



Pensionomics 2021

Measuring the Economic Impact of DB Pension Expenditures

Webinar

January 14, 2021



**NATIONAL INSTITUTE ON
Retirement Security**

Reliable Research. Sensible Solutions.

Agenda

- Logistics and Introductions
- Research Review
- Q&A

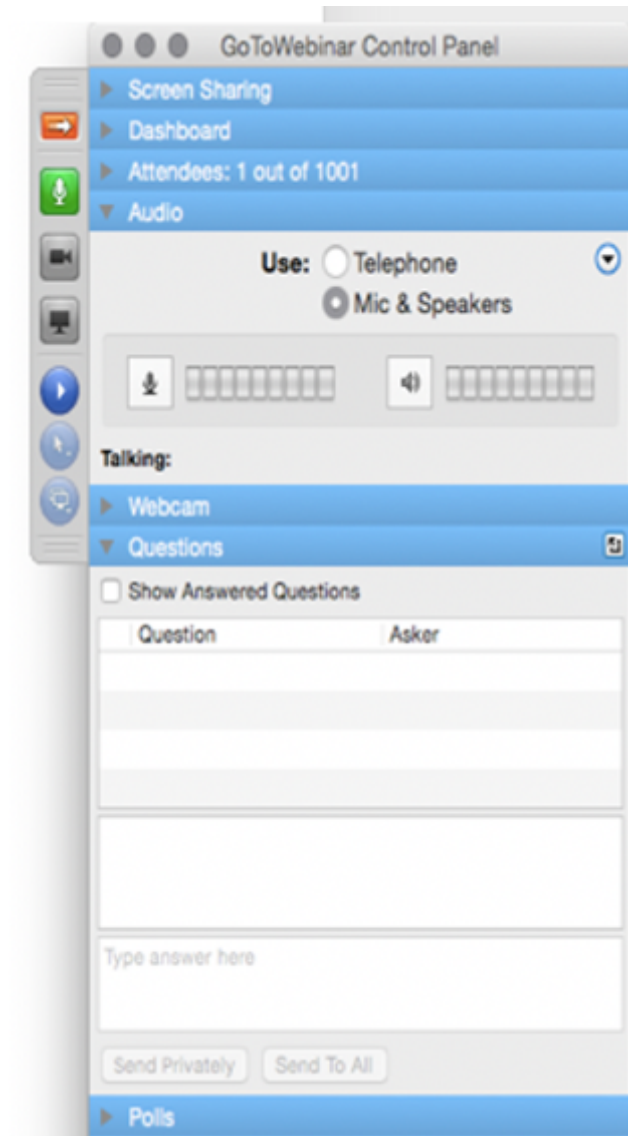
PENSIONOMICS 2021

MEASURING THE
ECONOMIC IMPACT OF DB
PENSION EXPENDITURES



Logistics

- Attendees in listen only mode.
- Questions welcome. Type question using “Question” function on control panel, and we will answer.
- Audio, technical issues during webinar, call GoToWebinar at 1-800-263-6317.
- Webinar replay and slides will be posted at www.nirsonline.org/pensionomics21.



SPEAKERS



Dan Doonan

NIRS Executive Director and Report Co-Author



Ilana Boivie

Report Co-Author

Why This Report

- NIRS updates every two years its *Pensionomics* analysis that measures the economic “ripple effect” of payments from defined benefit (DB) pension plans.
- Retirees with a reliable pension can maintain spending throughout their retirement years, regardless of economic ups and downs, acting as an economic stabilizer.
- This report quantifies the economic impact of pension spending on the U.S. economy that will be constrained as the population ages.

