Navigating an Employee's Death: A Guide to Benefits and Next Steps

Having a plan in place can help with benefits compliance and support employees as they process the loss.

One of the biggest challenges an employer may face is the death of an employee. When this happens, it's important to obtain a balance between supporting employees and compliance obligations. This guide offers first steps, some frequently asked questions and answers, and a checklist to help you navigate what comes next after learning of an employee's death.

Frequently Asked Questions

After the death of an employee, what should we be thinking about from a benefits perspective?

Beneficiary-driven benefits like life insurance, retirement plans, and health savings accounts are an important first step requiring proper administration and notification to insurers. An employer's obligations may include starting the death claim process with the broker and insurer, informing named beneficiaries, providing death claim paperwork, submitting paperwork to the insurer, and following up until the claim has been paid. Terminating employer-sponsored group health benefits will generally require an offer of federal COBRA continuation coverage or state mini-COBRA for eligible plans with dependent coverage.

Should benefits be terminated on the date of death or the day after?

Benefits should be terminated based on the rules in the plan document and insurer contract. The qualifying event date is the date of death. The insurer's rules will indicate whether the benefits terminate on the date of death or the end of the month following the death. This information will be important for administering COBRA continuation for enrolled dependents.

What should an employer communicate to family members inquiring about the beneficiary designations of a deceased employee?

It is not recommended that an employer release beneficiary information to anyone except named beneficiaries and legal counsel. When asked, an employer may simply answer by stating the person is not the named beneficiary on the policy and that all named beneficiaries will be contacted.

Can an employer continue to make contributions to a deceased employee's health savings account (HSA)?

An employer may only contribute to an eligible employee's HSA. However, the regulation does not specifically address whether a deceased employee is considered an eligible employee and should be discussed with the HSA vendor or a tax professional.

Can the spouse of a deceased employee who has a balance in a flexible spending account file claims on the employee and children?

The spouse can seek reimbursement on behalf of the deceased employee for expenses occurring through the date of death until the claims filing deadline established by the plan.

The death of an employee can be a devastating and emotional time for an employer and employees. Having a plan in place can help with benefits compliance and support employees as they process the loss.

Does a divorce decree requiring children to be listed as beneficiaries override a beneficiary form listing another individual?

An employer generally has no responsibility, aside from providing signed beneficiary forms to the necessary parties, for determining beneficiaries since this is largely driven by policy terms and applicable laws. The appropriate beneficiary in this type of situation will be determined by both family law and state insurance law. It is recommended an employer in this situation contact the insurance carrier and/or legal counsel.

Is an employee permitted to name anyone they want as a beneficiary?

Some states, known as community property states, require spousal consent to name someone other than the spouse as a primary beneficiary. Qualified retirement plans, except Thrift Savings Plans and solo 401(k) plans, require spousal consent to name another individual as the primary beneficiary.

Employer Checklist

Use this checklist to guide you in preparing for notifying others, determining needed workload shifts, return of company property, paying out benefits, and other administrative issues.

Managing Personal and Professional Relationships

- [ ] **Determine which, if any, employees should be notified:**
  - Executive team
  - Employee's supervisor
  - Employee's department
  - If a high visibility position, determine if the entire company should know
- [ ] **Determine method of notification:**
  - Email
  - Company newsletter
  - Other
- [ ] **Determine if outside resources are needed:**
  - Remind employees about your employee assistance program (EAP) and any grief support services available
  - Outside grief counselors
- [ ] **Determine how to assign employee's clients or workload, and if outside individuals need to be notified:**
  - Notify vendors or clients
  - Forward emails
  - Forward phone
- [ ] **Designate a willing employee to handle questions relating to the employee's passing, as appropriate. This might include providing information such as:**
  - Where to send flowers for the family
  - Where donations can be made in honor of the deceased
  - The time and place of funeral services
- [ ] **Determine if any personal effects at work need to be returned to family, and make such arrangements.**
- [ ] **If employee was a remote worker, arrange for return of company property, including any confidential and proprietary documents.**

Clear All Boxes

Benefits, Wages, and Other Compensation

Gather beneficiary forms for the employee's 401(k), life insurance policies, etc.

- Prepare to pay out in accordance with terms and conditions of death payout contained in plan documents, including receiving whatever required documentation (e.g., death certificate) is needed before doing so.
- Carefully review plan provisions regarding 401(k) employer match, profit sharing, or employer contributions subject to vesting. If the employee was not 100% vested in these contributions, death (and disability) may make them 100% vested. Check these provisions before paying out incorrect amounts.

Review payroll records to make sure the employee doesn't have any uncashed checks. If so, typically you would need to cancel the checks and issue new ones to the employee's beneficiary or estate (generally with the same withholdings and taxes—consult a tax professional).

- In order to determine the beneficiary or estate to pay, you may want to start by reaching out to the employee's emergency contact.
- You may need to get required documentation as proof of beneficiary or estate in order to pay out.

Any earned wages that have not been paid (separate from uncashed checks) will need to be processed and paid in accordance with your state's timing requirement to the estate/beneficiary.

- In order to determine the beneficiary or estate to pay, you may want to start by reaching out to the employee's emergency contact.
- You may need to get required documentation as proof of beneficiary or estate in order to pay out.
- Consult a tax professional to understand what taxes should be withheld.
- Determine what, if any, benefit withholdings have to stay in place.

Pay out PTO, vacation, or accrued paid leave in accordance with any state laws, company policy, or company practice.

Follow necessary COBRA procedures by notifying carriers or processing COBRA in-house.

Administrative Considerations

Determine when to process the employee's termination of employment:

- In your payroll system, HRIS, and other employee files.
- On any organizational charts.
- On any employee contact lists.
- For logins to company systems, including how long to keep their email active.

Clear All Boxes