

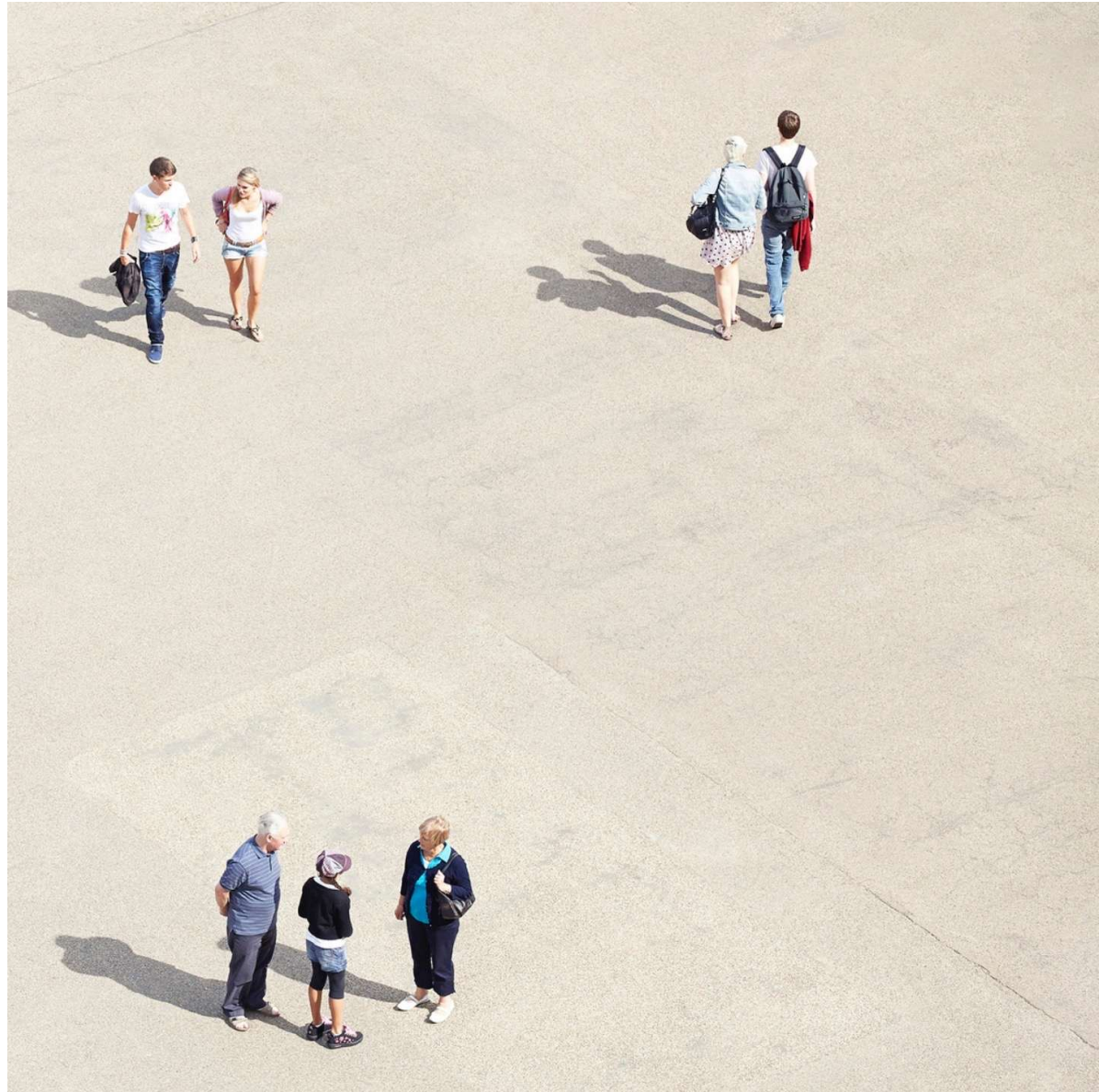


Total Rewards

People Strategies for
an Ever-Changing
Environment

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Aon Proprietary and Confidential



2026 Higher Education Challenges

Costs

Obesity Medication

GLP-1 drugs for weight loss are still driving high cost and being dropped by some institutions. Overall, near 50% cover, in line with other industries

Medical/Rx Costs

Cost increase in line with other industries before plan changes, but higher ed employers took on a larger share of increases after design changes

Trust Expenses

New administration increase on trust fees among some institutions with large funds

Rx Rebates

Institutions with domestic pharmacies are seeing pharma pull back on rebates issued that were subject to 340(b) reimbursements; further compounds budget issues

Other Concerns

- Board Oversight and Governance
- Property Insurance Costs
- Financial Wellness
- Faculty and Staff Engagement
- Phased Retirement
- Rising retiree medical costs
- Aging Workforce
- Climate Change
- Endowment Management
- Cyber Insurance Risks
- Infrastructure Costs
- Key talent retention

Student Concerns

Health

General health of student population hindered due to higher lack of coverage among employees

Immigration Concerns

Immigration and Customs Enforcement presence on campus prevents some parents visiting, increasing mental health issues

International Students

Institutions have seen material drops in international student enrollment; furthers budget issues