Key Findings

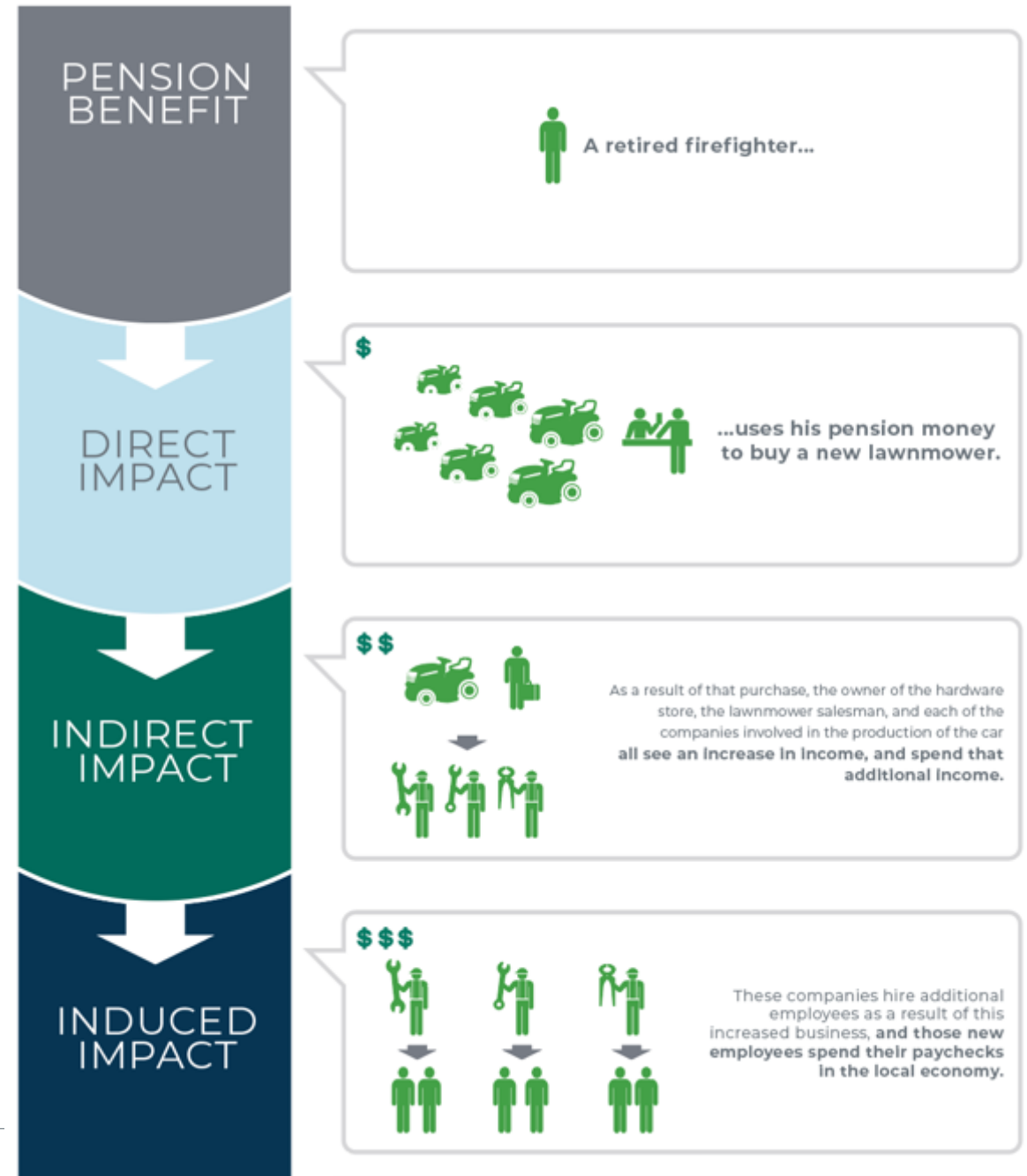
- In 2018, expenditures from public and private pension benefits supported:
 - **\$1.3 trillion** in economic output nationwide
 - **6.9 million jobs** that paid **\$394.2 billion** in labor income
 - **\$703.9 billion** in value added nationally
 - **\$191.9 billion** in federal, state, and local tax revenue

Pension Plans' Economic Impact

- Pension plans can support economic activity through several channels, for example...
 - **Benefit channel** – retirees' expenditures create incomes for others in the economy.
 - **Investment channel** – the investment of pension assets provides capital to businesses to develop products, invest in new technologies, and create jobs.
- This study focuses on the benefit channel.

The Multiplier Effect:

How spending ripples through the economy, supporting jobs and incomes in the process



Methodology

- **Began with benefit payment data** from the Census Bureau on state & local plans, the CPS, PBGC and 5500's for private plans, and OPM for federal plans.
- **Estimated taxes paid out of benefits** using data from CBO, BEA, and NCSL.
- **Adjusted benefit payment data** to account for migration of retirees from one state to another based upon the American Community Survey.
- **Estimated the economic and tax impacts of retiree expenditures**, using IMPLAN input-output modeling software and data package.

What is IMPLAN?

