

MEMO# 15206

September 25, 2002

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2002

[15206] September 25, 2002 TO: PENSION MEMBERS No. 44-02 PENSION OPERATIONS ADVISORY COMMITTEE No. 64-02 RESEARCH COMMITTEE No. 17-02 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2002 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 December 31, 2001 and June 30, 2002. Survey respondents indicate that, between December 31, 2001 and June 30, 2002, the number of SIMPLE IRA plans rose 7 percent, the number of participants increased 9 percent, and SIMPLE IRA assets invested in mutual funds were up 7 percent. By comparison, over the first half of 2001, the number of SIMPLE IRA plans rose 11 percent, the number of participants increased 16 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 21 percent, the number of participants rose 24 percent, and SIMPLE IRA assets invested in mutual funds increased about 38 percent.² Based on our 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 73 percent of the \$11 billion of SIMPLE IRA assets invested in mutual funds at year-end 2001.⁴ 1 The Institute has conducted seven earlier surveys. For a listing of those previous surveys, see Institute Memorandum (summarizing December 31, 2001 survey results) to Industry Statistics Committee No. 2-02, Pension Members No. 9-02, Pension Operations Advisory Committee No. 15-02, and Research Committee No. 6-02, dated March 18, 2002. Note the number and composition of survey respondents change over time and the newest survey results represent a complete and consistent time series that reflects revisions to earlier data. 2 Growth 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. 3 A couple of firms reported revisions to previously reported figures. At this time, one previous respondent was unable to provide data for June 2002, and all June 2002 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 2001," Fundamentals, Vol. 11, No. 2, June 2002 (available at ICI's website: www.ici.org). 2 Note that the 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: Survey results indicate, as of June 30, 2002, there were approximately 336,500 SIMPLE IRA plans, an increase of 7 percent over the first half of 2002. (Revised estimates show there were about 315,200 plans in December 2001, 289,600 plans in June 2001, 260,000 plans in December 2000, 227,600 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: Survey results indicate, as of June 30, 2002, there were approximately 1,516,600 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 9 percent over the first half of 2002. (Revised estimates show there were about 1,396,100 participants in December 2001, 1,308,700 participants in June 2001, 1,130,000 participants in December 2000, 1,001,400 participants in June 2000, 822,800 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 June 30, 2002, 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 4.5 participants per plan in June 2002. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah A. Holden Senior Economist Research Department 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 15206, or call the ICI Library at (202) 326-8304 and request the attachment for memo 15206. Attachment (in .pdf format) 5 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

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