

## Pensionomics 2016:

*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 New Hampshire.

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 2014, expenditures stemming from state and local pensions supported...

- 6,026 jobs that paid \$302.9 million in wages and salaries
- \$863.9 million in total economic output
- \$142.3 million in federal, state, and local tax revenues

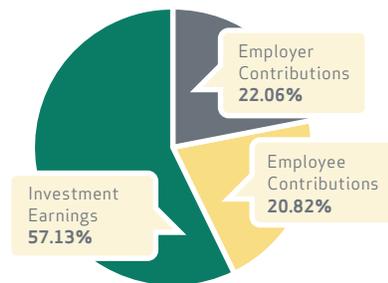
... in the state of New Hampshire.

Each dollar paid out in pension benefits supported \$1.40 in total economic activity in New Hampshire.

Each dollar "invested" by New Hampshire taxpayers in these plans supported \$6.33 in total economic activity in the state.

### Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Hampshire communities and the state economy. In 2014, 32,225 residents of New Hampshire received a total of \$633.2 million in pension benefits from state and local pension plans.



The average pension benefit received was \$1,614 per month or \$19,374 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 2014, 22.06% of New Hampshire's pension fund receipts came from employer contributions, 20.82% from employee contributions, and 57.13% from investment earnings.\* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

Between 1993 and 2014, 22.06% of New Hampshire's pension fund receipts came from

### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 6,026 jobs in the state. The total income to state residents supported by pension expenditures was \$302.9 million.

To put these employment impacts in perspective, in 2014 New Hampshire's unemployment rate was 4.3%. The fact that DB pension expenditures supported 6,026 jobs is significant, as it represents 0.31 percentage points in New Hampshire's labor force.

### Economic Impact

State and local pension funds in New Hampshire and other states paid a total of \$633.2 million in benefits to New Hampshire residents in 2014. Retirees' expenditures from these benefits supported a total of \$863.9 million in total economic output in the state, and \$508.2 million in value added in the state.

\$403.0 million in direct economic impacts were supported by retirees' initial expenditures. An additional \$245.8 million in indirect impact resulted when these businesses purchased additional goods and services. \$215.1 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

————— Total Economic Impact **\$863.9 million** —————

**DIRECT  
IMPACT**  
\$403.0 million

**INDIRECT  
IMPACT**  
\$245.8 million

**INDUCED  
IMPACT**  
\$215.1 million

## Economic Multipliers

### Taxpayer Contribution Factor\*



**\$1.00**

contributed by taxpayers to New Hampshire pensions over 30 years



**\$6.33**

total output

Each \$1 in taxpayer contributions to New Hampshire's state and local pension plans supported \$6.33 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 New Hampshire



**\$1.40**

total output

Each \$1 in state and local pension benefits paid to New Hampshire residents ultimately supported \$1.40 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 these numbers. See the Technical Appendix of the full *Pensionomics* report for details.

## Impact on Tax Revenues

State and local pension payments made to New Hampshire residents supported a total of \$142.3 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$26.6 million. Taxes attributable to direct, indirect and induced impacts accounted for \$115.7 million in tax revenue.

Federal Tax	\$94.5 million
State/Local Tax	\$47.8 million
<b>Total</b>	<b>\$142.3 million</b>

## Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in New Hampshire. 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
Hospitals	349	\$24,824,274	\$28,273,954	\$49,968,079
Real Estate	337	\$8,164,360	\$51,422,897	\$68,814,809
Full-service Restaurants	287	\$6,836,926	\$6,869,414	\$12,656,532
Limited-Service Restaurants	225	\$4,669,007	\$9,908,524	\$17,781,198
Retail - Food and Beverage Stores	207	\$5,795,831	\$7,033,452	\$11,477,647
Offices of Physicians	175	\$20,469,044	\$19,857,865	\$27,994,187
Nursing and Community Care Facilities	162	\$6,416,925	\$7,396,388	\$11,316,840
Retail - General Merchandise Stores	161	\$4,463,304	\$5,415,528	\$9,426,389
Wholesale Trade	154	\$14,727,723	\$22,756,441	\$36,010,753
All Other Food and Drinking Places	117	\$3,314,293	\$3,186,324	\$5,040,618

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.