ERISA'S BOND REQUIREMENT

ERISA requires that every person who "handles funds or other property" of an employee benefit plan must be bonded, unless covered by an exemption. An ERISA fidelity bond specifically insures a plan against losses due to fraud or dishonesty, such as theft. ERISA bonds can only be issued by a surety company that is listed by the U.S. Department of the Treasury as an "approved surety".

Generally, bonding is necessary for the plan administrator and those officers and employees of the employer who "handle" plan funds by virtue of their duties relating to the receipt, safekeeping and disbursement of funds. Bonding may also be required for service providers whose duties involve access to plan funds or decision-making authority that can give rise to a risk of loss through fraud or dishonest.

FUNDS OR OTHER PROPERTY

The term "funds or other property" generally refers to all funds or property that the plan uses or may use to pay benefits to plan participants and beneficiaries, including contributions from the employer or employees received by the plan.

HANDLING

The term "handling" includes physical contact with cash, checks or similar property, power to transfer funds from the plan to a third party or to oneself, power to negotiate plan property, power to direct or disburse property, authority to sign checks, and supervisory responsibility over these activities.

Generally, each person must be bonded in an amount equal to at least 10% of the funds he or she handled in the preceding year, with a minimum of $1,000 and a maximum of $500,000. If the plan holds employer securities, the maximum is increased to $1,000,000. The bond can cover multiple plans, as long as each plan named on the bond is eligible to receive the maximum payment. Although most plan sponsors pay for the cost of coverage directly, the cost can be paid from plan assets.

If you have questions regarding the fidelity bond coverage for your plan, contact your plan consultant.

RANDALL + HURLEY

1328 N Whitman Lane, Liberty Lake, WA 99019
509 838 5500 | 888 682 4406

828 Great Northern Blvd, Helena, MT 59601
406 449 5500 | 800 765 9429