Artificial Intelligence

Introduction of artificial intelligence for students has made it difficult to monitor true work versus copied answers

University Concerns

Enrollment Concerns

Enrollment cliff and increasing tuition have driven down enrolment, reducing revenue for institutions

Political Positioning

Current administration has brought several universities into the spotlight with contentious requests; many seek to avoid this attention

Fiduciary Concerns

Officially designated fiduciary committees are less likely to be used in higher ed versus general industry

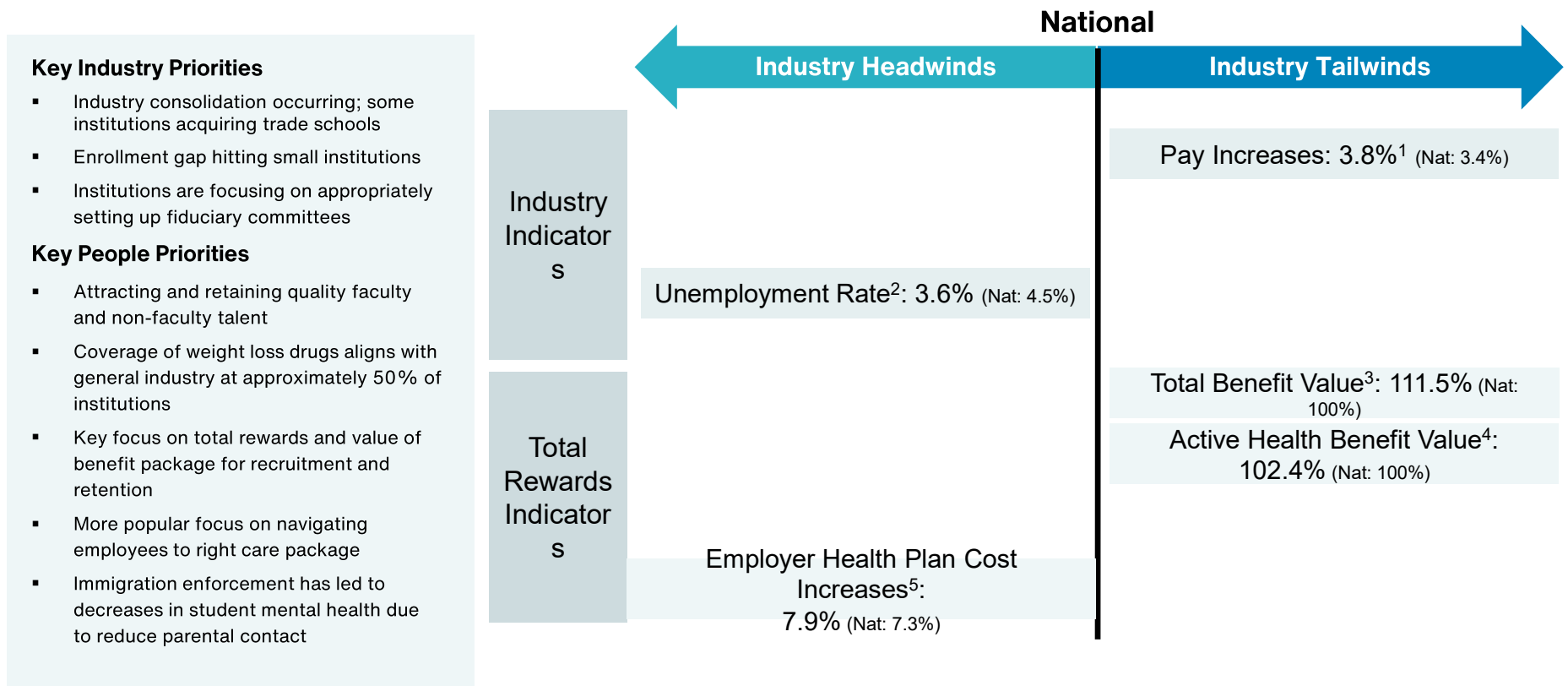
Attracting Talent

Institutions focusing on value of benefit plans to promote a competitive total rewards package



An Evolving Industry Landscape

Higher Education



¹2025 BLS Report, ²December 2025 unemployment rate, ³Value of benefits offered – medical, retirement, time away, expressed in against an all industry average of 100 (Aon Benefit Index), ⁴Value of benefits offered – all active health, expressed in against an all industry average of 100 (Aon Benefit Index), ⁵2025 Aon Annual Health Survey

Let's Take a Look **Under the Hood**

WorldatWork[®]
Total Rewards Association

Total Rewards is being **disrupted** by pay transparency, AI, skills-based pay and personalized benefits.

MERCER
A MARSH BUSINESS

Total Rewards **must be a focus.** It's one of the most powerful and under-optimized, levers.



Total Rewards is a core pillar of an EVP and brand and is **critical.**



Total Rewards is a **critical lever** to change behavior and culture.



Total Rewards is a **business** lever for talent, performance and wellbeing, not just an HR program.



Employers must rethink Total Rewards because they **need clarity** in their investment.



Organizations **must move beyond** pay and traditional benefits to a holistic, personalized experience.



Organizations are **“betting big”** on Total Rewards as primary tool to keep people.



