

The Future of Total Rewards in the Public Sector



PRESENTED BY

Sandy Matz | Benefits Consultant, Cottingham & Butler

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WCMA



February 26, 2026

The Cottingham & Butler logo is displayed in white text over a photograph of a grand, ornate building with many windows. The building is partially obscured by a dark blue gradient on the right side of the image.

Cottingham & Butler

Meet the Presenters



Sandy Matz

Consultant, Benefits

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Sandy is an Employee Benefits Consultant and has been with Cottingham & Butler for 4 years. Sandy's top priorities include new business development and providing consultative advice regarding employee benefit plans for Public Sector Clients. Sandy is passionate about helping her clients with benefit opportunities while understanding the fiscal restraints of her clients. Prior to joining Cottingham & Butler, Sandy served as the Human Resources Director for the City of Appleton for 23 years.

Specific Experience:

- Specializes in Employee Benefit Strategies for Public Sector
- Emphasis on bringing customized solutions to meet client needs
- Prior experience in both City and County Human Resource Management and Benefits Administration

Education:

- Bachelor of Business Administration in Human Resource Management & Marketing from the University of Wisconsin Oshkosh



Shanon Swaney, SHRM-CP

Consultant, Total Rewards Consulting

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Shanon joined Cottingham & Butler's Total Rewards Consulting team as a Compensation Consultant in 2024. In this role, Shanon partners with public sector clients to develop and refine total rewards and compensation strategies that are both competitive and sustainable.

Prior to joining Cottingham & Butler, Shanon held HR leadership roles in both education and local government, most recently serving as the Human Resources Director for a municipality in Wisconsin's Fox Valley region.

Shanon holds a Bachelor of Science in Public Administration and Human Resources Management from the University of Wisconsin-Stevens Point and a Master's in Business Management from Western Governors University. She is also a certified SHRM-Certified Professional (SHRM-CP).



Goals of Session

- Develop an understanding of current pay and benefit trends to be aware of.
- Develop actionable insights to modernize current total rewards strategies and offerings.
- Challenge traditional compensation and benefits assumptions by examining how legacy systems may unintentionally favor certain employee groups over others.

The Challenging Landscape

- Shrinking applicant pools
- Retaining talent
- Increased demand for services
- Increasing benefit budgets and expectations
- Increasing wage budgets and expectations

- Doing more with less!



Benefit Trends

2025 Healthcare Cost Trends



Overall Costs

According to industry surveys and reports, employers anticipate health care costs to increase between 7-8% in 2025.



Chronic Health Conditions

U.S. healthcare spending is dominated by chronic and mental health conditions (90%), with multi-condition cases on the rise.



Specialty Medications

Specialty drugs, particularly biologics (37% of drug costs but 2% of prescriptions), drive significant healthcare spending.



GLP-1 Drugs

With 40% of U.S. adults affected by obesity, GLP-1s offer treatment but traditionally cost \$1,000 monthly and require continuous use.



Industry Developments

Innovations like gene therapy, immunotherapy, and surgical robotics are introducing new costs to the healthcare system.



Aging Population

Healthcare costs for seniors (65+) are 2.5x higher than working-age adults, with 55+ million Americans now over 65.



Total Prescription Drug Spend

Drug costs to rise 4-5% amid higher usage from chronic illness, aging, and new treatments.



Healthcare Labor Costs

Healthcare worker shortages persist & are worsening due to increased demand, aging workforce, & burnout.

Wellness Challenges Facing Employees in 2025



Obesity & Associated Chronic Health Conditions

Obesity affects over 35% of adults in 23 states, leading employers to expand wellness programs with weight loss medication coverage, education, and healthy food options to address its workplace impact.



Living Paycheck to Paycheck

Financial stress affects 62% of Americans living paycheck to paycheck, prompting employers to offer financial wellness benefits like emergency savings and counseling.



Workplace Stress and Burnout

With 82% of workers experiencing burnout and 47% citing work as hurting their mental health, organizations are offering flexible schedules, counseling, and manageable workloads.



Popular 2025 Voluntary Benefits



Supplemental Health Benefits

With nearly one in 12 American adults owing medical debt and 37% unable to afford a \$400 emergency bill, supplemental health insurance policies like accident, critical illness, and hospital indemnity coverage are becoming increasingly popular as affordable ways for employees to fill coverage gaps and protect against unexpected medical expenses.



Student Loan Repayment Assistance

With one in four U.S. adults under 40 carrying student loan debt, employers can currently offer up to \$5,250 in tax-free student loan repayment assistance through educational assistance program through December 31, 2025.



Cybersecurity and Identify Theft Protection

As cyberattacks reached record levels in 2024 with a 75% year-over-year increase, organizations and employees are seeking stronger protection against sophisticated threats like social engineering, deepfakes, and AI-powered attacks, especially with the rise of remote work and mobile device usage.



Term Life Insurance

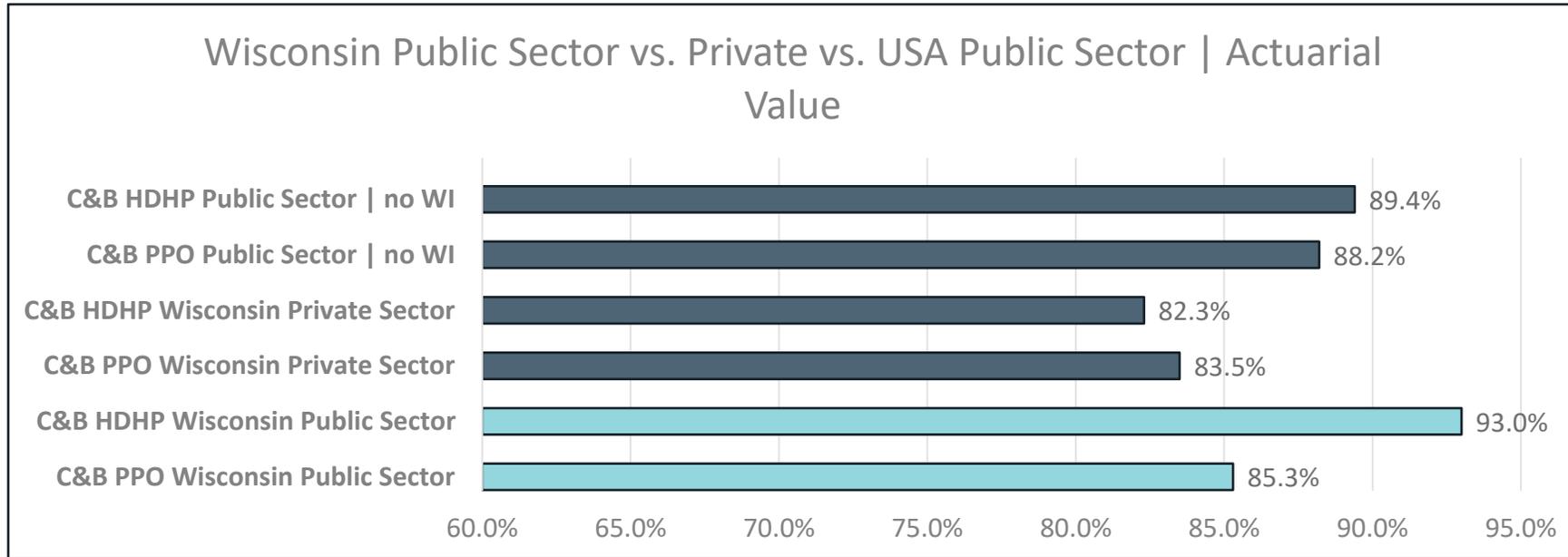
According to Guardian, while 80% of Americans worry about financial preparedness in the event of premature death and nearly 30% lack life insurance coverage, organizations are addressing this concern by offering employer-subsidized group term life insurance with options for additional coverage.



