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

Expenditures stemming from state and local pensions supported...

- 5,129 jobs that paid $257.9 million in wages and salaries
- $671.7 million in total economic output
- $102.5 million in federal, state, and local tax revenues

... in the state of Maine.

Each dollar paid out in pension benefits supported $1.29 in total economic activity in Maine.

Each dollar “invested” by Maine taxpayers in these plans supported $4.00 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Maine communities and the state economy. In 2006, 33,263 residents of Maine received a total of $520.48 million in pension benefits from state and local pension plans, with $481.72 million paid from plans within the state and the remainder originating from plans in other states.

The average pension benefit received was $1,304 per month or $15,647 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.

Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 5,129 jobs in the state. The total income to state residents supported by pension expenditures was $257.9 million.

Of this, the greatest share, $143.3 million, was comprised of employee compensation (wages and salaries). Proprietors’ income (self-employment income) represented $18.4 million, and other property income (including payments from interest, rent, royalties, profits and dividends) totaled $96.2 million.

Economic Impact

State and local pension funds in Maine and other states paid a total of $520.48 million in benefits to Maine residents in 2006. Retirees’ expenditures from these benefits supported a total of $671.7 million in total economic output in the state, and $286.5 million in value added in the state.

$495.5 million in direct economic impacts were supported by retirees’ expenditures on goods and services from businesses in the state. An additional $76.8 million in indirect economic impact resulted when these businesses purchased additional goods and services, generating additional income in the local economy. $99.4 million in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures, supporting even more additional income.

Total Economic Impact 671.7 million

DIRECT IMPACT 495.5 million
INDIRECT IMPACT 76.8 million
INDUCED IMPACT 99.4 million

For more information on the data and methodology used for these estimates, please refer to Pensionomics: Measuring the Economic Impact of State and Local Pension Plans
**Economic Multipliers**

**Taxpayer Contribution Factor***

$1.00 contributed by Maine taxpayers to state and local pensions

$4.00 total economic activity

Each $1 in taxpayer contributions to Maine’s state and local pension plans supported $4.00 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits - investment earnings and employee contributions finance the lion’s share.

**Pension Benefit Multiplier**

$1.00 pension benefits paid to retirees in Maine

$1.29 total economic activity

Each $1 in state and local pension benefits paid to Maine residents ultimately supported $1.29 in total output in the state. This “multiplier” incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.

* Caution should be used in interpreting this number, because the Census data used reflect the taxable status of contributions only; because employee contributions may be reported as taxpayer contributions, the multiplier here may be underestimated.

**Impact on Tax Revenues**

State and local pension payments made to Maine residents supported a total of $102.5 million in revenue to federal, state and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled $25.0 million. Taxes attributable to direct, indirect and induced expenditures accounted for $77.5 million in tax revenue.

<table>
<thead>
<tr>
<th></th>
<th>Federal Tax</th>
<th>State/Local Tax</th>
<th>Other Corporate Taxes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59.2 million</td>
<td>43.1 million</td>
<td>0.1 million</td>
<td>$102.5 million</td>
</tr>
</tbody>
</table>

**Economic Impacts by Industry Sector**

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

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employment Impact (Jobs)</th>
<th>Value Added Impact ($ millions)</th>
<th>Income Impact ($ millions)</th>
<th>Output Impact ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care and Social Assistance</td>
<td>1,243</td>
<td>$59.7</td>
<td>$59.0</td>
<td>$99.8</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1,071</td>
<td>43.8</td>
<td>34.6</td>
<td>67.5</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>577</td>
<td>14.5</td>
<td>12.9</td>
<td>29.7</td>
</tr>
<tr>
<td>Other Services (Except Public Administration)</td>
<td>428</td>
<td>8.9</td>
<td>8.2</td>
<td>18.1</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>300</td>
<td>22.4</td>
<td>18.7</td>
<td>33.4</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>189</td>
<td>18.4</td>
<td>17.5</td>
<td>34.0</td>
</tr>
<tr>
<td>Educational Services</td>
<td>176</td>
<td>11.1</td>
<td>5.1</td>
<td>19.8</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>175</td>
<td>8.7</td>
<td>8.5</td>
<td>16.9</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>165</td>
<td>3.7</td>
<td>3.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>141</td>
<td>13.5</td>
<td>10.6</td>
<td>20.1</td>
</tr>
</tbody>
</table>