



LEGAL UPDATES

The Year Ahead for Compensation & Benefits – 2025

11/18/2024 | 2 minute read

As 2024 winds down, many are wondering what 2025 may bring in the world of compensation and benefits. Our ERISA attorneys use their decades of experience and crystal balls to predict what may be on horizon in plan design and administration, litigation, and regulatory efforts.

Plan Design & Administration

Three items that will come into effect in 2025 include:

- Extra-large catch-up contribution limit of \$11,250 can be offered for individuals who attain age 60, 61, 62, or 63 rather than the \$7,500 catch-up limit for those over age 50.
- Auto-enrollment is required for newly established 401(k) and 403(b) plans. Certain merger activities can result in or avoid the auto-enrollment requirement. Additionally, there are exclusions for small employers and newly formed start-ups.
- Long-term part time employees can no longer be excluded from making employee deferrals to a retirement plan if they have completed 500 hours of service in each of two consecutive years (it was three years in 2024). Certain limited exceptions apply.

Litigation

- *Cunningham v. Cornell University* is a case that will be argued at the Supreme Court that could have an impact on how costly it is to receive services as a benefit plan. If the more plaintiff friendly pleading standard regarding prohibited transactions is adopted, service providers may need to add the cost of discovery into service pricing.
- With twenty or more cases already being filed against employers regarding the use of forfeited employer contribution assets, this trend may continue into

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2025 given that motions to dismiss such claims have not always been successful.

Regulatory Efforts

- Changes to the definition of fiduciary investment advice are likely to be shelved by the new administration as the defense of rules issued in 2024 is unlikely to continue.
- ESG related investment rules for retirement plans might once again be amended to bring back the prior Trump administration's focus "pecuniary factors".
- ESOP valuations may not see the regulation regarding "adequate consideration" that they have already been waiting on since 1988. Although a proposal was sent to OMB, finalizing a regulation may not be high priority for a de-regulatory administration.

If you would like to learn about any of these items in more detail or analyze how they might impact your 2025, please contact us.