PENSION STRATEGIES
QUALIFIED PLAN DESIGN & ADMINISTRATION

Strategic Update

Ideas, news and tips from Pension Strategies

June 2015

Are your ERISA Bonds Up to Date?

The Employee Retirement Income Security Act of 1974 (ERISA) sets minimum standards to protect assets in retirement funds. Part of those standards include fidelity bond requirements intended to protect ERISA plans from loss due to criminal conduct. When it's time to file your return, be sure your bond coverage is up to date to avoid potential penalties. Bonds are easy to obtain and are generally inexpensive.

Here are answers to questions you may have about ERISA Fidelity Bond requirements:

- **What is a Bond?** Bonds are not insurance, but they do protect policyholders from losses incurred as a result of fraudulent acts. They have no deductible and would pay the plan directly (not a third party) for any covered losses.
- **What type of plans need Bond coverage?** Bond coverage is not required if the plan covers only the owners, however most other types of qualified plans are required to have this important coverage.
- **Who needs to be bonded?** All persons who "handle" plan funds must be bonded. The U.S. Department of Labor (DOL) criteria states that if a person has a realistic opportunity to steal plan funds in the ordinary course of his or her everyday duties, that person must be bonded. The plan named trustees and any other appropriate parties typically fall under this category. Theft of plan assets under a plan that is not properly bonded could result in the plan fiduciary being personally responsible for those losses.
- **Who can issue a bond?** A surety company that is listed by the U.S. Department of Treasury as an approved surety company.
- **What is the amount of coverage required?** In general, the bond amount is 10% of the plan funds with a minimum of $1,000 and a maximum of $500,000 per plan. If the plan holds employer securities, the maximum bond amount is $1,000,000. However, if 5% or more of a plan's assets are considered "non-qualifying plan assets" the bond coverage is 100% of the value of those assets.
- **What is a non-qualifying plan asset?** Generally these are assets that are not held in a regulated financial institution like a bank or other similar financial institution. Real estate would be an example of a "non-qualifying" plan asset.
- **Does my small company need bond coverage?** Proper bond coverage for plans with less than 100 participants eliminates the DOL requirement for CPA audited financial statements for the retirement plan. It's referred to as the Small Pension Plan Audit Waiver Regulation. Audited financial statements can increase plan costs by many thousands of dollars. The inexpensive bond premium is a cost effective way to eliminate that requirement. Plans with more than 100 participants are already required to have audited financials, so this is a small plan issue and a great way to keep your fees in line.

- **How do you obtain a Bond?** Generally your property and casualty insurance carrier can help. If your agent doesn't handle this type of work many of our clients are happy working with Colonial Surety Company, Jaime Boccia can be reached at 201-949-1132 or jboccia@colonialsurety.com. Just tell her Pension Strategies sent you!

If you'd like more information on bond coverage requirements see the two links below:

DOL ERISA Bond information
Small Pension Plan Audit Regulations

UPCOMING DEADLINES

June 15, 2015
Extended due date of Form 5500 for plan years ending August 31, 2014.

July 31, 2015
Deadline for filing Form 5500 for plan years ending December 31, 2014 without extension. Please send in your completed data request packet.

About Pension Strategies

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Alert: PBGC Increases Premiums

Effective for the 2015 premium year, Defined Benefit Plans subject to Pension Benefit Guaranty Corporation [PBGC] insurance will see an increase in premiums. Here are three things you need to know:

1. The rates are increasing from $49 per participant to $57 per participant and the rate per $1,000 of unfunded vested benefits is $24, up from $14.
2. Defined benefit plans covering only substantial owners are exempt from PBGC coverage as are professional service companies that sponsor defined benefit plans with fewer than 25 participants.
3. The due date for the 2015 premium payments is October 15, 2015 for an ongoing calendar year end plan.

Helpful Link for Retirement Plans

The IRS website is a good resource for qualified plans, as well as IRA based plans like SEPs and SIMPLEs. IRA based plans don't need a Third Party Administration firm like Pension Strategies, but we get questions about those types of plans from time to time.

Here is a link to the IRS Retirement Plans Home Page offering information ranging from contribution limits, to fix-it guides outlining common mistakes and how to fix them for 401(k), SEPs, SIMPLEs, and several other plan types.

Of course, you can always feel free to call Pension Strategies if you have any additional questions.

Pension Strategies News

Please join us in congratulating Mallory Young on the newest addition to their growing family! Mallory and her husband Adam welcomed Carter into their family last month, the family is doing well and we are looking forward to having Mallory back with us after her maternity leave in mid-June.

Please let us know if you would like us to address any topics in upcoming issues of Strategic Update. We're here to be your best resource in the Retirement Planning industry.

Sincerely,
Jack Lawless, CPA, APM
Pam Johnson, QPA, CPC
Jill Hastings, JD
David Schattenberg, APA, Senior Consultant
Mallory Young, Senior Consultant

And the entire Pension Strategies team