

Precautionary Steps Employers Can Take to Ease the Navigation of Benefits Issues in the Event of an Employee's Death

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PRACTICES Employee Benefits and Executive Compensation

Inevitably and unfortunately, at some point during an employer's operations, it will be faced with the tragic loss of an employee. While the loss of an employee will always be tough, there are some steps employers can take prior to the loss to make it easier to navigate the employee benefit issues for the employee's surviving spouse and family, including:

1. Periodically reminding employees to update or confirm beneficiary designation forms for retirement (both qualified and nonqualified) and life insurance plans and annually review beneficiary forms to ensure they have been properly completed;
2. Reviewing equity award agreements to determine whether awards vest upon an employee's death, being mindful that, if they are forfeited, there is no way to revive the awards after the employee's death;
3. Periodically reminding employees to keep the employer apprised of any changes to the employee's marital status, and annually updating all files to reflect any changes in an employee's marital status;
4. Reviewing all benefit plans to understand what records and documentation are needed to trigger payments (such as death certificates or the appointment of an executor) and what each plan's default beneficiary provisions provide;
5. Reviewing all benefit plans to understand what benefits are payable upon an employee's death, including the effect, if any, on such benefits if the employee is on a leave of absence at the time of death;
6. Developing a handout to help surviving family members understand the benefits that are available following an employee's death;
7. Reviewing insurance policies to understand whether the employer or the insurer is responsible for providing any conversion notice to an employee upon their loss of coverage, which may help prevent inadvertent lapses of coverage for terminally ill employees;
8. Reviewing the employer's wellness offerings and EAP to know what resources are available to provide support to both the employee's family members and work colleagues; and
9. Making sure the employer's accounting and payroll departments understand the tax obligations in the event of an employee's death, including what amounts are subject to federal income taxes and what amounts are not.

By completing these steps well in advance of the occurrence of an employee death, employers will be better positioned to ensure the employee's surviving family members can have the appropriate resources available in their time of need.