

MEMO# 12628

September 14, 2000

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2000

[12628] September 14, 2000 TO: INDUSTRY STATISTICS COMMITTEE No. 8-00 PENSION MEMBERS No. 46-00 PENSION OPERATIONS ADVISORY COMMITTEE No. 68-00 RESEARCH COMMITTEE No. 18-00 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2000 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, 1999 and June 30, 2000. Survey respondents indicate that between December 31, 1999 and June 30, 2000, the number of SIMPLE IRA plans rose 17%, the number of participants increased 21%, and SIMPLE IRA assets invested in mutual funds were up 35%. By comparison, over the first half of 1999, the number of SIMPLE IRA plans rose 30%, the number of participants increased 34%, and SIMPLE IRA assets invested in mutual funds were up 69%. Over 1999 as a whole, our revised data indicate the number of SIMPLE IRA plans increased 59%, the number of participants rose 64%, and assets increased about 150%.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 23 firms,³ representing an estimated 65% of the \$6 billion of SIMPLE IRA assets invested in mutual funds at year-end 1999.⁴ Please note that 1 The Institute has conducted three earlier surveys: (1) 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; (2) 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 (3) 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 the second half of 1999 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 December 1999 figures. A new survey respondent provided data back to December 1998 (22 of the firms had participated in the ad hoc December 1999 survey). 4 The survey respondents were 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 June 30, 2000, there were approximately 224,100 SIMPLE IRA plans, an increase of 17% over the first half of

2000. (For this new sample of survey respondents, we estimate there were about 191,400 plans in December 1999, 156,000 plans in June 1999, and approximately 120,300 plans in December 1998 (see chart attached).) II. SIMPLE IRA participants: For those respondents who were able to provide the data, as of June 30, 2000, there were approximately 984,400 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 21% over the first half of 2000. (For this new sample of survey respondents, we estimate there were about 810,800 SIMPLE IRA participants in December 1999, 661,200 participants in June 1999, and approximately 494,000 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, 2000, about 87% of SIMPLE IRA plans had 10 or fewer participants. Approximately 97% of the SIMPLE IRA plans had 25 or fewer participants.⁵ On average, there were 4 participants per plan in June 2000. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah Holden Senior Economist Research Department Attachment Attachment (in .pdf format) 4 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the Retirement Market," Fundamentals, Vol. 9, No. 2, May 2000 (available at ICI's website: www.ici.org). 5 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

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