

MEMO# 14550

March 18, 2002

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2001

[14550] March 18, 2002 TO: INDUSTRY STATISTICS COMMITTEE No. 2-02 PENSION MEMBERS No. 9-02 PENSION OPERATIONS ADVISORY COMMITTEE No. 15-02 RESEARCH COMMITTEE No. 6-02 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2001 The Institute recently surveyed certain of its members in a continuing effort to track developments in the SIMPLE IRA market.¹ The Institute's survey requested SIMPLE IRA data on the number of plans, number of plan participants, and value of the assets as of June 30, 2001 and December 31, 2001. Survey respondents indicate that between June 30, 2001 and December 31, 2001, the number of SIMPLE IRA plans rose 8 percent, the number of participants increased 6 percent, and SIMPLE IRA assets invested in mutual funds were up 19 percent. By comparison, over the first half of 2001, the number of SIMPLE IRA plans rose 11 percent, the number of participants increased 15 percent, and SIMPLE IRA assets invested in mutual funds were up 14 percent. Over 2001 as a whole, the number of SIMPLE IRA plans increased 20 percent, the number of participants rose 22 percent, and assets increased about 36 percent.² 1 The Institute has conducted six earlier surveys: (1) a survey on SIMPLE IRAs as of June 30, 2001, summarized in Institute Memorandum to Industry Statistics Committee No. 7-01, Pension Members No. 29-01, Pension Operations Advisory Committee No. 60-01, and Research Committee No 12-01, dated September 28, 2001; (2) a survey on SIMPLE IRAs as of December 31, 2000, summarized in Institute Memorandum to Industry Statistics Committee No. 3-01, Pension Members No. 16-01, Pension Operations Advisory Committee No. 25-01, and Research Committee No 7-01, dated March 20, 2001; (3) a survey on SIMPLE IRAs as of June 30, 2000, summarized in Institute Memorandum to Industry Statistics Committee No. 8-00, Pension Members No. 46-00, Pension Operations Advisory Committee No. 68-00, and Research Committee No. 18-00, dated September 14, 2000; (4) a survey on SIMPLE IRAs as of December 31, 1999, summarized in Institute Memorandum to Industry Statistics Committee No. 2-00, Pension Members No. 20- 00, Pension Operations Advisory Committee No. 23-00, and Research Committee No. 7-00, dated March 28, 2000; (5) a survey on SIMPLE IRAs as of (December 31, 1998 and) June 30, 1999, summarized in Institute Memorandum to Pension Members No. 34-99, Pension Operations Advisory Committee No. 43-99, and Research Committee No. 11-99, dated September 23, 1999; and (6) a survey on Roth IRAs, Education IRAs and SIMPLE IRAs for first quarter 1998, summarized in Institute Memorandum to Pension Members No. 52-98 and Pension Operations Advisory Committee No. 38-98, dated August 20, 1998. Please note the number and composition of survey respondents change over time. 2 Growth in plans and participants in the second half of 2001 was slower than in the first half, in part because employers generally are not

permitted to form new SIMPLE IRA plans after October 1st of any given year under IRS regulations. 2 Based on the survey results, the SIMPLE IRA continues to be most popular among very small employers. Most SIMPLE IRA plans have 10 or fewer participants. Survey results are based on the responses of 25 firms,³ representing an estimated 71 percent of the \$8 billion of SIMPLE IRA assets invested in mutual funds at year-end 2000.⁴ Survey respondents are not randomly selected and therefore do not necessarily reflect the characteristics of the typical SIMPLE IRA account invested in mutual funds. Highlights of the survey results are as follows: I. SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 2001, there were approximately 311,600 SIMPLE IRA plans, an increase of 8 percent over the second half of 2001. (Revised estimates show there were about 288,200 plans in June 2001, 259,100 plans in December 2000, 227,000 plans in June 2000, 193,200 plans in December 1999, 157,400 plans in June 1999, and approximately 121,600 plans in December 1998 (see chart attached).) II. SIMPLE IRA participants: For those respondents who were able to provide the data, as of December 31, 2001, there were approximately 1,371,100 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 6 percent over the second half of 2001. (Revised estimates show there were about 1,299,100 participants in June 2001, 1,125,000 participants in December 2000, 1,000,900 participants in June 2000, 822,800 SIMPLE IRA participants in December 1999, 671,200 participants in June 1999, and approximately 502,400 participants in December 1998 (see chart attached).) III. Size of SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 2001, about 89 percent of SIMPLE IRA plans had 10 or fewer participants. Approximately 98 percent of the SIMPLE IRA plans had 25 or fewer participants.⁵ On average, there were 4.4 participants per plan in December 2001. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah Holden Senior Economist Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 14550, or call the ICI Library at (202) 326-8304 and request the attachment for memo 14550. 3 A couple of firms reported revisions to previously reported figures. In addition, the merger of a non-respondent firm into a respondent firm caused revisions as the SIMPLE IRA information of the previously non-respondent firm was added. Finally, at this time, one previous respondent was unable to provide data for December 2001, and all 2001 figures were estimated for that firm. 4 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the Retirement Market in 2000," Fundamentals, Vol. 10, No. 2, June 2001 (available at ICI's website: www.ici.org). 5 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.