- Used to estimate impacts on: jobs, income, value added, total output, and tax revenue.
- An input-output modeling software and data package developed for a USDA Forest Service project, now used for many types of analysis.
- Represents relationships among various sectors in the economy as a matrix & estimates how an initial event reverberates through the economy.

Public and Private Sector Pension Benefits, 2018

Table 1: Public and Private Sector Pension Benefits, 2018

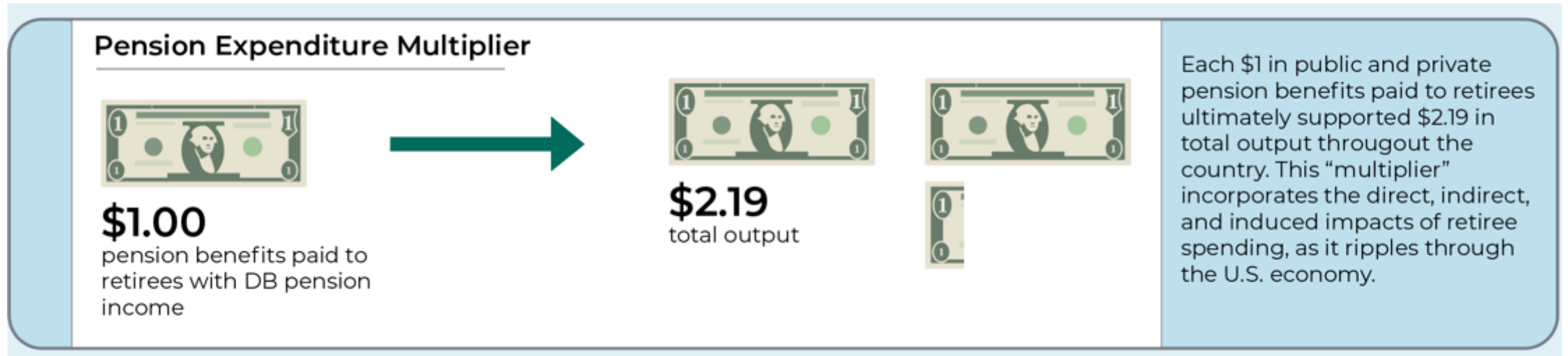
	State and Local	Federal	Private Sector		Total*
			Single Employer Plans	Multiemployer Plans	
Beneficiaries	11.0 million	2.6 million	6.3 million	3.8 million	23.8 million
Average Benefit	\$28,019	\$40,003	\$19,045	\$11,540	\$24,325
Total Benefits	\$308.7 billion	\$105.9 billion	\$119.9 billion	\$44.2 billion	\$578.7 billion

Note: Author's analysis of the Annual Survey of Public Pensions, Congressional Research Service, Pension Benefit Guaranty Corporation, and IRS Form 5500 data.

*Totals may not add up exactly due to rounding.

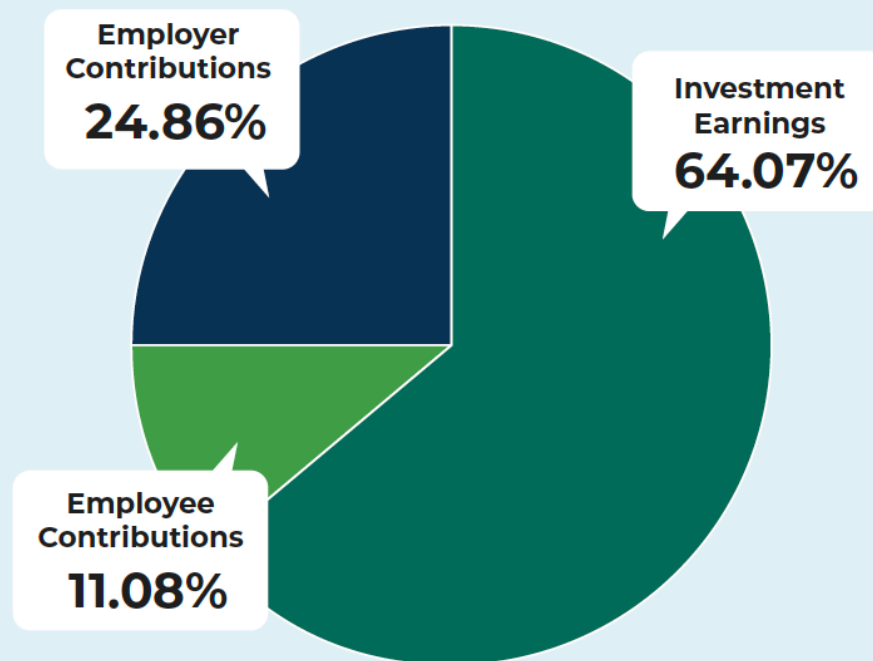
**Total average benefit represents a weighted average of public and private sector benefits.

