

HAWAII

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 Hawaii.

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...

- 13,913 jobs that paid \$640.6 million in wages and salaries
- \$2.0 billion in total economic output
- \$253.6 million in federal, state, and local tax revenues

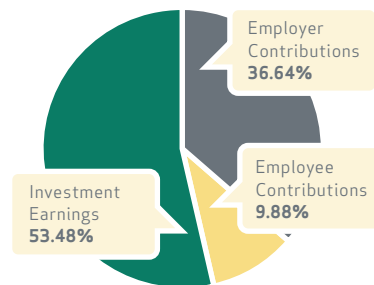
... in the state of Hawaii.

Each dollar paid out in pension benefits supported \$1.59 in total economic activity in Hawaii.

Each dollar "invested" by Hawaii taxpayers in these plans supported \$4.34 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic contribution to Hawaii communities and the state economy. In 2012, 48,947 residents of Hawaii received a total of \$1.2 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$2,086 per month or \$25,031 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, 36.64% of Hawaii's pension fund receipts came from employer contributions, 9.88% from employee contributions, and 53.48% 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 13,913 jobs in the state. The total income to state residents supported by pension expenditures was \$640.6 million.

To put these employment impacts in perspective, in 2012 Hawaii's unemployment rate was 5.7%. The fact that DB pension expenditures supported 13,913 jobs is significant, as it represents 2.1 percentage points in Hawaii's labor force.

Economic Impact

State and local pension funds in Hawaii and other states paid a total of \$1.2 billion in benefits to Hawaii residents in 2012. Retirees' expenditures from these benefits supported a total of \$2.0 billion in total economic output in the state, and \$1.2 billion in value added in the state.

\$1.1 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$464.3 million in indirect impact resulted when these businesses purchased additional goods and services. \$381.5 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

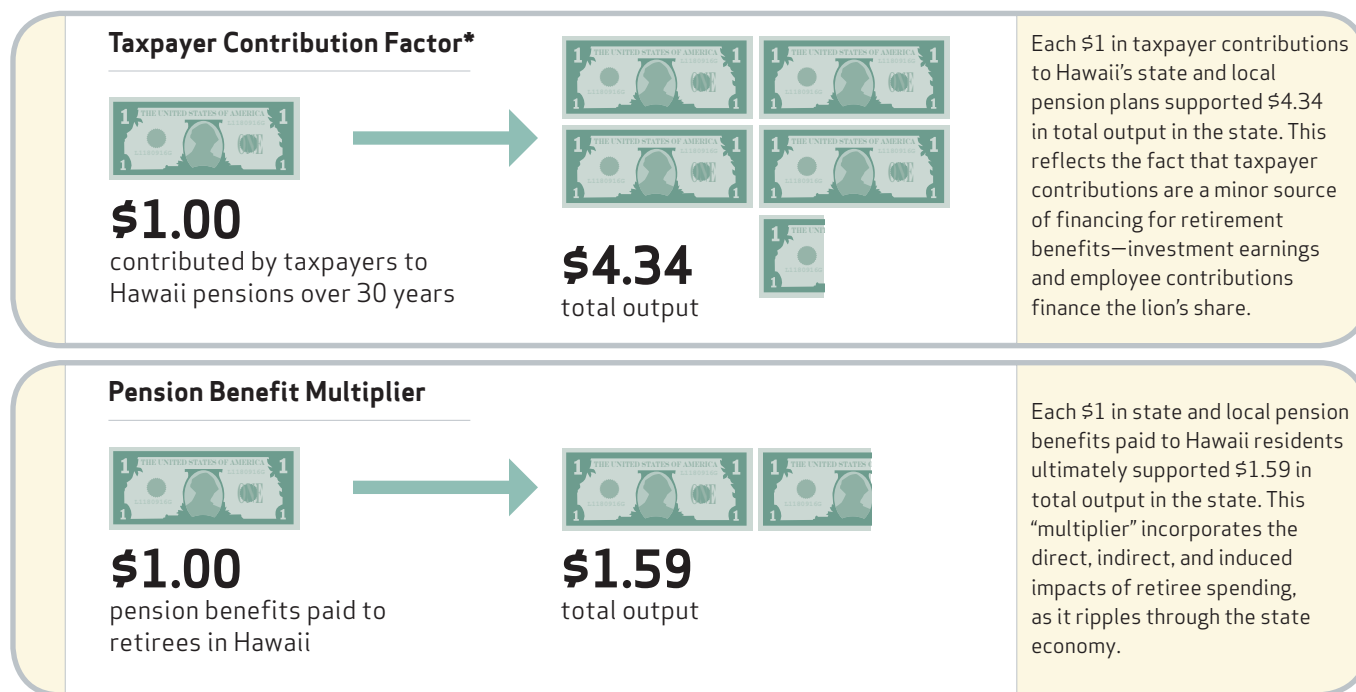
————— Total Economic Impact **\$2 billion** —————

**DIRECT
IMPACT**
\$1.1 billion

**INDIRECT
IMPACT**
\$464.3 million

**INDUCED
IMPACT**
\$381.5 million

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 Hawaii residents supported a total of \$253.6 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$9.8 million. Taxes attributable to direct, indirect and induced impacts accounted for \$243.8 million in tax revenue.

Federal Tax	\$135.9 million
State/Local Tax	\$117.7 million
Total	\$253.6 million

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Hawaii. 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	1,174	\$33,792,805	\$44,134,053	\$73,344,939
Physicians, Dentists, and other Health Practitioners	711	\$56,596,634	\$58,767,273	\$87,699,483
Real Estate Establishments	611	\$15,199,338	\$101,632,126	\$118,706,562
Wholesale Trade Businesses	536	\$29,338,211	\$52,510,950	\$91,076,871
Private Hospitals	528	\$43,654,838	\$48,619,188	\$79,278,110
Private Household Operations	429	\$1,762,078	\$1,762,078	\$1,762,078
Nursing and Residential Care Facilities	415	\$15,849,265	\$18,780,031	\$26,413,439
Retail Nonstores - Direct and Electronic Sales	398	\$2,536,960	\$8,995,279	\$16,680,663
Retail Stores - Food and Beverage	339	\$10,816,282	\$16,442,576	\$22,040,737
Retail Stores - General Merchandise	312	\$10,484,663	\$18,797,798	\$22,343,902

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.