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# FIDUCIARY INSIGHTS

RETIREMENT PLAN INDUSTRY UPDATES



## Do 401k Vesting Schedules Help With Worker Retention?

According to IRS rules, defined contribution plans must either immediately vest employer contributions or implement a cliff or graded vesting schedule. A cliff vesting schedule provides complete vesting at a specific point within three years, while a graded schedule allows for gradual vesting over six years.

New research from Vanguard suggests that vesting schedules, traditionally used to encourage employee retention, may not be as effective as previously thought.

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## Why Are Employees Not Participating in Their 401k's?

Workplace retirement plans aim to ensure employees' financial security in retirement, but their effectiveness hinges on enrollment rates. In the last two years, participation rates among private-sector employees fell below 50%.

Examining plan design impacts on participation can help plan sponsors identify ways to help more employees make progress.

Principal conducted a survey of eligible individuals who aren't currently contributing to their retirement plans to identify the barriers to participation.

The survey revealed three key obstacles that hinder employees from enrolling in retirement plans that can be classified under two main themes: education and engagement gaps.

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## State Legislatures Continue Auto-IRA Push

State-level activity to expand retirement plan coverage marches on, as four state legislatures are considering bills to create state programs for private-sector employees whose employers do not offer a plan.

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## Key Concerns for Navigating 2025 SECURE 2.0 Changes: Devil in the Details

A recent report indicates that SECURE 2.0 remains a top priority for plan sponsors over two years after its enactment, with 82% prioritizing the review and adoption of relevant updates.

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