Put Your Total Rewards Strategy at the Heart of Your People Strategy

An integrated and connected strategy that considers all aspects of total rewards collectively, rather than in isolation.



Total Rewards is on the verge of a major reinvention.

What was once a domain of HR will become a battleground for

- Value creation
- Workforce sustainability
- Business performance

Strengthens the employee value proposition and positions organizations for sustainable long-term growth.

Aligning People Strategies with Business Outcomes

Optimize Value for Faculty, Staff and the Institution

Integrated Values Framework



For every \$1 invested in your people, where do you get the greatest return for your institution?

How do we attract the best people to our organization?

How do we invest in our people to increase productivity?

How do we ensure our top performers stay longer?

1

Competitive Value:

What is my competitive positioning?

2

Employee Value:

What matters most to my employees?

3

Financial Value:

How effective are we in generating an ROI?

4

Strategic Value:

How does my people strategy impact performance, retention and productivity?



















Recruitment

Performance

Retention

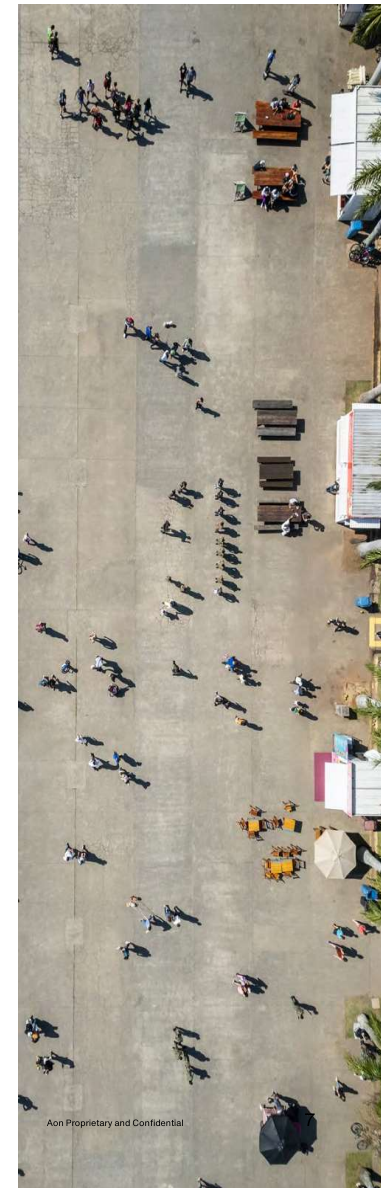
What is Valued Based on a Multi-Generation Workforce?

Top 5 Valued Benefits by Generation

	Generation Z (16%) Born between 1997 and 2012	Millennials (47%) Born between 1981 and 1996	Generation X (30%) Born between 1965 and 1980	Baby Boomers (6%) Born between 1946 and 1964
01	 Medical coverage/health insurance	 Medical coverage/health insurance	 Medical coverage/health insurance	 Retirement savings
02	 Work-life balance programs	 Paid time off	 Paid time off	 Paid time off
03	 Paid time off	 Work-life balance programs	 Retirement savings	 Medical coverage/health insurance
04	 Career development	 Career development	 Work-life balance programs	 Dental insurance
05	 Retirement savings	 Retirement savings	 Career development	 Work-life balance programs



Source: 2025 Aon Employee Sentiment Study; Percentages represent GFS's population based on the 2026 census.



Aon Proprietary and Confidential

Aon's Total Rewards Benchmarking Platform

Integrated Compensation and Benefits Insights for Holistic Decision Making

What It Is

A unified digital solution that integrates compensation, benefits, and employee population insights into a single, easy-to-use interface

Why It Matters

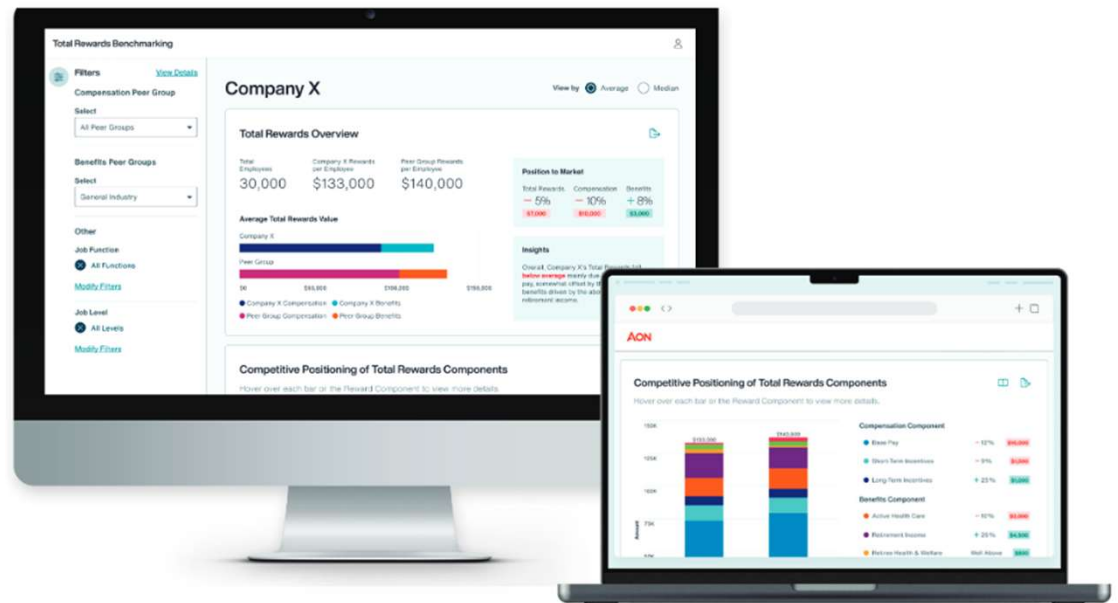
- Identifies gaps and optimizes Total Rewards spend
- Benchmarks against industry peers and global benchmarks