Legal Plans and Services

Organizations are increasingly offering group legal plans as voluntary benefits to help employees handle various personal legal matters, from estate planning to traffic offenses, which can reduce stress and time away from work while providing financial security during challenging life events.

Actuarial Value Benchmarks



Wisconsin Public Sector HDHP's cover about \$.10 more of every dollar spent on healthcare compared to Private Sector and about \$.04 more compared to Public Sector across the United States.

Wisconsin Public Sector PPO plans cover slightly more than private sector and slightly less when compared to public sector across the U.S.

Wisconsin Public Sector HDHP's have a higher AV than the PPO plans-this suggests that the amount of seeding for those plans is quite high.



Gross Cost Benchmarks

Wisconsin Public Sector vs. Private vs. USA Public Sector | Gross Cost



Wisconsin Public Sector pays \$5,000-\$7,000 more per year in gross costs than private and public sector across the US for HDHP's but about the same for PPO plans.

The gross cost for HDHP's is higher than that of PPO plans –again suggesting overly generous seeding for these plans. The seeding is nearly double that of the next highest benchmark.

Single Rate Benchmarks

Wisconsin Public Sector vs. Private vs. USA Public Sector | Single Rate



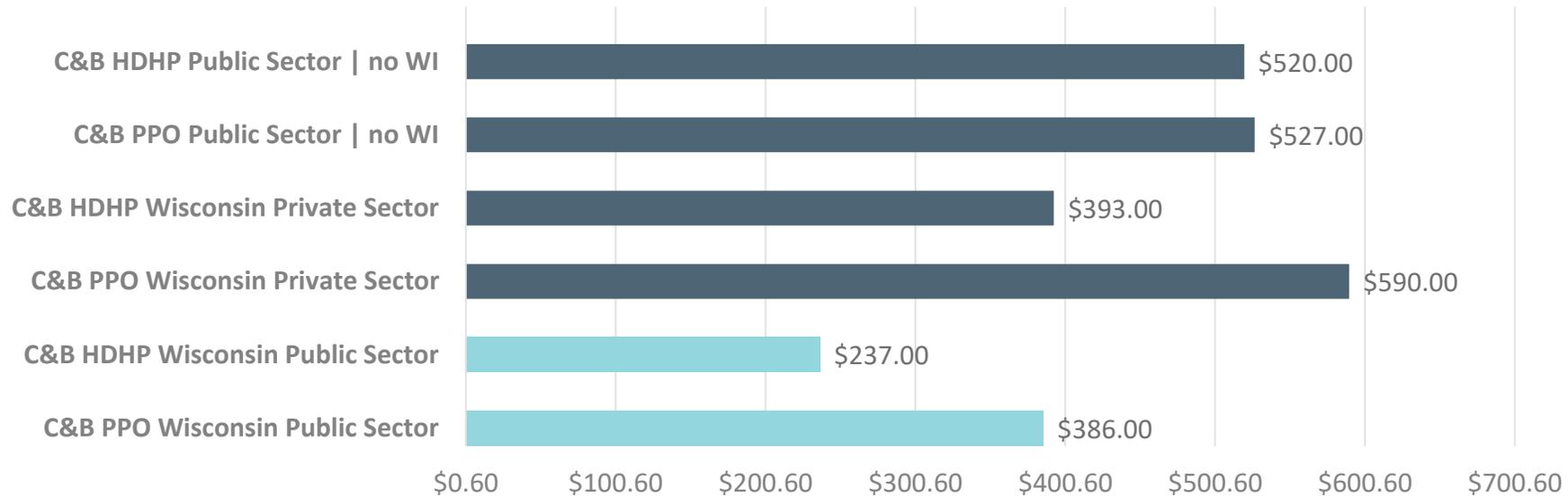
Wisconsin Public Sector Single rates are in-line with benchmarks at about 12-13% of total premium.

Of note, is the employee premium for the HDHP's is less than the PPO plans, even though the HDHPs are more generous than the PPO plans.



Family Rate Benchmarks

Wisconsin Public Sector vs. Private vs. USA Public Sector | Family Rate



Wisconsin Public Sector Family rates are much lower than both private sector Family rates. Family rates are about 50% lower than both US Public Sector and private sector benchmarks.

The HDHP's are a richer benefit yet employees pay less premium than the PPO plans.



Dependent Ratio Benchmark

Metric	Year	National Average	State/Local Government	Wisconsin Public Sector	Source
Dependent Ratio	2025	2.00	2.05	2.64	Mercer (% electing dependent coverage regression input)

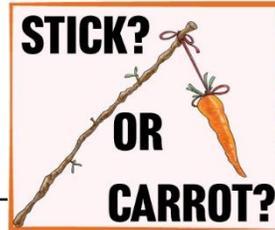
Wisconsin Public Sector has higher dependent ratios than the National Average and Public Sector across the U.S.



Transferring Risk to Other Options



Traditional Strategies



New Strategies

Opt Out or Pay in Lieu Benefit – Per month cash payment for not taking insurance that is offered

Working Spouse Surcharge – Charging spouses that have alternative coverage options more to enroll on health plan

Working Spouse Carve-Out – Not offering coverage to spouses that have alternative coverage options



Opt Out By Tenure



Family Advantage Health Plan



6 Trends Shaping the Labor Market In 2026

Competitive Compensation

Compensation remains a top driver of job seekers with inflation and pay transparency increasing.

