

MEMO# 9370

October 28, 1997

INSTITUTE'S SECOND SIMPLE PLANS SURVEY

[9370] October 28, 1997 TO: PENSION COMMITTEE No. 42-97 PENSION OPERATIONS
ADVISORY COMMITTEE No. 43-97 RE: INSTITUTE'S SECOND SIMPLE PLANS SURVEY

The Institute recently surveyed its committee members to estimate the number of SIMPLE plans and accounts that have been established between January 1 and July 31, 1997. In particular, we sought to identify the aggregate number of plans and accounts, compute average plan size, identify the types of employers establishing plans, and determine the extent to which the "Designated Financial Institution" concept was in use. The survey was the second such Institute survey. The SIMPLE program continues to be extremely popular, especially among the smallest employers -- those with under 10 employees. The trends found in the most recent survey are consistent with trends identified in the first survey: * Plan establishment is concentrated among employers with under 10 employees * The SIMPLE-IRA is preferred over the SIMPLE-401(k) * About 30% of employers that have established SIMPLE plans have elected to use the "designated financial institution" aspect of the program The survey also found that as of July 31, 1997, at least 18,261 SIMPLE IRA plans with 95,431 IRA participant accounts, had been established. These numbers constitute almost four times the number of participant accounts and three and one-half times the number of plans established as of March 31, 1997. Eighty-seven percent of employers establishing SIMPLE plans are employers with under 10 employees and over ninety-seven percent of employers establishing plans are those with 25 or fewer employees. Average SIMPLE plan size is about 5.2 participants per plan. About forty-six percent of SIMPLE plan formation is attributable to unincorporated entities, such as sole proprietorships and partnerships. - 2 - Remarkably, respondents reported only 50 withdrawals from SIMPLE plan accounts. Given more than 95,000 accounts, this is a negligible number equal to well under one-tenth of one percent of all accounts. Respondents were unable to identify which SIMPLE plans were established by employers who previously offered no retirement plan and which were replacing an existing arrangement. Further details are found in the attachment. Russell G. Galer Associate Counsel - Pension Attachment (in .pdf format)