What It Solves For

- Eliminates data silos across compensation and benefits
- Provides near real-time insights
- Data-driven decisions balancing workforce / financial performance

How It Is Different

- 50 years of data depth (RMCD & BI)*
- Seamless integration
- On-demand access
- Dynamic dashboards
- Multi-country benchmarking
- Modern UX/UI



*Aon's Radford McLagan Compensation Database (RMCD) and Benefit Index® (BI)

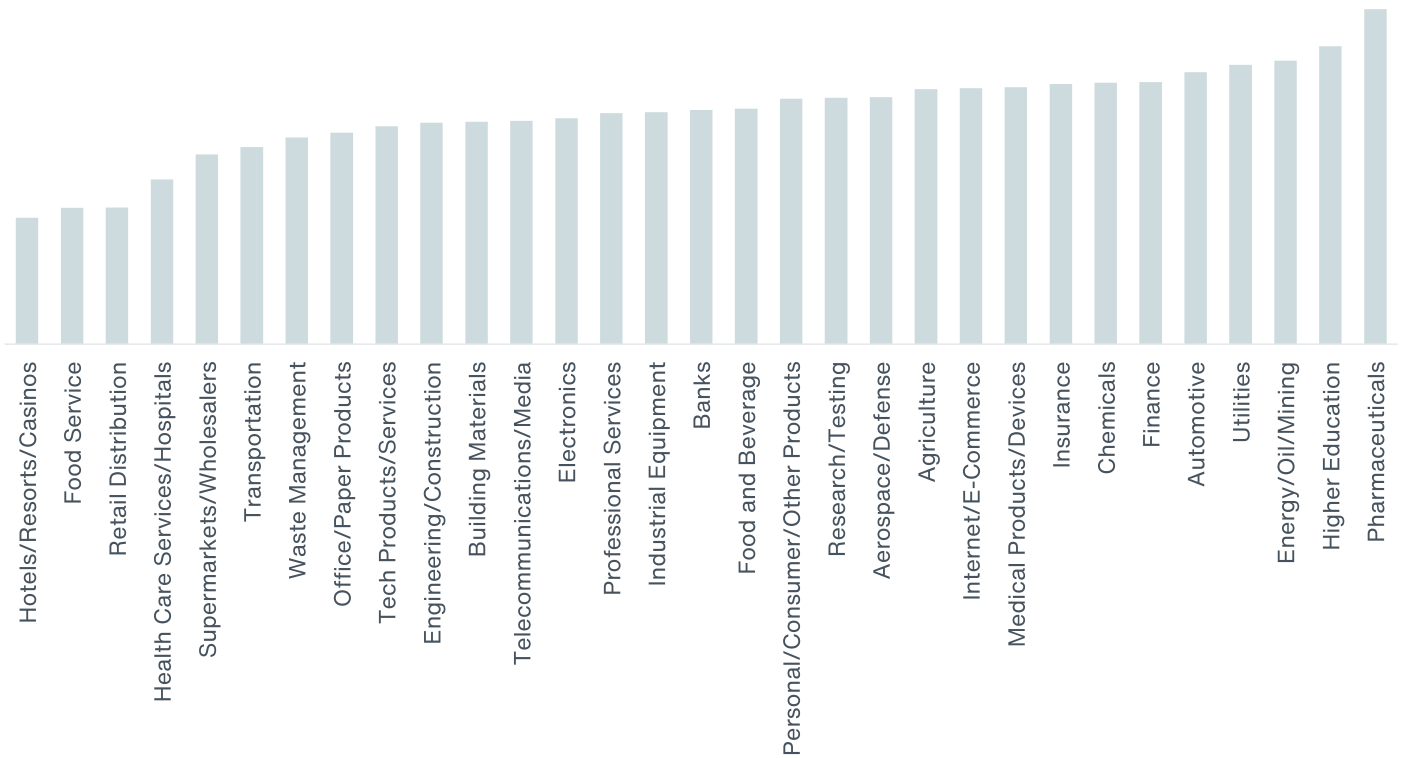
All Benefits by Industry

There is significant variation in benefit value by industry.

Once the results are split by industry, there are noteworthy differences and trends, for both the value of all benefits combined and within certain benefit areas for some industries.

