



# ERISA BOND



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## ERISA BOND: WHAT IS IT AND DO I NEED ONE?

ERISA bonds were created by the Employee Retirement Income Security Act (ERISA) of 1974. This act is one of the most important laws to address retirement planning because it created rules and a regulatory framework to support and govern employer-sponsored retirement plans and their administration. The goal of ERISA is to protect employees who enrol in such plans, and keep checks on any other parties who take part. Importantly, the act helps beneficiaries as well.

It's an insurance policy that applies to retirement plans that fall under ERISA's jurisdiction. The bond was created to address public concern about fraud in the system. Before the act came about, many feared that pensions and other employee benefit plans were being abused and poorly managed. An ERISA bond protects these plans against losses that may result from fraud or dishonesty by the people in charge.

ERISA falls under the scope of the Department of Labour. The DOL offers guidance, sets standards, and ensures that all parties comply with the rules. They are also in charge of doling out penalties when needed. This relates to fraud. If someone in your workplace is involved in a Fidelity action, the DOL will investigate, impose sanctions, and you may be involved in a criminal trial. The bond is in place to restore any money that is lost in the upset to the rightful parties.

Each person who handles or has access to the funds in an employer-sponsored retirement plan must be covered for at least 10% of the amount they handled or had access to in the year prior.

In most cases, bonds cannot cover for less than \$500,000.

Price Forbes is an independent Lloyd's broker that can arrange ERISA Bond cover on your behalf in Lloyd's of London.

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