PENSIONS: BENEFITS AND RETIREE SPENDING PROVIDE IMPORTANT ECONOMIC SUPPORT ACROSS AMERICA

When a retiree receives a pension benefit payment, s/he spends it on goods and services — housing, food, clothing, medicines, a car or computer. These purchases create an important economic ripple effect.

PENSION SPENDING RIPPLES ACROSS THE U.S. ECONOMY

Defined benefit (DB) pensions provide a secure source of income for many retired Americans, and they contribute substantially to our local, state and national economies. Spending of pension benefits checks creates economic activity and supports millions of American jobs.

PENSIONS PROVIDE INCOME THAT RETIREES SPEND, CONTRIBUTING TO ECONOMIC ACTIVITY AND AMERICAN JOBS

$519.7 BILLION
The total amount of pension benefits paid to 24 million Americans in 2014.

$1.2 TRILLION
The total economic output attributed to pension benefit expenditures in the United States in 2014. The largest share comes from state and local pension plans.

7.1 MILLION JOBS
The total number of jobs in the United States attributed to pension benefit expenditures in 2014. The largest share of jobs comes from state and local pension plans.
PENSION BENEFITS GENERATE TAX REVENUE

Pensions also generate tax revenue on the state, local and federal levels. This tax revenue comes from two major sources:

- Taxes paid by beneficiaries directly on their pension benefits and;
- Taxes resulting from expenditures made from pension benefits after income taxes are deducted. For example, sales taxes resulting from a retail purchase.

PUBLIC PENSIONS HAVE A LARGE ECONOMIC IMPACT

Of the $253 billion paid out in state and local pension benefits in 2014, only $61 billion was funded by taxpayer dollars. The total economic impact attributable to state and local pension benefits, however, was $560 billion. Thus, every taxpayer dollar contributed to state and local pension plans supported $9.19 in national economic output!

PENSION EXPENDITURE MULTIPLIER

Each $1 in public and private pension benefits earned by retirees supported $2.21 in total output in the U.S. This “multiplier” incorporates the impacts of retiree spending, as it ripples through the U.S. economy.

TAXPAYER INVESTMENT FACTOR

Each $1 in taxpayer contributions to U.S. state and local pension plans supported $8.06 in total economic output in the U.S. This is because nationally, taxpayers contributions are about 24 percent of pension financing. Most of the funding comes from investment earnings and employee contributions.