<u>NOTICE TO PLAN TRUSTEE</u>

Fidelity Bonding Requirements for Your Retirement Plan

Under **Section 412 of the Employee Retirement Income Security Act (ERISA)**, fiduciaries and any individuals who *handle or have responsibility for plan assets* must be protected by an ERISA fidelity bond.

This notice explains who must be bonded, why bonding is required, and how to determine the correct amount of coverage.

Purpose of the Fidelity Bond

An ERISA fidelity bond protects the plan against loss resulting from **fraud or dishonesty** by individuals who handle plan assets.
Fraud or dishonesty includes acts such as theft, embezzlement, forgery, misappropriation, or willful misuse of plan funds.

Who Must Be Bonded?

Federal regulations require bonding for any **administrator, officer, employee, or other person** who “handles” plan assets.

Administrator

A person with responsibility for the ultimate control, disposition, or management of plan money.
Examples: Plan Administrator, Plan Trustee
If an entity (corporation, partnership, etc.) is named as administrator, the individuals who actually handle plan funds must be bonded.

Officer

Any person designated as an officer of the plan or who performs executive functions for the plan.
Example: Members of a Plan Committee

Employee

Any person who performs work for or directly related to the plan.
Example: An office manager who prepares or signs plan checks

Other Individuals

For bonding purposes, “administrator, officer, or employee” also includes anyone indirectly employed or delegated to perform work for the plan **if their duties involve handling plan assets**.

What Does “Handling” Plan Assets Mean?

A person is considered to handle plan assets if their role creates a risk that assets could be lost due to fraud or dishonesty.
This includes duties involving:

- Physical access to plan funds
- Authority to sign checks or transfer assets
- Decision-making power over plan investments or disbursements
- Any function where misuse of assets is possible

Required Amount of Bond Coverage

Each individual who handles plan assets must be bonded for:

- **At least 10% of the amount of plan funds they handled in the previous year**,
- **Not less than $1,000**, and
- **Not more than $500,000** for a single plan

If exact amounts are difficult to calculate, a reasonable estimate may be used.

Obtaining a Fidelity Bond

You may obtain an ERISA fidelity bond through your casualty or insurance agent.
Please ensure:

- The bond reimburses the plan **from the first dollar of loss** up to the full bonded amount
- The bond includes a **minimum one-year discovery period** after termination or cancellation
- The surety company is **approved by the U.S. Treasury Department**
- Coverage may be provided through a blanket bond if it meets ERISA requirements and includes the plan fiduciaries

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Exceptions

Bonding is **not required** if:

- The business is wholly owned by an individual (or an individual and spouse), **and**
- There are **no employee participants** other than the owner and spouse

Similarly, partnerships with no employee participants other than partners and their spouses are exempt.

Compliance Reminder

ERISA makes it **unlawful** for any plan official to receive, handle, or exercise control over plan assets without the required bond.
Form 5500 reporting also requires disclosure of:

- The amount of the bond
- The name of the surety company

Please ensure your agent understands that **fidelity bonds are not the same as fiduciary liability insurance**.

FIDELITY BOND CONFIRMATION

(Please complete and return to Schweitzer & Company, LLC)

Plan Name: ____

Amount of Bond Coverage: ____

Company Issuing Coverage: ____

Policy Effective Date:____

If the issuing company or coverage amount changes, please notify us accordingly.

Return To:

Schweitzer & Company, LLC

11 Greenwood Road – #59
East Islip, NY 11730