

MEMO# 15780

March 20, 2003

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2002

[15780] March 20, 2003 TO: PENSION MEMBERS No. 13-03 PENSION OPERATIONS ADVISORY COMMITTEE No. 16-03 RESEARCH COMMITTEE No. 6-03 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 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 June 30, 2002 and December 31, 2002. Survey respondents indicate that, between June 30, 2002 and December 31, 2002, the number of SIMPLE IRA plans rose 4 percent, the number of participants increased 4 percent, and SIMPLE IRA assets invested in mutual funds were up 6 percent. By comparison, over the second half of 2001, the number of SIMPLE IRA plans rose 9 percent, the number of participants increased 6 percent, and SIMPLE IRA assets invested in mutual funds were up 19 percent. Over 2002 as a whole, the number of SIMPLE IRA plans increased 11 percent, the number of participants rose 12 percent, and SIMPLE IRA assets invested in mutual funds increased about 15 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 eight earlier surveys. For the most recent previous survey, see Institute Memorandum (summarizing June 30, 2002 survey results) to Pension Members No. 44-02, Pension Operations Advisory Committee No. 64-02, and Research Committee No. 17-02, dated September 25, 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 2002 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 few firms reported revisions to previously reported figures. At this time, one previous respondent could only provide partial information for December 2002, and estimates were made for that firm. 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 December 31, 2002, there were approximately 350,100 SIMPLE IRA plans, an increase of 4 percent over the second half of 2002. (Revised estimates show there were about 336,000 plans in June 2002, 315,600 plans in December 2001, 290,000 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 December 31, 2002, there were approximately 1,558,000 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 4 percent over the second half of 2002. (Revised estimates show there were about 1,504,900 participants in June 2002, 1,391,000 participants in December 2001, 1,307,800 participants in June 2001, 1,129,900 participants in December 2000, 1,001,500 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 December 31, 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 December 2002. If you have any questions or comments concerning the survey, please call me at (202) 326-5915. Sarah Holden Senior Economist Research Department Attachment (in .pdf format) 4 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the U.S. Retirement Market in 2001," Fundamentals, Vol. 11, No. 2, June 2002 (available on ICI's website at: <http://www.ici.org/stats/res/fm-v11n2.pdf>). For a revised estimate of total IRA market assets, see "Frequently Asked Questions About Individual Retirement Accounts (IRAs)" (available on ICI's website at: http://www.ici.org/newsroom/faq/faqs_iras.html). 5 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.