Shifts in Demographics & Labor Supply Constraints

Demographic shifts are slowing labor force growth, constraining the pool of available workers.

By 2025, millennials and Gen Z will make up over two-thirds of workers, driving employers to offer better pay, benefits, and growth opportunities to attract them.

Evolving Role

Flexible work arrangements settled into a hybrid equilibrium: about a quarter of the workforce works remotely at least part of their week. This reinforces that flexible work arrangements are here to stay.

Total Rewards Rebalancing

Organizations are prioritizing competitive pay and personalized development opportunities, while paid parental and caregiver leave programs continue to expand nationally, reflecting emphasis on flexibility and family support.

Impact of Technology

Organizations are experimenting with AI. Expect continued and gradual integration of AI. Orgs are wrestling with impacts of how jobs & organizations are structured to maximize efficiency and profit.

Personalized Learning

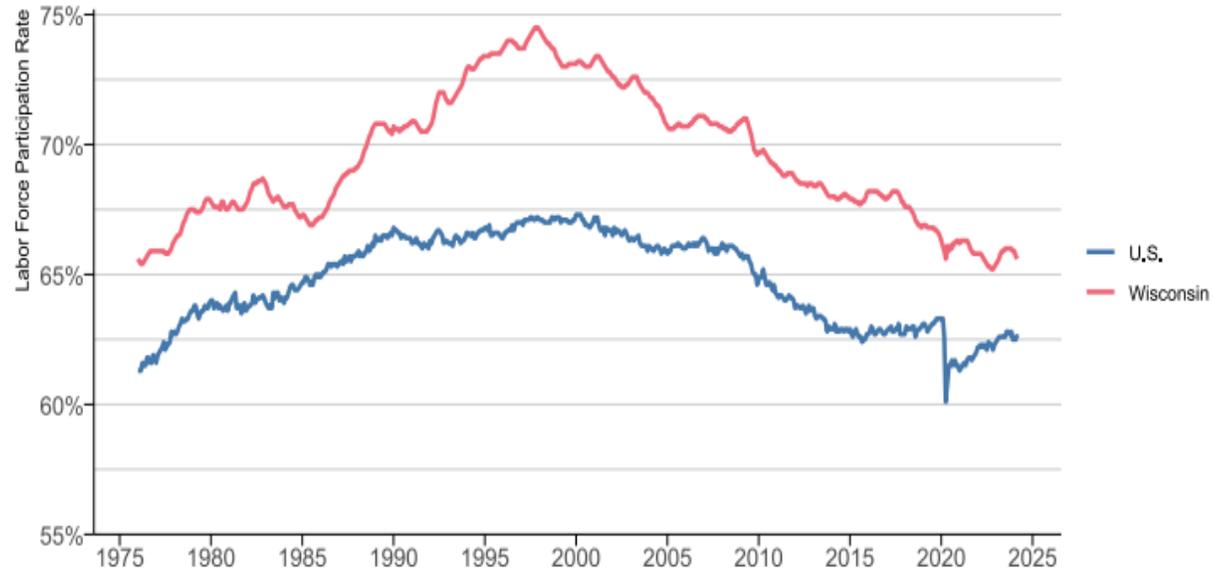
Organizations creating personalized training programs that match employee goals, boosting motivation and retention. Targeted learning can also help address skill gaps.



Labor Force Trends

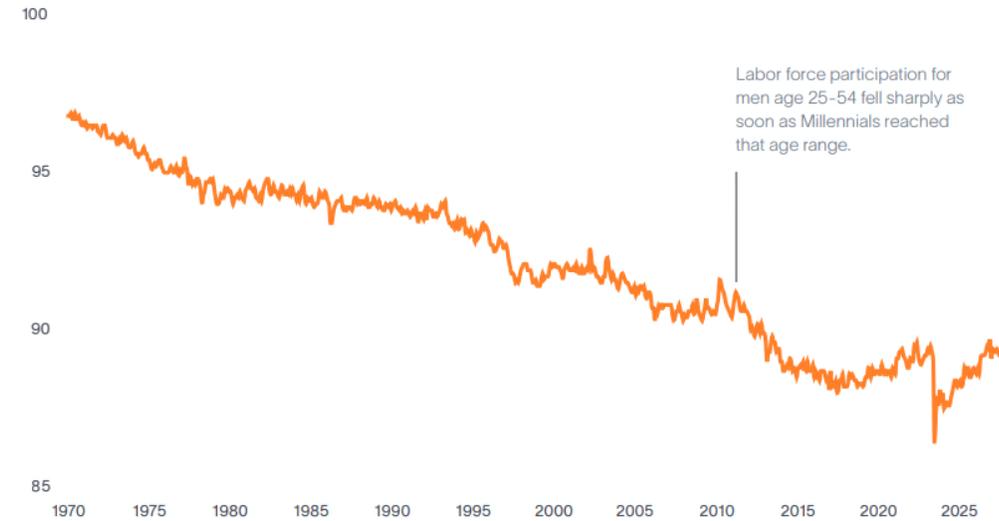
Labor Supply Projections for Wisconsin

Figure 3 — Overall Labor Force Participation Rate in Wisconsin and the U.S. (Bureau of Labor Statistics).



Labor participation for prime-age men has fallen dramatically.

LFPR, Men Ages 25-54

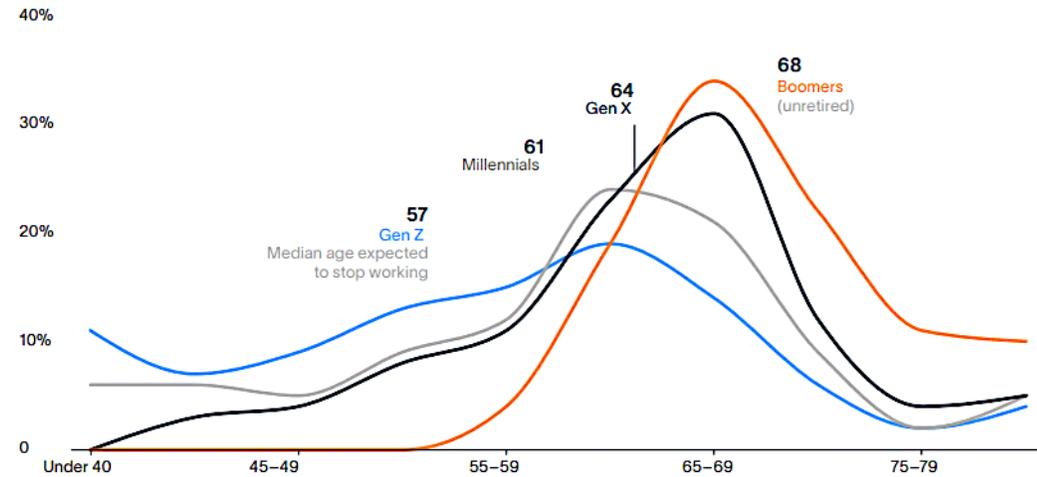


Source: Bureau of Labor Statistics

Labor Force Trends

Each generation anticipates retiring earlier than the one before.