Pension Benefits More Than Double Their Impact



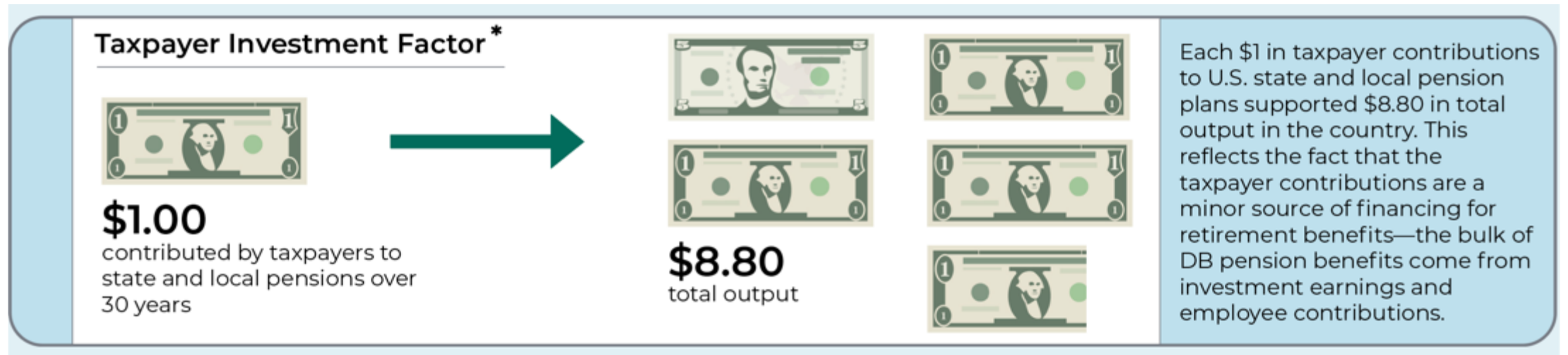
Investment Earnings Accounted for Nearly 2/3 of Public Pension Revenues

Figure 1: Aggregate State and Local Pension Contributions by Source, 1993-2018



Note: Author's analysis of data from the U.S. Census Bureau.

Taxpayer Dollars Generate a Significant Return on Investment



DB Pensions Support 6.9 Million American Jobs

Table 2: DB Pensions Support 6.9 Million American Jobs

	State & Local Pensions (# Jobs)	Federal Pensions (# Jobs)	Private Pensions		Total Jobs Supported* (# Jobs)
			Single Employer (# Jobs)	Multiemployer (# Jobs)	
Direct Impact	1,595,913	547,389	619,753	228,494	2,991,550
Indirect Impact	870,460	298,563	338,033	124,627	1,631,683
Induced Impact	1,191,784	408,775	462,815	170,633	2,234,006
Total Employment Impact	3,658,158	1,254,727	1,420,601	523,754	6,857,240

*Totals may not add up exactly due to rounding.

DB Pensions Support \$394.2 Billion in Labor Income

Table 3: DB Pensions Support \$394.2 Billion in Labor Income

	State & Local Pensions	Federal Pensions	Private Pensions		Total Labor Income Supported*
			Single Employer	Multiemployer	
Direct Impact	\$83.8 billion	\$28.7 billion	\$32.5 billion	\$12.0 billion	\$157.1 billion
Indirect Impact	\$59.0 billion	\$20.2 billion	\$22.9 billion	\$8.4 billion	\$110.6 billion
Induced Impact	\$67.5 billion	\$23.2 billion	\$26.2 billion	\$9.7 billion	\$126.5 billion
Total Labor Income Impact	\$210.3 billion	\$72.1 billion	\$81.7 billion	\$30.1 billion	\$394.2 billion

*Totals may not add up exactly due to rounding.