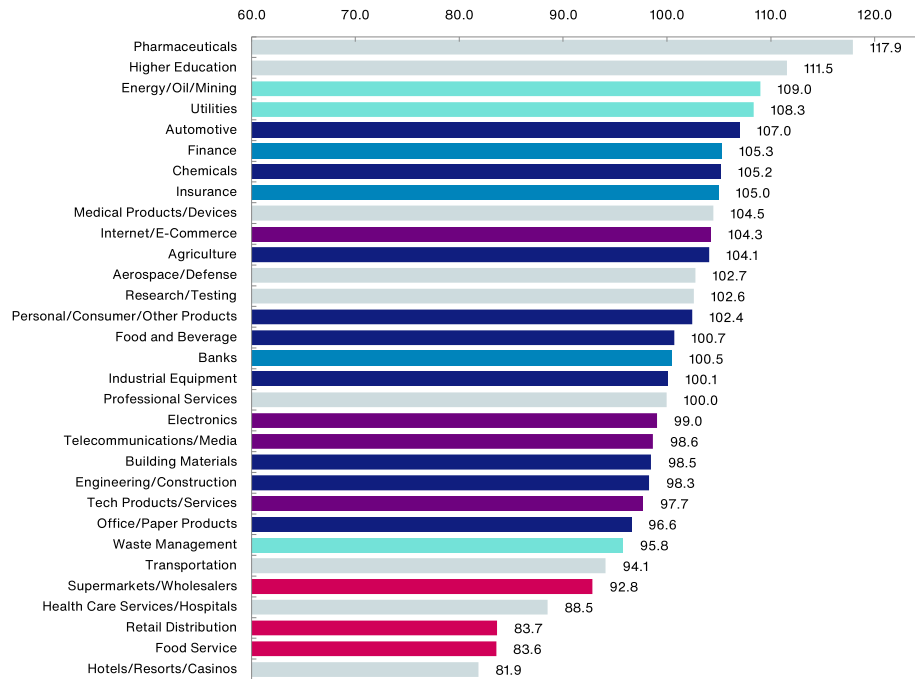
The following pages show the detailed results by industry.

Summary results by sector are also provided.

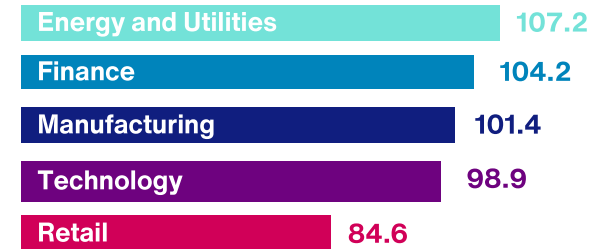


All Benefits Comparison

By Industry



By Sector



Observations

There is a wide range of overall benefit program value across the 31 industries tracked in the Benefit Index database.

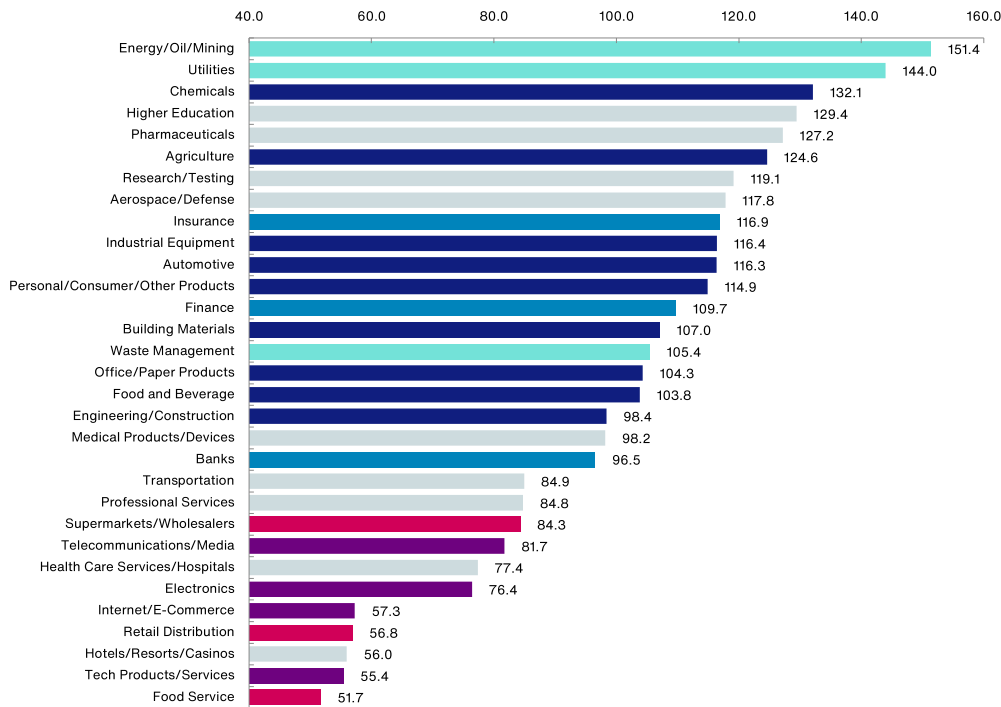
These values are driven by core health care, time off and retirement benefits which comprise the bulk of overall benefit program value.

Factors influencing industry practice include the demographic makeup of the workforce, union presence, profit margins and more.

