

MEMO# 17244

March 18, 2004

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2003

[17244] March 18, 2004 TO: PENSION MEMBERS No. 20-04 PENSION OPERATIONS ADVISORY COMMITTEE No. 25-04 RESEARCH COMMITTEE No. 9-04 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2003 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, 2003 and December 31, 2003. Survey respondents indicate that, between June 30, 2003 and December 31, 2003, the number of SIMPLE IRA plans rose 2 percent, the number of participants increased 2 percent, and SIMPLE IRA assets invested in mutual funds were up 27 percent. By comparison, over the second half of 2002, the number of SIMPLE IRA plans rose 5 percent, the number of participants increased 4 percent, and SIMPLE IRA mutual fund assets were up 6 percent. Over 2003 as a whole, the number of SIMPLE IRA plans increased 7 percent, the number of participants rose 7 percent, and SIMPLE IRA assets invested in mutual funds increased about 61 percent. 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 24 firms,² representing an estimated 73 percent of the \$12 billion of SIMPLE IRA assets invested in mutual funds at year-end 2002.³ 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. 1 The Institute has conducted ten earlier surveys. For the most recent previous survey, see Institute Memorandum [#16592] summarizing June 30, 2003 survey results, dated September 30, 2003. 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 At this time, one previous respondent could only provide partial information for December 2003, and some estimates were made for that firm. In addition, a couple of firms had revisions to previously reported data. 3 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the U.S. Retirement Market in 2002," Fundamentals, Vol. 12, No. 1, June 2003 (available on ICI's website at: <http://www.ici.org/stats/res/fm-v12n1.pdf>). 2 Highlights of the survey results are as follows: I. SIMPLE IRA plans: Survey results indicate, as of December 31, 2003, there were approximately 376,100 SIMPLE IRA plans, an increase of 7 percent in 2003. Estimates for previous time periods, including revisions, are shown in the top panel of the chart attached. II. SIMPLE IRA participants: Survey results indicate, as of December 31, 2003, there were approximately 1,651,700 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 7 percent in 2003. Estimates

for previous time periods, including revisions, are shown in the lower panel of the chart attached. III. Size of SIMPLE IRA plans: For those respondents who were able to provide the data, as of December 31, 2003, 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.⁴ On average, there were 4.4 participants per plan in December 2003. 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 17244, or call the ICI Library at (202) 326-8304 and request the attachment for memo 17244. ⁴ The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.