DB Pensions Support \$1.27 Trillion in Total Economic Activity

Table 4: DB Pensions Support \$1.27 Trillion in Total Economic Activity

	State and Local Pensions	Federal Pensions	Private Pensions		Total Output Supported*
			Single Employer	Multiemployer	
Direct Impact	\$272.1 billion	\$93.3 billion	\$105.7 billion	\$39.0 billion	\$510.0 billion
Indirect Impact	\$189.2 billion	\$64.9 billion	\$73.5 billion	\$27.1 billion	\$354.6 billion
Induced Impact	\$213.6 billion	\$73.3 billion	\$83.0 billion	\$30.6 billion	\$400.5 billion
Total Output Impact	\$674.9 billion	\$231.5 billion	\$262.1 billion	\$96.6 billion	\$1.27 trillion

*Totals may not add up exactly due to rounding.

DB Pensions Support \$703.9B in Value Added (GDP)

Table 5: DB Pensions Support \$703.9 Billion in Value Added (GDP)

	State and Local Pensions	Federal Pensions	Private Pensions		Value Added Supported*
			Single Employer	Multiemployer	
Direct Impact	\$160.9 billion	\$55.2 billion	\$62.5 billion	\$23.0 billion	\$301.6 billion
Indirect Impact	\$95.4 billion	\$32.7 billion	\$37.1 billion	\$13.7 billion	\$178.9 billion
Induced Impact	\$119.2 billion	\$40.9 billion	\$46.3 billion	\$17.1 billion	\$223.5 billion
Total Value Added Impact	\$375.5 billion	\$128.8 billion	\$145.8 billion	\$53.8 billion	\$703.9 billion

*Totals may not add up exactly due to rounding.

Pension Expenditures Have an Impact Across Multiple Industries

Table 8: Top Ten Industries by National Employment Impact

Industry	Total # Jobs Supported				Total
	From State and Local Pensions	From Federal Pensions	From Single Employer Pensions	From Multiemployer Pensions	
Real estate	166,051	56,954	64,484	23,774	311,263
Full-service restaurants	160,221	54,955	62,220	22,940	300,335
Nursing and community care facilities	152,394	52,270	59,180	21,819	285,664
Limited-service restaurants	124,234	42,612	48,245	17,787	232,878
Hospitals	102,248	35,070	39,707	14,639	191,664
Wholesale trade	85,354	29,276	33,146	12,220	159,996
Retail - General merchandise stores	82,431	28,273	32,011	11,802	154,517
Retail - Food and beverage stores	81,283	27,880	31,565	11,638	152,366
Individual and family services	71,375	24,481	27,718	10,219	133,793
Offices of physicians	69,980	24,003	27,176	10,019	131,179

DB Pensions Support \$102B in Federal Tax Revenue

Table 6: DB Pensions Support \$102.0 Billion in Federal Tax Revenue

	State and Local Pensions	Federal Pensions	Private Pensions		Total Federal Tax Revenue*
			Single Employer	Multiemployer	
Taxes Paid by Beneficiaries on Benefits	\$9.6 billion	\$3.3 billion	\$3.7 billion	\$1.4 billion	\$17.9 billion
Tax Revenue Resulting from Retiree Expenditures	\$44.9 billion	\$15.4 billion	\$17.4 billion	\$6.4 billion	\$84.1 billion
Total Federal Tax Revenue Impact	\$54.4 billion	\$18.7 billion	\$21.1 billion	\$7.8 billion	\$102.0 billion

*Totals may not add up exactly due to rounding.