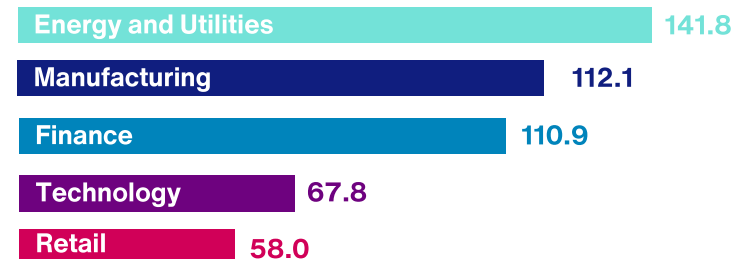
An index value of 100.0 represents the average of all 31 industries. A value of 105.0 is 5% above average. Based on 2024 salaried benefit program designs for 626 organizations in Aon's database.

Retirement Income Comparison

By Industry



By Sector



Observations

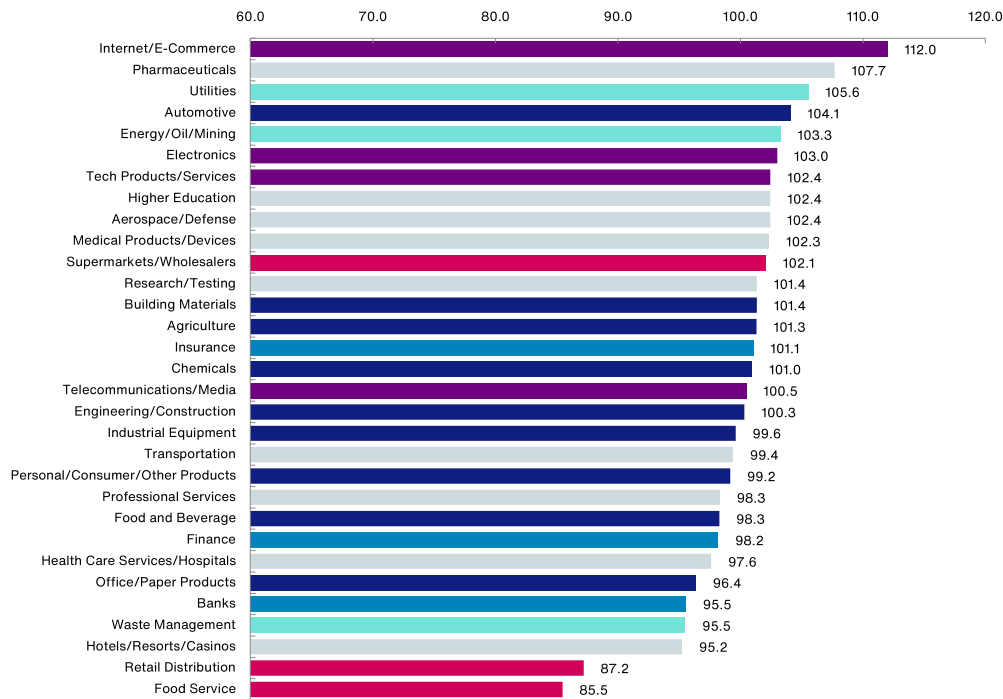
We see a wider spread in retirement benefit value compared to overall benefit program values. While Technology ranks high in most benefit categories, retirement benefits are one area where Tech notably lags.

Retirement benefits have declined in value over the last two decades but appear to have stabilized. Industries that have strong retirement benefits tend to:

- Have union presence that salaried employee benefits have kept up with, or
- Have generous overall benefit packages due to richness of industry or competitive pressures.

