your overall business goals. It centers on the full spectrum of organizational wellbeing — strategically investing in your people's health, talent, financial security and career growth and developing benefit and HR programs at the right cost structures to support a multi-generational workforce.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher helps you gather new insights and apply best practices that promote productivity and growth. A data-driven focus allows you to continually improve.

That's what it means to create a better workplace culture. It's about never being content to rest each time you reach your best. Your better is never finished.

As you develop and sustain this destination workplace culture, your people can thrive and perform at a higher level — optimizing your annual talent investment and mitigating organizational risk to maximize your profitability. Best of all, you gain a competitive advantage as a workplace that simply works better.

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