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The Value of Periodic Death Audits

All types of benefit plans can realize a significant value by performing periodic death audits.

In retirement and pension plans, retired participants receiving monthly payments often elect to have their payments directly deposited to a checking or savings account. This can be very efficient for both the retiree and the plan, while the retiree is alive and entitled to the payments. However, if payments are supposed to stop at the retiree's death, they sometimes don't because the surviving family members don't know who to contact to stop the payments. Payments can then continue on for months after the retiree's death. Once the overpayments are discovered, it is usually very difficult for the plan to secure repayment. A regular death audit can find these deaths more timely so that overpayments are minimized.

In addition, many defined benefit plans have significant numbers of former employees who are entitled to future benefits upon reaching retirement age. Many of these former employees do not think to notify a previous employer if their address changes, and certainly, their family members do not think to notify the employer of the employee's death. By undergoing regular death audits, plans can determine if any such former employees have died, so that any survivor benefits can be processed timely, and the liability for the former employee can be adjusted or removed. The audit function also performs address audits which can help to ensure continued contact with retirees.

Death audits become especially important for retirement plans looking ahead to a plan termination. Upon termination, there is a relatively short time window during which all liabilities must be settled. Discovering a significant number of participant deaths after the termination process has begun can delay the entire process, especially if the deaths go back many years such that beneficiaries are difficult to locate.

In health and welfare plans, retired participants may receive employer-sponsored life insurance or other insurance coverages. Our recent first-time audits have discovered approximately 1-3% of the retiree population was deceased. When an employer pays 100% of the premium, payments continue until the employer discovers the death. If the death is never reported, and surviving spouses or relatives are unaware of the coverage, premiums could be paid for many years following the retiree's death. Conducting a death audit is a simple and cost-effective way to limit this exposure and keep retiree data current.

Bolton has several tools that can assist with death audits and locating surviving relatives. If you are interested in performing a death audit, we welcome you to complete the brief survey found here: [Bolton's Death Audit Survey](#).

Please contact a Bolton Consultant today if you would like more information.