Employment Law 2025: ICYMI Webinar Recap

October 18, 2024

In a recent **Morse Employment Law** webinar, **Matt Mitchell**, **Rebecca Alperin**, and guest speaker **Mike Haley of Haley HR** offered an astute exploration of pressing employment law and benefits issues that employers must address as they approach 2025.

Matt Mitchell opened with a comprehensive analysis of non-compete agreements and AI in the workplace. Despite the FTC's failed attempt to ban non-competes nationwide, a Texas court ruling has sparked state-level legislative efforts, with many states moving toward stricter regulation. Matt emphasized that non-competes are becoming a central negotiation point as employees grow more aware of these clauses. He advised employers to re-examine their use, ensuring they are judiciously applied and tailored to business needs, and suggested using non-competes strategically in competitive sectors. Additionally, Matt highlighted the need to update non-solicitation and confidentiality covenants to comply with state-specific regulations.

Turning to AI, Matt underscored the dual opportunities and risks it presents. AI is now embedded in recruitment processes, offering significant efficiencies but also posing potential liabilities, especially regarding discrimination. New legislation in states like Illinois and New York aims to mitigate these risks. Matt urged employers to develop AI usage policies that balance innovation with compliance, audit AI tools to prevent biased outcomes, and address privacy risks associated with generative AI tools like ChatGPT. He stressed that thoughtful, proactive management of AI is now imperative for all employers.

Following Matt's presentation, there was a comprehensive analysis of significant updates in wage and hour law, focusing on new white-collar exemption salary thresholds. As of July 2024, the minimum salary for exempt employees rose to $844 per week, with another increase to $1,128 per week set for January 1, 2025. Our team stressed the urgency for employers to take immediate steps to ensure compliance by adjusting salaries or reclassifying employees, as legal challenges to these thresholds are unlikely to delay their implementation. Additionally, the necessity of updating non-solicitation and confidentiality covenants to comply with state-specific regulations.

Next topic was the important changes to **Massachusetts' Paid Family and Medical Leave (PFML)**. By January 2025, the maximum weekly benefit will increase to $1,170.64. A recent Supreme Judicial Court ruling that employers are not required to allow accruals of benefits, such as vacation time, during PFML leave, providing clearer guidance for structuring leave policies.

Our team also introduced the upcoming **Massachusetts Pay Transparency Act**, set to take effect in October 2025. This law will require employers to disclose pay ranges in job postings and provide salary information upon request, adding new layers of complexity to compensation management and compliance. They especially emphasized that proactive preparation is essential to navigate these changes effectively and avoid potential penalties. Our team urges employers to start revising their policies now to stay ahead of the compliance curve and ensure a smooth transition.

Rebecca Alperin delivered a focused discussion on employee benefits, emphasizing recent IRS guidance on 401(k) plans. She highlighted the impact of the **SECURE Act** and **SECURE 2.0**, which

have expanded retirement savings plan accessibility for long-term part-time employees. Under the new rules, employees working 500 to 1,000 hours annually and meeting a two-year tenure requirement are now eligible for 401(k) participation. It's important for employers to update plan documents to reflect these changes and ensure compliance by the January 2025 deadline.

Notably, Rebecca addressed updates to **Required Minimum Distribution (RMD)** rules, which push the mandatory withdrawal age to 73 in 2023 and further to 75 by 2033. Although plan amendments aren't required until 2026, she recommended that employers engage with recordkeepers and legal counsel to ensure early compliance. Additionally, she highlighted the option for matching contributions tied to student loan repayments, allowing employers to support employees in balancing debt repayment with long-term retirement savings. This provision requires careful implementation to ensure regulatory compliance.

Rebecca also discussed the importance of including long-term part-time employees in retirement plans, reflecting a shift towards more inclusive retirement planning. She also covered the rules surrounding plan forfeitures, including the requirement to use forfeited funds within 12 months of the plan year in which they were incurred.

Rebecca concluded by emphasizing the need for employers to establish a clear hierarchy for how forfeited funds will be used, whether to pay administrative costs or reduce future contributions. As 2025 approaches, she urged employers to ensure their forfeiture processes align with the latest regulatory guidance to avoid litigation risks.

Mike Haley wrapped up the session by addressing the significant challenges that small businesses and startups encounter as they scale, particularly in managing payroll and HR functions. He highlighted how many smaller companies often lack dedicated HR teams, which makes navigating payroll, taxes, and compliance with labor laws—especially across multiple states—an arduous task. This complexity demands expertise that many startups simply do not possess, resulting in a struggle to maintain efficient operations while ensuring compliance.

He also examined the role of Professional Employer Organizations (PEOs) in this context, outlining both their benefits and potential drawbacks. PEOs provide an immediate infrastructure for essential services like group medical plans and 401(k)s, along with payroll and workers' compensation support. However, they can limit a company's control, impose unnecessary services, and come with significant fees based on gross payroll. Additionally, businesses often face slow, impersonal service with multiple contacts rather than a dedicated support team.

As companies grow, many look to *transition away from PEOs* to gain more control over their processes, costs, and benefits. This was a key theme in Mike's discussion. He outlined a strategic path for this transition, emphasizing the importance of partnering with reliable payroll and benefits providers, assessing HR technology needs, and managing retirement plans effectively. By taking these steps, startups can reclaim control and ensure that their growth is supported by a solid and compliant operational framework.

If you have questions about employment law or employee benefits, contact **Matt Mitchell**, or **Rebecca Alperin**.