Active Health Care Comparison

By Industry



By Sector



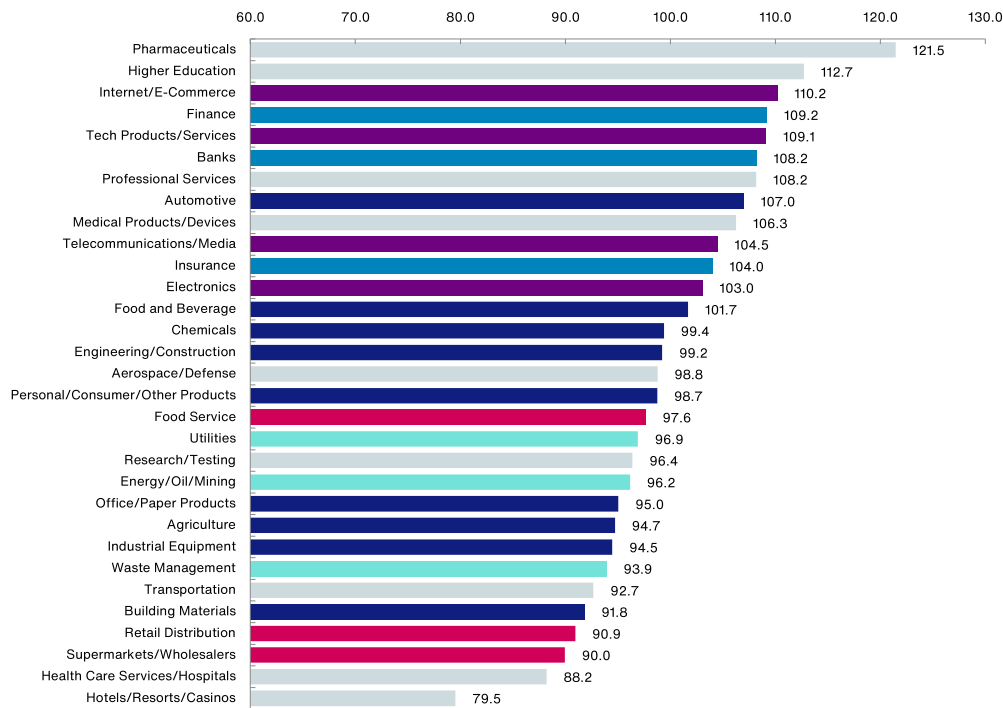
Observations

There is less differentiation by industry in the healthcare area than other areas. Plan designs are in a somewhat narrow range, so much of the difference shown here is based on the degree to which benefits are subsidized.

While few organizations provide free healthcare, the range of subsidies provided by employers can be as low as 50% and as high as 100%.

Time Off Comparison

By Industry



By Sector



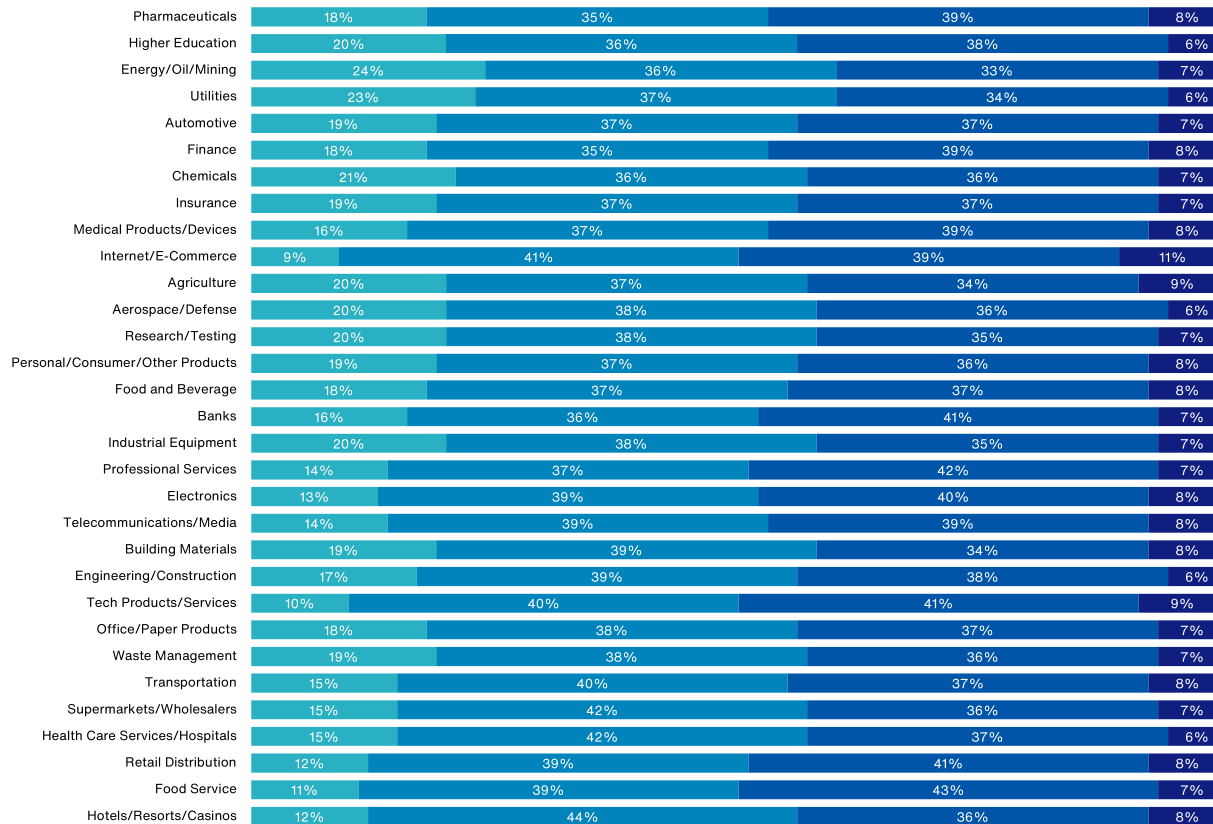
Observations

Time Off has been a focus for employers across many industries. This area has seen a growth in value as more organizations have added personal days, company-wide “wellbeing” days, or specific holidays like Juneteenth.

Many have also increased their parental leave benefits in recent years, added caregiver leave benefits, or increased their bereavement leave policies.

Industries scoring lowest in this area include organizations that employ large service and manufacturing populations where time off management is more challenging.