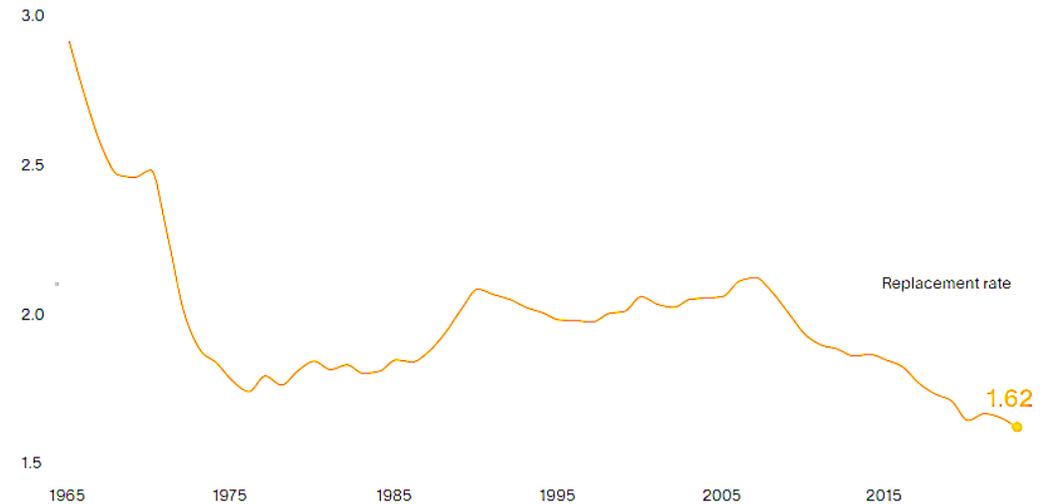
Survey: "At What Age Do You Expect to Stop Working?"



Source: 2022 Investopedia Financial Literacy Study

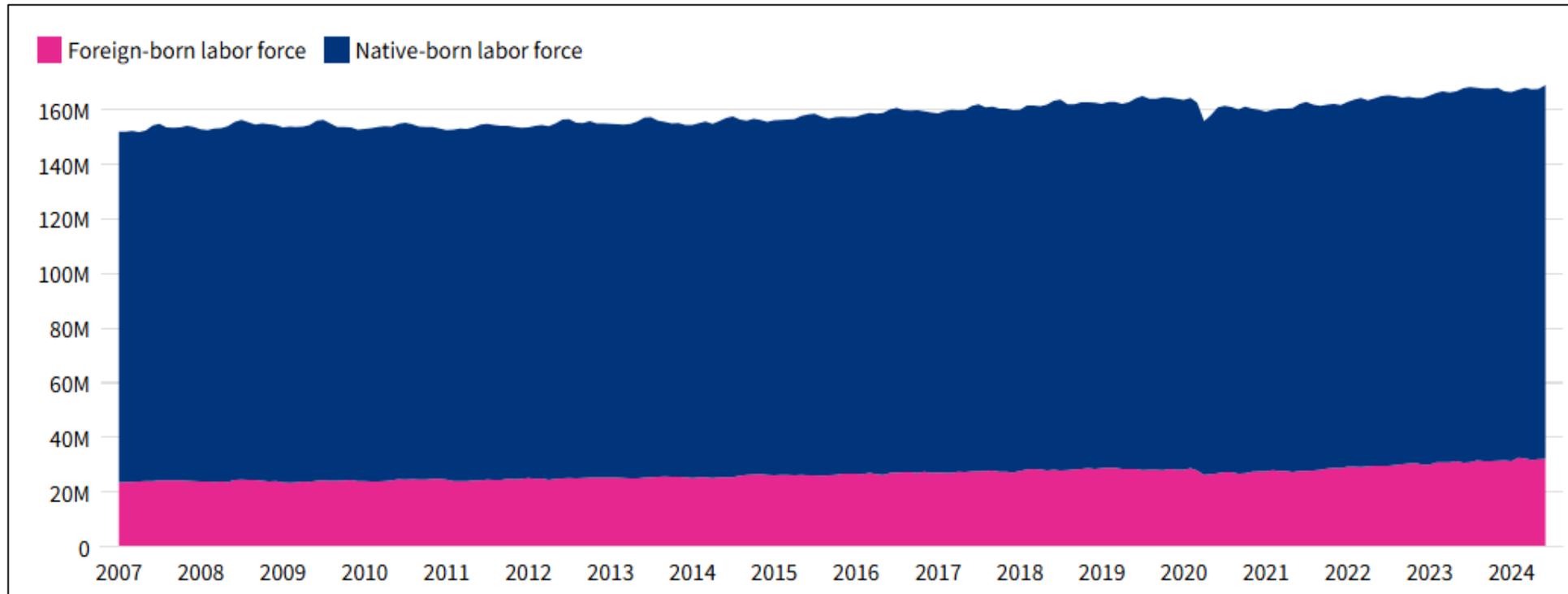
The US fertility rate fell dramatically after the Baby Boom, and it has stayed below replacement level for decades.

