ERISA Pension Fidelity Bond

The Pension Reform Act of 1974 states that fiduciaries (those who manage a pension plan or trust) must post a bond for 10 percent of the amount handled. In December 2002, the U. S. Department of Labor's Pension and Welfare Benefits Administration (PWBA) and Internal Revenue Service announced a joint project to ensure that all employee benefit plans have complied with their Form 5500 filing obligations under the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code.

Even small company plans with less than 100 participants must obtain fidelity bonds for their plan assets and report them on Form 5500. Failure to obtain and report sufficient fidelity bonding for plan assets may trigger the need for an independent annual CPA audit of the plan. Plan administrators who fail or refuse to comply may also face civil penalties of up to $1,100 per day per plan. Adequate fidelity bonding must be in place on the first day of the plan year.

The coverage amount is a minimum of $1,000 or 10% of plan assets up to a maximum of $500,000. A bond insuring the employer is not an appropriate fidelity bond for the plan. However, a rider may be arranged on the employer bond that names the plan separately. The Trustee of the plan may discuss the bonding requirement with his insurance agent.

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