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# TNJ Retirement Partners LLC

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## Bonding Requirements for your Plan

The Employee Retirement Income Security Act (ERISA) requires that virtually all qualified retirement plans obtain and maintain an ERISA bond. Basically an insurance policy for the plan, other common names for this type of bond are Fidelity bond and Surety bond. The purpose of this bond is to protect qualified retirement plans from losses due to fraud or dishonesty by all individuals who handle plan funds.

In addition to protecting the plan assets, an ERISA bond may eliminate the requirement for an independent plan audit for certain small plans (plans with less than 100 plan participants). The cost of an ERISA bond is typically a very small fraction of the cost of an independent audit.

### Who must be covered by the ERISA bond?

The ERISA bond must cover all “Plan Officials” who handle, or have access to, the plan assets. The Plan must also be named, or otherwise specifically identified, as an insured party.

“Plan Officials” typically include the Plan Sponsor, Plan Administrator and any officers and/or employees of the company who handle plan funds as part of their regular duties such as depositing funds into the plan, authorizing disbursement of funds from the plan and investing the plan assets. In some cases, “Plan Officials” can also include service providers, such as investment advisors and recordkeepers, whose duties involve access to the plan assets.

### How much coverage does my plan require?

An ERISA bond must cover at least 10% of the total plan assets at the end of the previous plan year. The minimum bond amount is \$1,000 and the maximum amount is generally \$500,000. The maximum can increase to as much as \$1,000,000 or more if the plan’s funds are in unconventional investments and/or employer securities. If multiple plans are covered under one bond policy, the policy must provide coverage for the combined amounts required for each individual plan. A deductible may not apply to coverage of the required amount.

Some policies include an “inflation guard” feature which automatically increases your bond coverage to the required 10% of plan assets, which can help to avoid needing to increase the face amount of coverage before the policy renewal date.

### How do I obtain an ERISA bond for my plan?

In most cases, you can obtain an ERISA bond by reaching out to your business insurance provider. The bond must be obtained from a company that is approved by the U.S. Department of the Treasury. A list of approved vendors can be found at <https://www.fiscal.treasury.gov/surety-bonds/list-certified-companies.html#a>.