US Total Fertility Rate (Births per Woman), 1965-2023

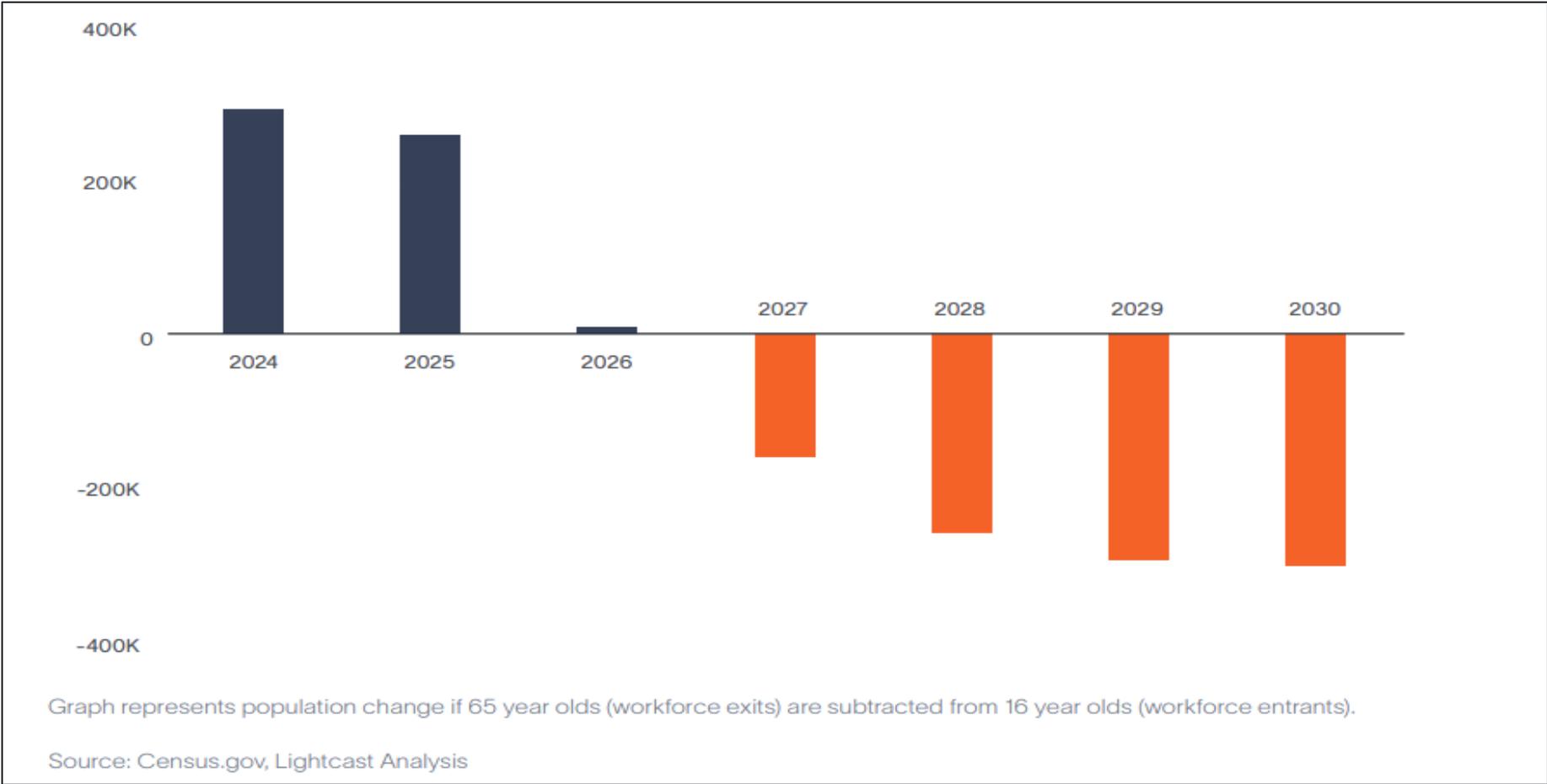


Labor Force Trends

- Foreign-born workers make up approx. 19% of the US labor force



Labor Force Trends



Labor Force Backdrop

- Declining labor force participation coupled with accelerated retirements and declining births will lead to a structural labor shortage
 - Talent pipeline pressures
 - Pressure for competitive wages and benefits
 - Increased need for effective on-the-job training and development
 - Need to proactively align total rewards & HR strategies with your current workforce demographics and those of your talent pipelines
 - Consider efficiency and/or organizational analysis of both positions & services
 - Can you continue to offer all the services you currently have?
 - Analyze roles before immediately back-filling
- This reinforces the importance of ensuring your compensation and benefits strategy is competitive and meeting the needs of your employees as attracting and retaining talent will continue to be a challenge.

Market Trends

Our own pay planning survey has reported a slight decrease in projected pay budgets for 2026. **Public sector in WI is projecting an overall pay budget increase of 3.5%.**

	Data Scope	Median ACTUAL Pay Increase Budget	Median Projected 2026 Pay Increase Budget
Total Rewards Consulting	WI	3.5%	3.2%
Total Rewards Consulting	Midwest	3.6%	3.3%
WTW	US	3.5%	3.5%
Gallagher	US	3.8%	3.3%
Payscale	US	3.6%	3.5%

	Data Scope	Median ACTUAL Pay Increase Budget	Median Projected 2026 Pay Increase Budget
Total Rewards Consulting: Public Sector	WI	3.6%	3.5%
Total Rewards Consulting: Public Sector	Midwest	3.6%	3.3%



Compensation Best Practices

- Best practices to remain competitive
 - **Measuring your market:** do you know your benchmarks and are you measuring them regularly? Do you know where within the market you are trying to compete, and are you meeting that?
 - **Aging your structure:** are you doing targeted adjustments to your structure to maintain your market placement?
 - ECI and salary planning surveys
 - **Analyzing your structure:** is your structure achieving the goals your organization has for compensation? Are you able to motivate and retain employees with your current practices? Is it financially sustainable?

Shifting the Pie

Are your comp & benefits tailored for a multi-generational workforce?

