

## ERISA BONDING REQUIREMENTS

**WHY DO I NEED AN ERISA FIDELITY BOND?** A fidelity bond, or ERISA bond, is an insurance policy that provides a retirement plan with protection from losses caused by any fraudulent behavior such as embezzlement, theft, larceny and misappropriation by those who have access to the Plan's funds.

ERISA § 412(a) requires every fiduciary and every person who handles or has authority to handle funds or other property of a retirement plan (a "plan official") to be separately bonded. The bond must provide a direct right of access in favor of the Plan in the event the insured plan experiences a loss from acts of fraud or dishonesty by plan officials. Note "handling" is not limited to direct contact with plan investments.

It is unlawful for anyone who is required to be bonded to handle plan assets without a sufficient bond in place. It is also unlawful for any fiduciary to allow another plan official who is not properly bonded to handle plan assets.

Plan fiduciaries who breach any of their fiduciary responsibilities, obligations, or duties may be personally liable to make a plan whole for losses caused by their breaches. Co-fiduciaries may be jointly liable if the co-fiduciary knew of or should have known of the breach and failed to take steps to protect the Plan. The IRS and DOL can also levy civil penalties.

**REQUIRED ERISA FIDELITY BOND AMOUNT:** The amount of the bond is fixed annually at no less than 10% of the funds handled. The minimum bond amount is \$1,000; the maximum amount is \$500,000\* or \$1 million if employer securities are held within the plan. *The bond amount must be reported each plan year on the Form 5500.* Therefore, as the assets of the Plan increase annually, the existing bond amount must be raised accordingly.

Qualifying bonds must have as surety a corporate surety company that is an acceptable surety on Federal bonds. Note these bonds may have no deductible. A blanket bond, either multi-penalty or aggregate penalty, is acceptable. Often an existing business policy can be endorsed to cover these bonding requirements. If you do not currently have a fidelity bond, you may purchase one from your property/casualty/business broker for a nominal fee.

**HOW DO I OBTAIN AN ERISA FIDELITY BOND?** An insurer that issues fidelity bonds is Colonial Surety Company. To purchase a bond for the required amount, or to increase your fidelity bond amount, you may contact Colonial Surety Company by telephone at (888) 383-3313, by email at [ERISADept@colonialsurety.com](mailto:ERISADept@colonialsurety.com), or at their website:

[https://quote.colonialsurety.com/login/register\\_plan\\_sponsor?ref=CT0181](https://quote.colonialsurety.com/login/register_plan_sponsor?ref=CT0181)

Please provide us with a copy of the fidelity bond by fax at (203) 964-1949 or by email at [Lcariri@larpensions.com](mailto:Lcariri@larpensions.com). Should you have any questions regarding your fidelity bond, please do not hesitate to contact us at (203) 327-5275. Thank you for your prompt attention to this matter.

\* Effective for plan years beginning after December 31, 2007, The Pension Protection Act of 2006 ("PPA") raises the maximum bond amount to \$1 million in the case of a plan that holds employer securities. This increase does not apply to plans holding only securities which are part of broadly diversified fund of assets, such as mutual or index funds.