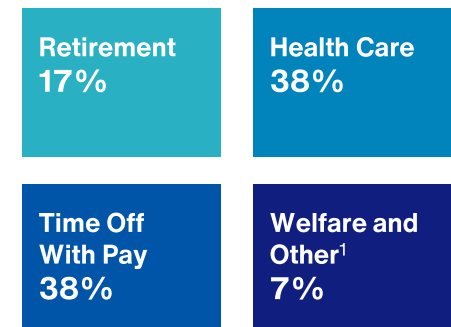
Mix of Benefits by Industry



Over the last two decades, we've seen an uptick in the percentage of benefits delivered through time off.

Average Across All Industries

Percentage of each industry's All Benefits value derived from each major benefit area using Aon's Benefit Index methodology. Based on 2024 salaried benefit program designs.



¹ Other includes benefits such as employee stock purchase plans, adoption/surrogacy assistance, education assistance, lifestyle accounts and more.

Total Rewards Analysis

Reimagined Total Rewards Optimization

- **Employee Perspective:** Understand how employees value and trade distinct rewards components
- **Retention:** Leverage results to optimize rewards investment for retention of key talent
- **2 Scalable Solutions**
 - **Market:** Faster, lower cost insights using employee preference market data + client demographics
 - **Custom:** insights based on surveying the client's own population

From understanding preferences to reallocating spend for measurable retention impact






University Client – Long-Time Health Client

Analyze Competitive Position of Total Rewards to Market

A True Human Capital Client

The Basics: Higher Education | # 20,000 | Large-Market Public University

The Situation:	How Did Aon Help?	The Results
<ul style="list-style-type: none"> University hadn't made updates to benefits strategy since 2014 Wanted to study overall rewards package across both higher education and Fortune 500 	<p>Key Highlights:</p> <ul style="list-style-type: none"> → Aon evaluation of benefit package compared to higher ed and Fortune 500 → University utilized the results of a WTW compensation study → University staff and hospital employee benefit packages evaluated separately 	<ul style="list-style-type: none">  It was determined that overall TR structure is 10% behind market  Multiyear approach adopted that will move the structure to market and ensure short-term annual increases align with market  Resulted in Leave redesign, additional studies, and additional support for executive comp

Speed Bumps In Global Attraction and Retention Challenges

	Global	NA	LATAM	EMEA	APAC
1	Base salary	Base salary	Base salary	Base salary	Lack of career opportunities
2	Lack of career opportunities	Lack of career opportunities	Bonus/variable pay	Lack of career opportunities	Base salary
3	Bonus/variable pay	Bonus/variable pay	Healthcare Benefits	Bonus/variable pay	Bonus/variable pay
4	Inefficient internal processes	Inefficient internal processes	Lack of career opportunities	Culture	Lack of skill building opportunities
5	Lack of skill building opportunities	Lack of skill building opportunities	Inefficient internal processes	Inefficient internal processes	Inefficient LTI for ineligible employees

Guide
Red: Compensation
Grey: Career
Blue: Administration
White: Other

25%

say total rewards is not a positive differentiator compared to other employers.

35%

say they are not effectively communicating the value of their current total rewards offering.

Evolving Total Rewards: Moving Beyond Tradition to Enable Performance

Current Approach

Future Needs

Some to little distinction in rewards



Greater distinction in rewards

Employees have no benefit choice



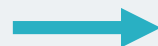
Employees make most benefit choices

One way communication



Interactive tools to self-learn

Rewarding for effort and tenure



Rewarding for results

Limited number of top performers



No formal limit of top performers

Call to Action



Be intentional about your competitive position.

Amid cost pressures, now is the time to recalibrate by scaling back above-market programs that offer limited perceived value or signal over-investment, while strengthening below-market offerings that are critical to business and talent priorities.



Identify opportunities to differentiate your value proposition through non-financial elements.

Refocus energy on career development, upskilling, and supportive growth pathways to drive long-term value and performance impact.



Shift to more attention-grabbing and emotionally relevant marketing of your current offering.

Storyboard programs in an integrated way to elevate awareness and utilization of your current total rewards offering – because ROI doesn't always require a redesign.



Career growth and upskilling are central to a sustainable employee value proposition.

Aon's research shows that thirty-nine percent of employers anticipate a shortage of qualified leaders within the next four years. Meanwhile, up to fifty percent of today's workforce skill sets could become obsolete by 2030, driven by the accelerating impact of AI and automation.* In this environment, reskilling, internal mobility, and leadership development are no longer optional – they are mission-critical to sustaining performance and ensuring future readiness.

* World Economic Forum's 2025 Future of Jobs report

Call to Action:

- Prioritize leadership development and upskilling.
- Invest in mentorship, career growth, and reskilling programs to close the leadership gap and future-proof your workforce.
- Support internal mobility, lateral moves, and networking to drive long-term engagement of talent.

Aon's 2026 Human Capital Outlook

Five Forces to Act On



AI Playbook for Managing People and Technology

40% of jobs offered globally will be affected by AI.



Global Healthcare costs are expected to rise by 8-10%

GLP-1 related prescriptions increased **+300%** in some employer plans.



Connected Intelligence Powers Confident Decisions

Organizations integrating people data into one system make decisions **5x faster**.



Pay Transparency is No Longer Optional

Companies conducting annual pay equity analyses are **3x more** likely to avoid compliance risk.



Smart Retirement Planning Powers People and Intelligence

Delayed retirements can increase workforce costs by **20%+** in certain roles.