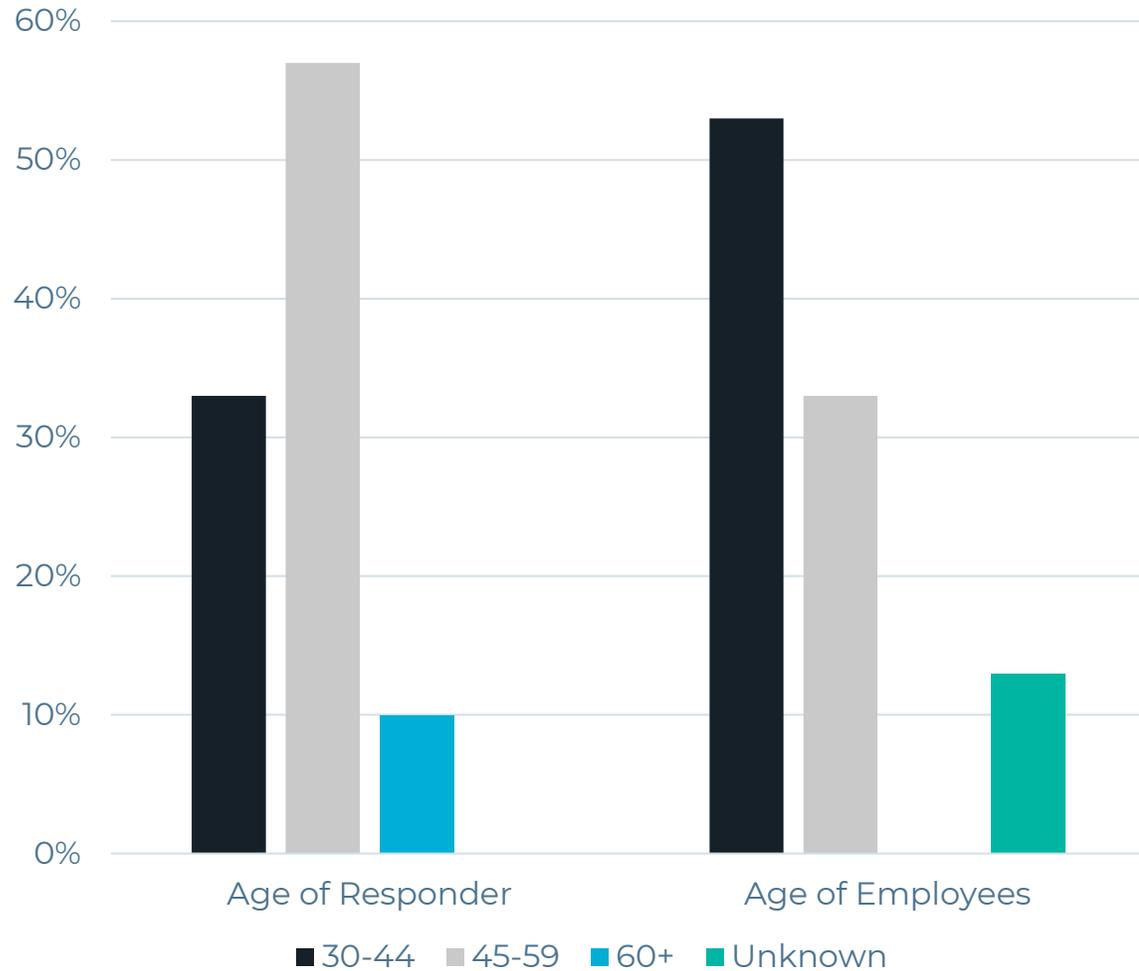
Compensation:

- Are your compensation practices modernized to attract, retain, and motivate based on the demographics of your employees?
 - How quickly are new hires getting to market rates?
 - Have you reviewed your internal alignment and benchmark positions to ensure market alignment?
 - Do you have clear pathways?
 - Utilizing pathways to help create progression & skill development
- Reviewing benefit and OPEB spend
 - Benefit term date practices
 - Term coverage date of term vs. end of month
 - Transition to COBRA
 - Review post-retirement health insurance benefits
 - Paid time off practices – large sick banks
 - STD, LTD, accident plans
- One-size fits all benefits create waste
- Addressing excess benefit spend by reviewing legacy programs can help free up dollars to provide competitive wages

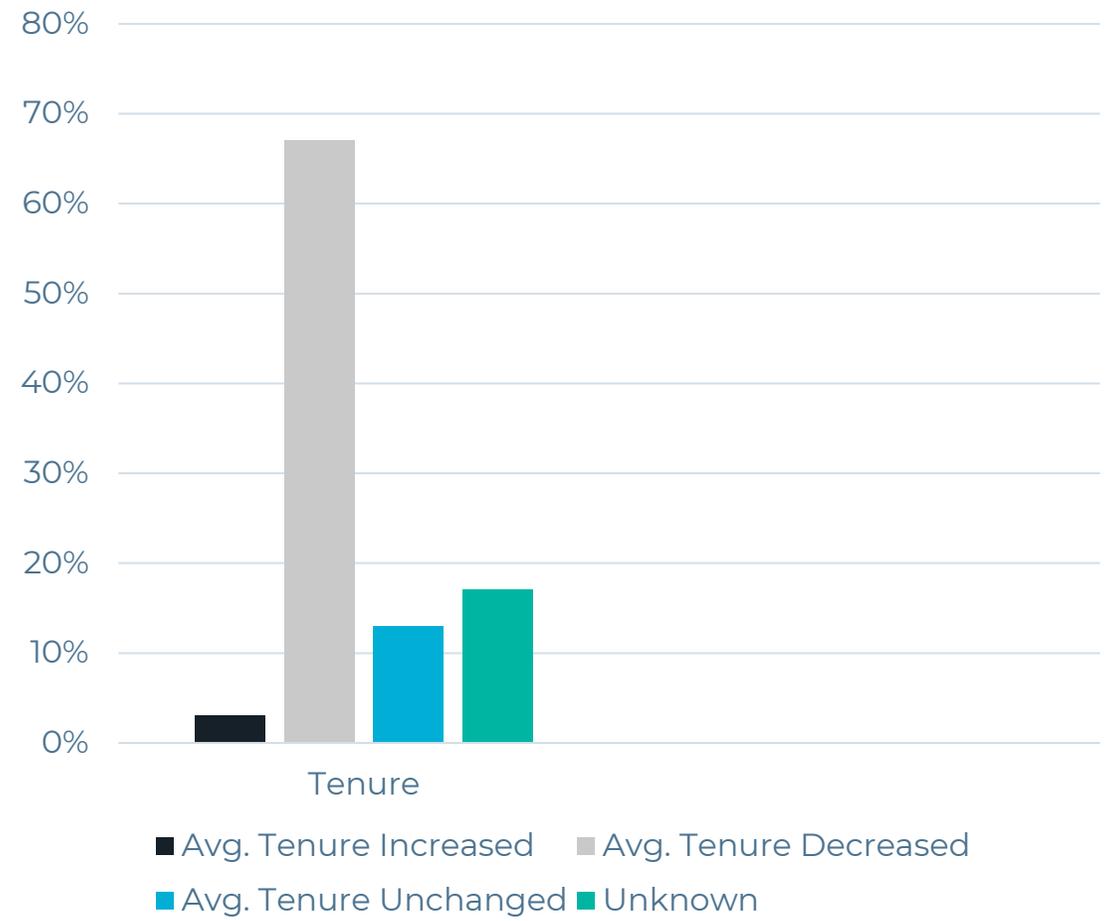


Survey Discussion

Demographics



Average Tenure



Survey Discussion

	Yes	No	N/A
Do you provide retiree health insurance?	59%	41%	0%
Do you allow retirees to stay on medical plan until age 65 or Medicare eligible?	67%	30%	3%
Do you provide retirees access to spend down their HRA account?	43%	10%	47%
Do you provide health insurance through the end of the month in which someone separates from employment?	100%	0%	0%
Do you rely on seniority in employment decisions?	7%	90%	3%
Do you rely on seniority in assigning work?	21%	79%	0%
Do you allow any positions to work hybrid or remote?	72%	28%	0%
Do you allow any positions to work alternative schedules outside of a traditional schedule like 8:00 am to 4:30 pm?	72%	28%	0%
Do you regularly assess the market to determine competitiveness of your positions?	80%	20%	0%
Do you provide longevity pay?	50%	50%	0%
Do you use performance outcomes to influence individual pay decisions?	47%	47%	7%



Discussion Activity

Discuss with a partner:

- What benefits and/or compensation challenges has your organization struggled with?
- What innovative approach or solutions has your organization taken to help solve for these challenges?

