

MEMO# 13288

March 20, 2001

INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 2000

[13288] March 20, 2001 TO: INDUSTRY STATISTICS COMMITTEE No. 3-01 PENSION MEMBERS No. 16-01 PENSION OPERATIONS ADVISORY COMMITTEE No. 25-01 RESEARCH COMMITTEE No. 7-01 RE: INSTITUTE RELEASES AD HOC SURVEY OF SIMPLE IRAS AS OF DECEMBER 31, 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 June 30, 2000 and December 31, 2000. Survey respondents indicate that between June 30, 2000 and December 31, 2000, the number of SIMPLE IRA plans rose 14% and the number of participants increased 12%.² Equity market performance damped growth in SIMPLE IRA assets invested in mutual funds, which were up 9% over the second half of 2000. By comparison, over the second half of 1999, the number of SIMPLE IRA plans rose 23%, the number of participants increased 23%, and SIMPLE IRA assets invested in mutual funds were up 46%. Over 2000 as a whole, our revised data indicate the number of SIMPLE IRA plans increased 34%, the number of participants rose 36%, and assets increased about 47%. 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. 1 The Institute has conducted four earlier surveys: (1) a survey on SIMPLE IRAs as of June 30, 2000, summarized in Institute Memorandum to Industry Statistics Committee No. 8-00, Pension Members No. 46-00, Pension Operations Advisory Committee No. 68-00, and Research Committee No. 18-00, dated September 14, 2000; (2) 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; (3) 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 (4) 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 the year has generally been 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. 2 Survey results are based on the responses of 24 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 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 December 31, 2000, there were approximately 256,500 SIMPLE IRA plans, an increase of 14% over the second half of 2000. (For this new sample of survey respondents, we estimate there were about 224,800 plans in June 2000, 192,100 plans in December 1999, 156,500 plans in June 1999, and approximately 120,900 plans in December 1998 (see chart attached).) II. SIMPLE IRA participants: For those respondents who were able to provide the data, as of December 31, 2000, there were approximately 1,114,100 SIMPLE IRA participants. The number of SIMPLE IRA participants increased approximately 12% over the second half of 2000. (For this new sample of survey respondents, we estimate there were about 992,600 SIMPLE IRA participants in June 2000, 818,200 participants in December 1999, 667,700 participants in June 1999, and approximately 501,800 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, 2000, about 88% of the SIMPLE IRA plans had 10 or fewer participants. Approximately 98% of the SIMPLE IRA plans had 25 or fewer participants.⁵ On average, there were 4 participants per plan in December 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 3 All firms who participated in the June 2000 survey provided December 2000 data and a couple of firms reported revisions to previously reported figures. A new survey respondent provided annual data back to December 1998; June data points were estimated for this respondent. 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. 3Attachment (in .pdf format)