DB Pensions Support \$89.8 Billion in State and Local Tax Revenue

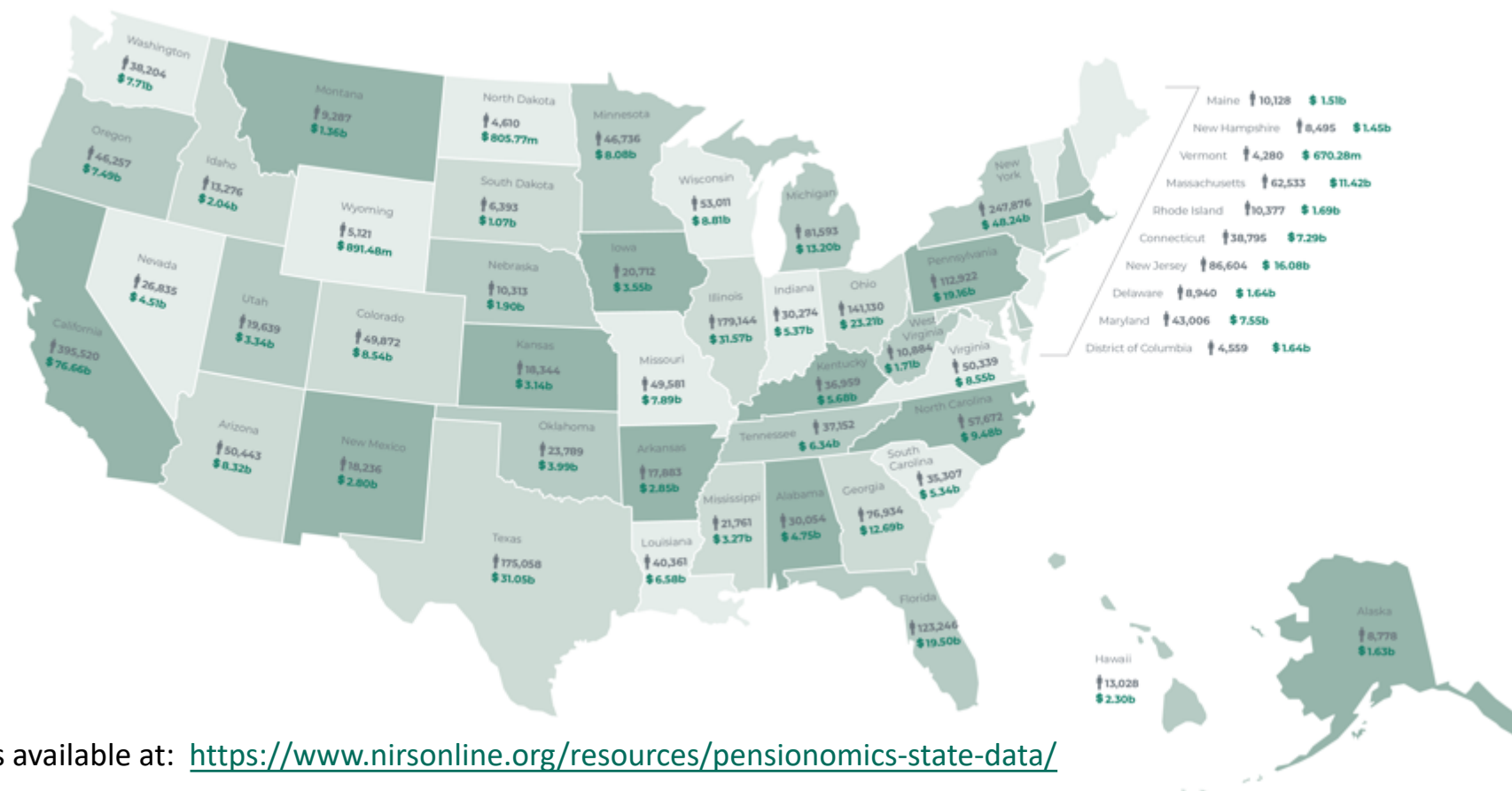
Table 7: DB Pensions Support \$89.8 Billion in State and Local Tax Revenue

	State and Local Pensions	Federal Pensions	Private Pensions		Total State and Local Tax Revenue*
			Single Employer	Multiemployer	
Taxes Paid by Beneficiaries on Benefits	\$12.6 billion	\$4.3 billion	\$4.9 billion	\$1.8 billion	\$23.6 billion
Tax Revenue Resulting from Retiree Expenditures	\$35.4 billion	\$12.1 billion	\$13.7 billion	\$5.1 billion	\$66.3 billion
Total State and Local Tax Revenue Impact	\$47.9 billion	\$16.4 billion	\$18.6 billion	\$6.9 billion	\$89.8 billion

*Totals may not add up exactly due to rounding.

