

MEMO# 19220

October 5, 2005

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2005

©2005 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. [19220] October 5, 2005 TO: PENSION MEMBERS No. 46-05 PENSION OPERATIONS ADVISORY COMMITTEE No. 29-05 RESEARCH COMMITTEE No. 15-05 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF JUNE 30, 2005 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, 2004 and June 30, 2005. Survey respondents indicate that, between December 31, 2004 and June 30, 2005, the number of SIMPLE IRA plans increased 4 percent, the number of participants rose 5 percent, and SIMPLE IRA assets invested in mutual funds were up 10 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, representing about three-quarters of the \$26 billion of SIMPLE IRA assets invested in mutual funds at year-end 2004.² 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, 2005, there were approximately 417,200 SIMPLE IRA plans, an increase of 4 percent in the first half of 1 The Institute has conducted 13 earlier surveys. For the most recent previous survey, see Institute Memorandum [#18901] summarizing December 31, 2004 survey results, dated May 27, 2005. 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 For data on IRA assets invested in mutual funds, see the Investment Company Institute, "Mutual Funds and the U.S. Retirement Market in 2004," Fundamentals, Vol. 14, No. 4, August 2005 (available on ICI's website at: <http://www.ici.org/pdf/fm-v14n4.pdf>) and "Appendix: Additional Data on Mutual Funds and the U.S. Retirement Market in 2004," Fundamentals, Vol. 14, No. 4A, August 2005 (available on ICI's website at: http://www.ici.org/pdf/fm-v14n4_appendix.pdf). 2 2005. Estimates for previous time periods are shown in the top panel of the chart attached. II. SIMPLE IRA participants: Survey results indicate, as of June 30, 2005, there were approximately 1,856,900 SIMPLE IRA participants. The number of SIMPLE IRA participants increased 5 percent in the first half of 2005. Estimates for previous time periods 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 June 30, 2005, about 89 percent of the SIMPLE IRA plans had 10 or fewer participants. Approximately 98 percent of the SIMPLE IRA plans had 25 or fewer participants.³ On average, there were 4.5

participants per plan in June 2005. 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) 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 19220, or call the ICI Library at (202) 326-8304 and request the attachment for memo 19220. 3 The Institute's previous ad hoc surveys showed similar distributions regarding plan size.

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