

Employee Benefit Plan Accounts

Employee benefit plan accounts are deposits of a pension plan, profit-sharing plan or other employee benefit plan.

Employee benefit plan deposits are insured up to \$250,000 for each participant's non-contingent interest in the plan.

This coverage is known as "pass-through" insurance because the insurance coverage passes through the plan administrator to each participant's interest or share.

Coverage for a plan's deposits is not based on the number of participants, but rather on each participant's share of the plan. Because plan participants normally have different interests in the plan, insurance coverage cannot be determined by simply multiplying the number of participants by \$250,000.

To determine the maximum amount a plan can have on deposit in a single bank and remain fully insured, first determine which participant has the largest share of the plan assets, then divide \$250,000 by that percentage. For example, if a plan has 20 participants, but one participant has an 80% share of the plan assets, the most that can be on deposit and remain fully insured is \$312,500. ($\$250,000 / .80 = \$312,500$)

Example - Employee benefit plan that qualifies for "pass-through" coverage				
Account Title				Balance
Happy Pet Clinic Benefit Plan				\$ 285,000
Plan Participants	Plan Share	Share of Deposit	Amount Insured	Amount Uninsured
Dr. Todd	35%	\$ 99,750	\$ 99,750	\$ 0
Dr. Jones	30%	85,500	85,500	0
Tech Evans	20%	57,000	57,000	0
Tech Barnes	15%	42,750	42,750	0
Plan Total	100%	\$ 285,000	\$ 285,000	\$ 0

Explanation:

This employee benefit plan can deposit \$285,000 in a single insured bank and have all of its participants fully insured. The \$285,000 deposit results in Dr. Todd (the largest participant) being insured for \$99,750 (35% of \$285,000). When Dr. Todd is fully insured, the rest of the participants will be insured, since they have smaller shares of the plan.

To determine the maximum amount this plan can have on deposit in a single bank and remain fully insured, first identify the participant with the largest share of the plan assets, then divide \$250,000 by that percentage. In this example since Dr. Todd has a 35% share of the plan assets, the most that can be on deposit and remain fully insured is \$714,285.71. ($\$250,000 / .35 = \$714,285.71$)

Plan participants who want to know more about how a plan's deposits are insured should consult with the plan administrator.