

FLORIDA

Pensionomics 2014:

Measuring the Economic Impact of DB Pension Expenditures

Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Florida.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

In 2012, expenditures stemming from state and local pensions supported...

- 99,520 jobs that paid \$4.4 billion in wages and salaries
- \$13.4 billion in total economic output
- \$1.9 billion in federal, state, and local tax revenues

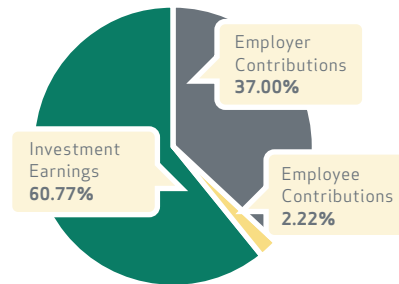
... in the state of Florida.

Each dollar paid out in pension benefits supported \$1.80 in total economic activity in Florida.

Each dollar "invested" by Florida taxpayers in these plans supported \$4.90 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic contribution to Florida communities and the state economy. In 2012, 357,738 residents of Florida received a total of \$7.4 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,718 per month or \$20,621 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2012, 37.00% of Florida's pension fund receipts came from employer contributions, 2.22% from employee contributions, and 60.77% from investment earnings. Earnings on investments and employee contributions—not taxpayer contributions—have historically made up the bulk of pension fund receipts.

Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 99,520 jobs in the state. The total income to state residents supported by pension expenditures was \$4.4 billion.

To put these employment impacts in perspective, in 2012 Florida's unemployment rate was 8.8%. The fact that DB pension expenditures supported 99,520 jobs is significant, as it represents 1.1 percentage points in Florida's labor force.

Economic Impact

State and local pension funds in Florida and other states paid a total of \$7.4 billion in benefits to Florida residents in 2012. Retirees' expenditures from these benefits supported a total of \$13.4 billion in total economic output in the state, and \$7.9 billion in value added in the state.

\$6.5 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$3.6 billion in indirect impact resulted when these businesses purchased additional goods and services. \$3.2 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

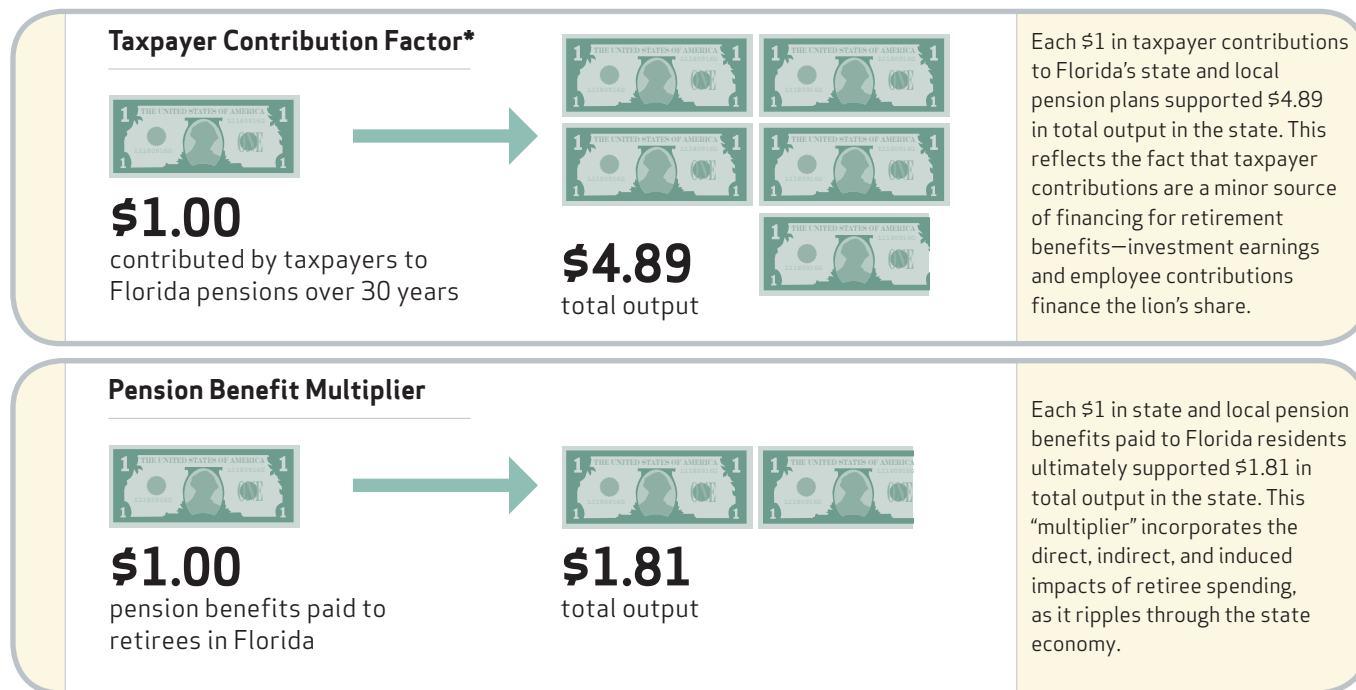
————— Total Economic Impact **\$13.4 billion** —————

**DIRECT
IMPACT**
\$6.5 billion

**INDIRECT
IMPACT**
\$3.6 billion

**INDUCED
IMPACT**
\$3.2 billion

Economic Multipliers



*Caution should be used in interpreting these numbers. See the Technical Appendix of the full *Pensionomics* report for details.

Impact on Tax Revenues

State and local pension payments made to Florida residents supported a total of \$1.9 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$59 million. Taxes attributable to direct, indirect and induced impacts accounted for \$1.8 billion in tax revenue.

Federal Tax	\$1.1 billion
State/Local Tax	\$786.0 million
Total	\$1.9 billion

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Florida. The ten industry sectors with the largest employment impacts are presented in the table below.

Industry	Employment Impact (# Jobs)	Labor Income Impact	Value Added Impact	Output Impact
Food Services and Drinking Places	8,011	\$197,723,641	\$287,752,672	\$487,127,905
Real Estate Establishments	5,330	\$106,364,208	\$681,506,904	\$830,431,835
Physicians, Dentists, and other Health Practitioners	4,742	\$362,877,778	\$375,418,055	\$568,473,958
Private Hospitals	4,257	\$284,269,065	\$309,114,710	\$556,511,771
Nursing and Residential Care Facilities	3,114	\$111,676,751	\$126,978,986	\$184,272,484
Wholesale Trade Businesses	3,029	\$236,937,947	\$433,713,986	\$651,780,352
Retail Stores - General Merchandise	2,544	\$72,514,604	\$116,946,105	\$145,850,383
Retail Stores - Food and Beverage	2,505	\$76,233,844	\$102,729,725	\$144,103,296
Securities, Commodity Contracts, and Investments	2,348	\$108,895,590	\$90,280,431	\$346,895,847
Private Household Operations	2,047	\$12,213,436	\$12,213,436	\$12,213,436

Industry totals include the first round of impacts from pension payments to state residents, and do not account for recaptured "leakage" to or from other states.