Ideas in Action

- 5% budget cut exercise
- Efficiency studies
- Rotating benchmark analysis
- Alternative schedules
 - Summer hours
 - Splitting office hours to allow hybrid or compressed work week
- Dedicated Benefits Position for education, communication and engagement
 - Health & Wellness Fairs
 - Mandatory Open Enrollment
 - Benefit Newsletter
 - Lunch n Learn Benefit Sessions
 - Benefit Communication Campaign



Communication is Key

- Don't forget about the importance of communication.
- Benefits are 25-40% of payroll, yet most employers do not have a position dedicated to managing, communicating and engaging employees on benefit offerings.
- Tips for success:
 - Understand your employee population and tailor methods around this
 - Talk in \$ rather than %
 - i.e. a client has a 5% increase in health insurance premiums and plans to give an overall compensation increase of 3%. Communicate these increases in actual dollars rather than their percentages
 - Insurance premiums increasing \$25 per check
 - Annual salary increasing \$1,700
- Providing multiple formats: short videos, info graphs, FAQs with longer form guides
- Utilize multiple channels: email, intranet, in-person
- Personalize: highlight benefits which may be relevant to key employee populations

How do you know what employees' value?

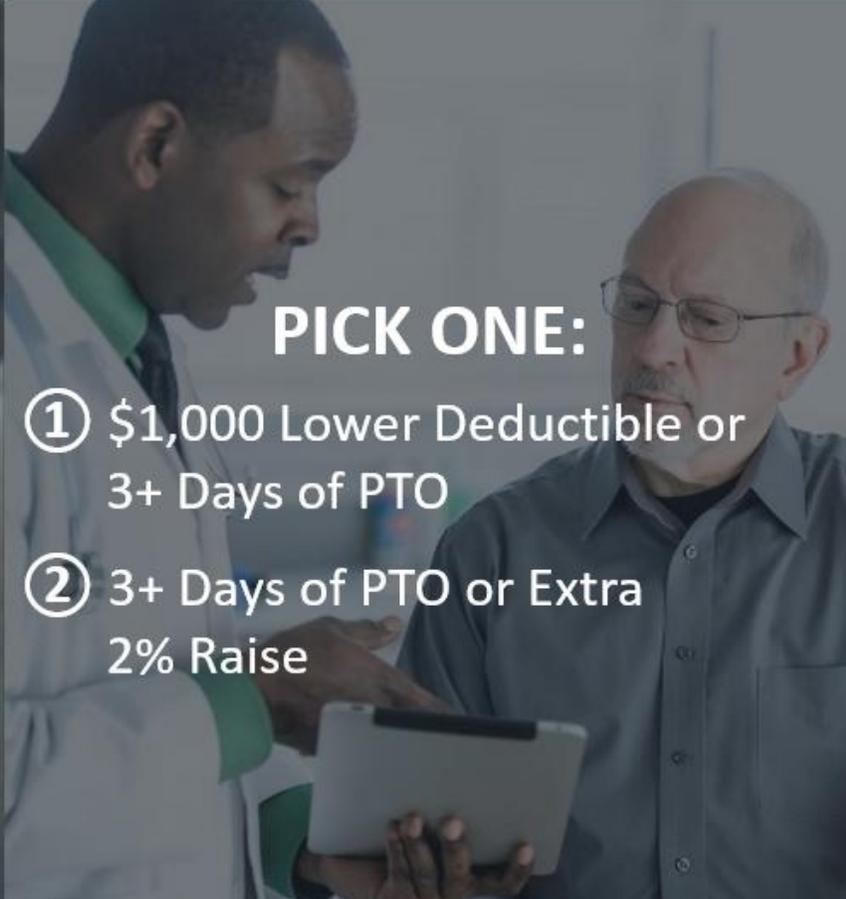
QUICK SURVEY

SURVEY #1

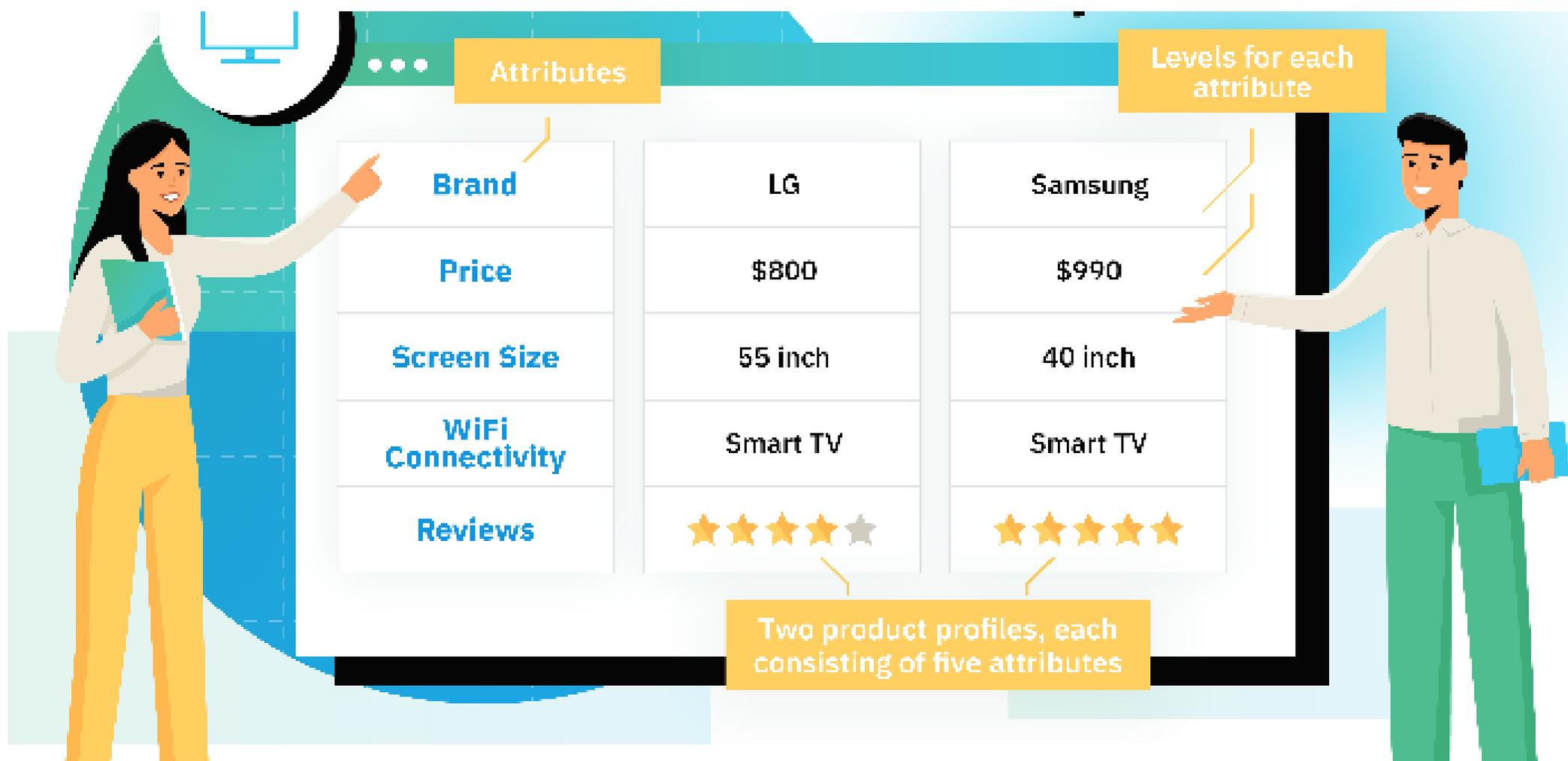
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- ① Rank your health insurance 1-5
 - ② Rank your PTO plan 1-5
 - ③ Rank your Take Home Pay 1-5