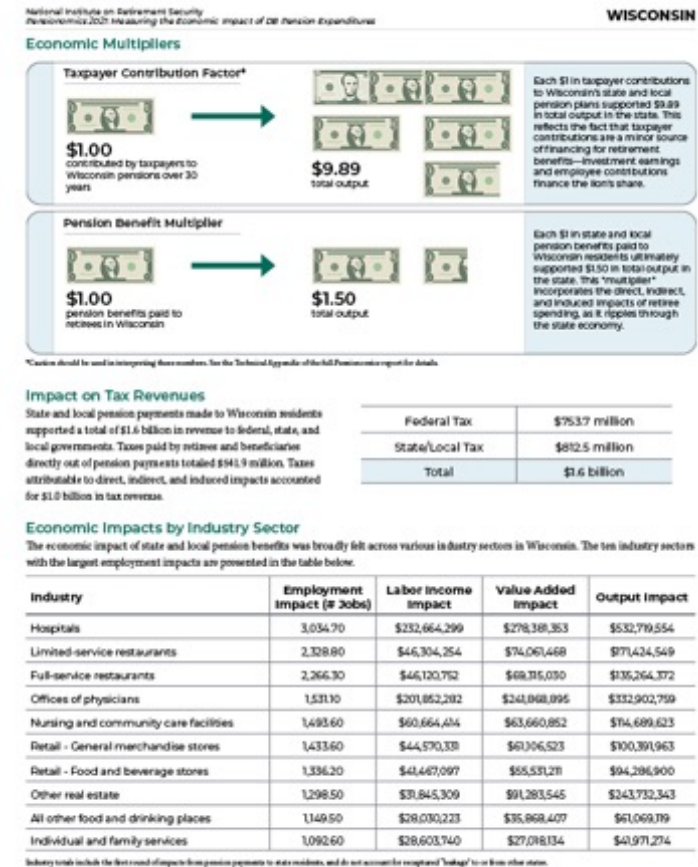
State-By-State Pension Impacts

Figure 3: Employment and Economic Output Impacts by State



State Factsheets available at: <https://www.nirsonline.org/resources/pensionomics-state-data/>

Fact Sheets Highlight State-Specific Findings

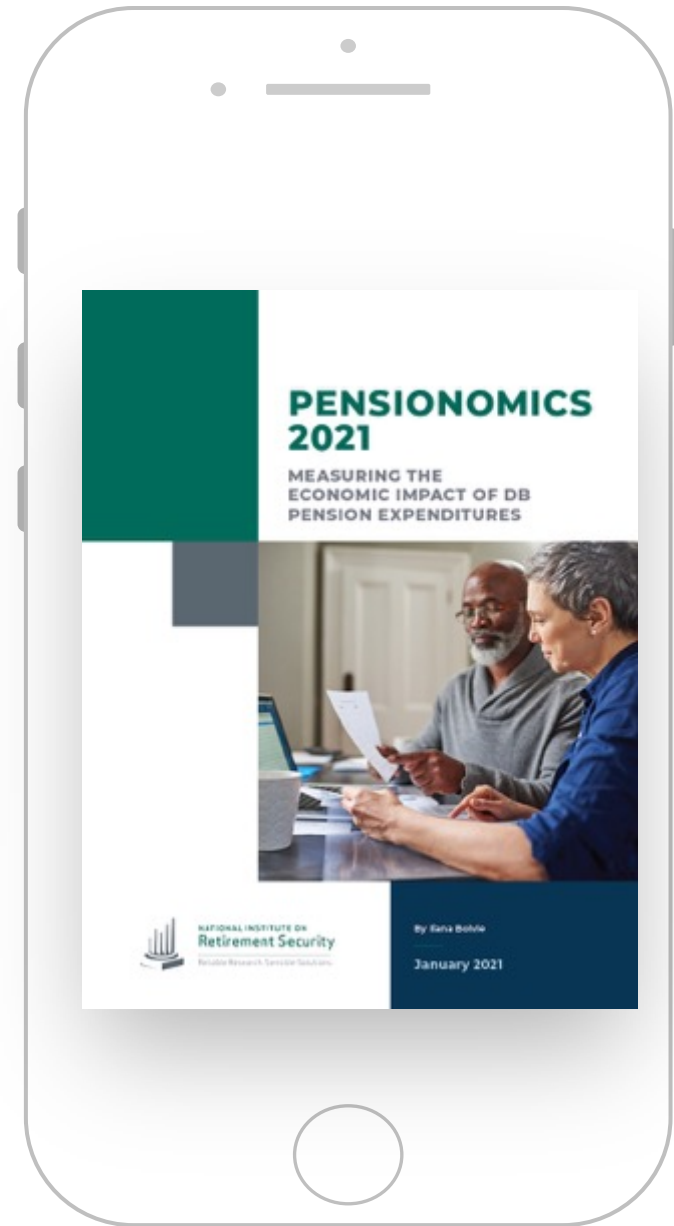


State Factsheets available at: <https://www.nirsonline.org/resources/pensionomics-state-data/>

Questions



Connect With Us



www.nirsonline.org



@NIRSONline



/NIRSResearch