



PA Retirement Solutions, Inc.
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Fidelity Bond Requirements For Retirement Plans

What is required?

Does your retirement plan have Fidelity Bond coverage to protect the assets from fraud by one of the plan's fiduciaries? A Plan fiduciary is any person or entity who handles the Plan's assets, including, but not limited to, the Plan Administrator, Trustees, and Employer. On the IRS's website, the agency lists the top 10 compliance defects found on Retirement Plan audits. The #2 defect is "Inadequate or no fidelity bond coverage."

The Department of Labor requires all employers that sponsor a retirement plan to cover their plan(s) with a Fidelity bond of at least 10% of the value of the total plan assets, with a maximum bond of \$500,000 (\$1,000,000 for plans holding employer securities). No deductible is allowed in the bond, it must be in the name of the plan or trust (not the employer), or the bond must specifically state that the plan or plans (by name) are covered and that the general bond deductible doesn't apply per ERISA requirements. (DOL Regs. 2580.412-11)

If you are unsure if your Plan has adequate coverage, we recommend that you contact your insurance carrier to verify your bond limits at this time. If you currently have sufficient coverage, we would still recommend you have enough to adjust for anticipated growth in assets over the next 12 to 18 months. The annual premiums on Fidelity Bonds are typically minimal, so increasing your limits to a more than adequate amount can help protect you as your plan assets grow over time.

You may also click one of the "Fidelity Bond" links on our website at www.paretirementsolutions.com to purchase your bond through a company called Colonial Surety. They are a well-known company in our industry for the purchase of fidelity bonds and fiduciary liability insurance.

Please contact our office if you have any questions on your plan's Fidelity Bond or if you are unsure of the coverage your Plan should have. We also ask that you please send to our office any changes you make with respect to your Fidelity Bond coverage so that we may update our records.