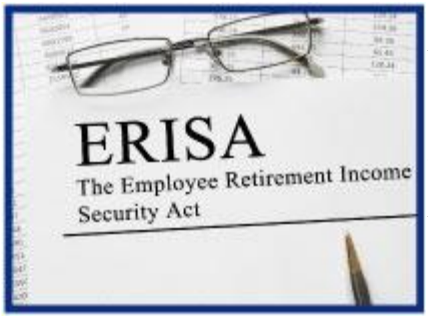
Understanding ERISA Bonds



ERISA Bonds or Pension Trust Bonds are designed to protect the pension programs. An appointed person manages the plans and oversees the programs. These bonds are to protect the money in the plans against fraud and dishonest acts by the appointed person. ERISA does require a bond of 10 percent of the value of pension and profit-sharing funds. The maximum the principal is required to carry is $500,000 for qualified assets and $1MM for non-qualified assets.

What is ERISA? The Employee Retirement Income Security Act of 1974, or ERISA, protects the assets of millions of Americans so that funds placed in retirement plans during their working lives will be there when they retire.

ERISA is a federal law that sets minimum standards for pension plans in private industry. ERISA does not require any employer to establish a pension plan. It only requires that those who establish plans must meet certain minimum standards. The law generally does not specify how much money a participant must be paid as a benefit.

ERISA does the following:

- Requires plans to provide participants with information about the plan including important information about plan features and funding.
- Sets minimum standards for participation, vesting, benefit accrual and funding.
- Requires accountability of plan fiduciaries.
- Gives participants the right to sue for benefits and breaches of fiduciary duty.
- Guarantees payment of certain benefits if a defined plan is terminated, through a federally charted corporation known as the Pension Benefit Guaranty Corporation.

Employers can create qualified retirement plans - designed to offer individuals added tax benefits on top of their regular retirement plans, such as IRS; or non-qualified retirement plans - those that are not eligible for tax-deferral benefits. The main difference between the two plans is the tax treatment of deductions by employers.

Generally speaking, there are two types of pension plans: defined benefit plans and defined contribution plans.

A defined benefit plan promises participants a specified monthly benefit at retirement. The defined benefit plan promises participants a specified monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount; or, more commonly, it may calculate a benefit through a plan formula that considers such factors as salary and service.

A defined contribution plan, on the other hand, does not promise a specific amount of benefits at retirement. In these plans, the participant or the employer (or both) contribute to the participant's individual account under the plan. These contributions generally are invested on the participant's behalf. And the participant will ultimately receive the balance of their account which is based on contributions plus or minus investment gains or losses.

Goldleaf Surety Services has a number of good surety markets that write ERISA bonds or Pension Trust bonds. For ERISA bonds - and all types of bonds - you can access Goldleaf Surety through Big "I" Markets. Simply log in to www.bigimarkets.com or email us at bigimarkets@iiaba.net and an underwriter will contact you.