SURVEY #2

PICK ONE:

- 
- ① \$1,000 Lower Deductible or 3+ Days of PTO
 - ② 3+ Days of PTO or Extra 2% Raise

A New Survey Idea-Would you rather?



Benefit Wave Interest

- For more information on the Benefit Wave survey, scan the QR code
- Benefit Wave gives employers clear insight into employee preferences, helping you design benefits that employees actually value
 - Allows you to make more well-informed, data-driven decisions on how to spend benefit dollars and maximize engagement





Questions

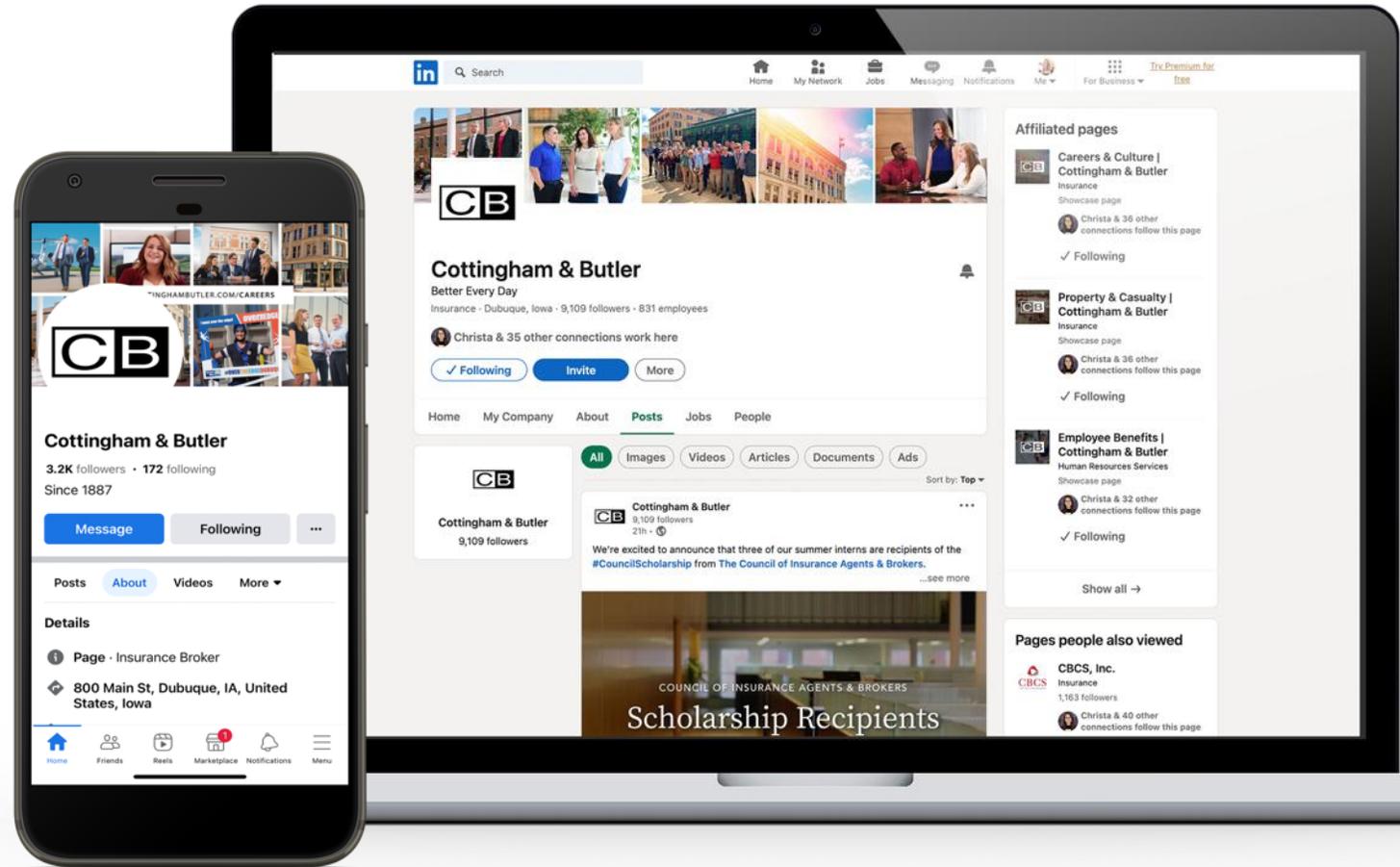
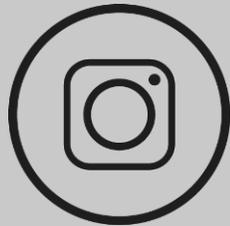


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