

Pensionomics 2021 Measuring the Economic Impact of

Measuring the Economic Impact of DB Pension Expenditures

Webinar

January 14, 2021



Retirement Security

Reliable Research. Sensible Solutions.

Agenda

- Logistics and Introductions
- Research Review
- Q&A

PENSIONOMICS 2021

MEASURING THE ECONOMIC IMPACT OF DB PENSION EXPENDITURES





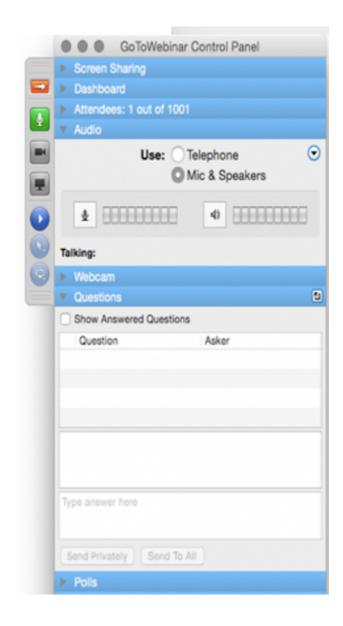
By Ilana Bolvie and Dan Doonan

National Institute on Retirement Security

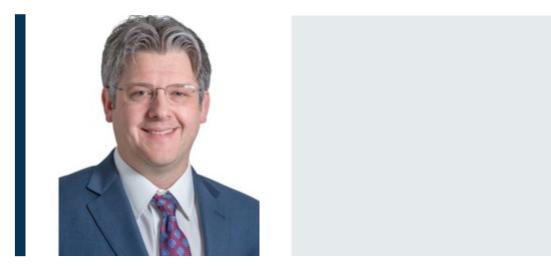
January 2021

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 <u>www.nirsonline.org/pensionomics21</u>.

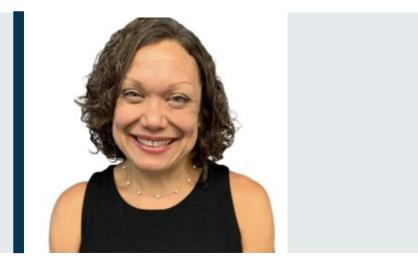






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Why This Report

- 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

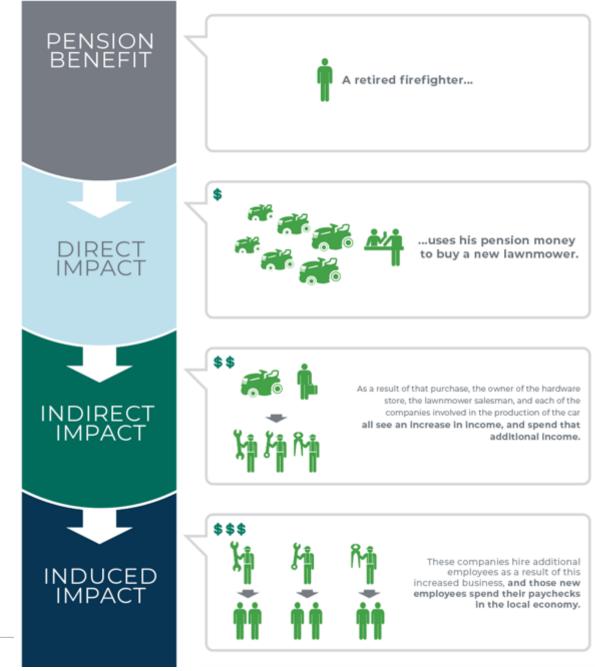
- In 2018, expenditures from public and private pension benefits supported:
 - **\$1.3 trillion** in economic output nationwide
 - 6.9 million jobs that paid \$394.2 billion in labor income
 - **\$703.9 billion** in value added nationally
 - **\$191.9 billion** in federal, state, and local tax revenue

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

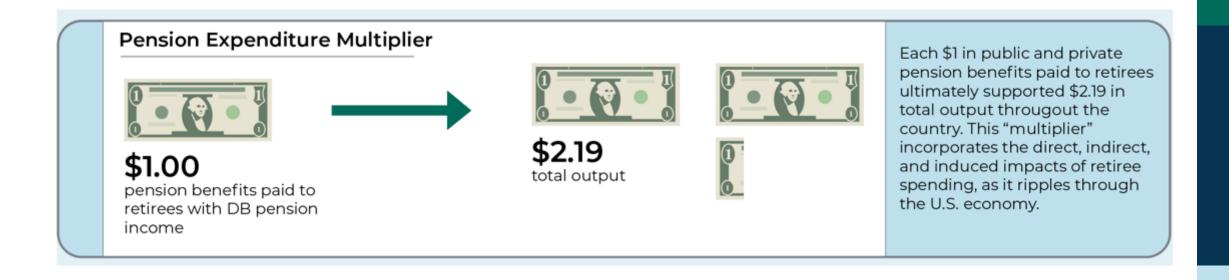
Table 1: Public and Private Sector Pension Benefits, 2018

			Private		
	State and Local	Federal	Single Employer Plans	Multiemployer Plans	Total*
Beneficiaries	11.0 million	2.6 million	6.3 million	3.8 million	23.8 millon
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.

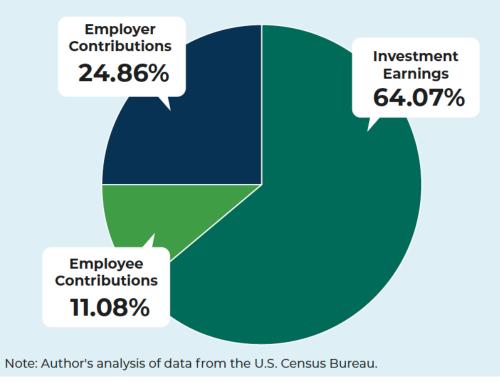
**Total average benefit represents a weighted average of public and private sector benefits.

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



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)	sions (# Jobs)	Private Pensions		Total Jobs
			Single Employer (# Jobs)	Multiemployer (# Jobs)	Supported* (# 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

DB Pensions Support \$394.2 Billion in Labor Income

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

	State &	Local Federal -	Private Pensions		Total Labor
	Local Pensions		Single Employer	Multiemployer	Income Supported*
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

DB Pensions Support \$1.27 Trillion in Total Economic Activity

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

	State and	Federal		Private Pensions	
	Local Pensions	Pensions	Single Employer	Multiemployer	Total Output Supported*
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

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

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

	State and	Federal	Private Pensions		Value Added
	Local Pensions		Single Employer	Multiemployer	Supported*
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

Pension Expenditures Have an Impact Across Multiple Industries

-		<u> </u>			
		Tot	tal # Jobs Suppo	rted	
Industry	From State and Local Pensions	From Federal Pensions	From Single Employer Pensions	From Multiemployer Pensions	Total
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

Table 8: Top Ten Industries by National Employment Impact

DB Pensions Support \$102B in Federal Tax Revenue

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

	State and	State and Local Pensions	Private Pensions		- Total Federal
			Single Employer	Multiemployer	Tax Revenue*
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

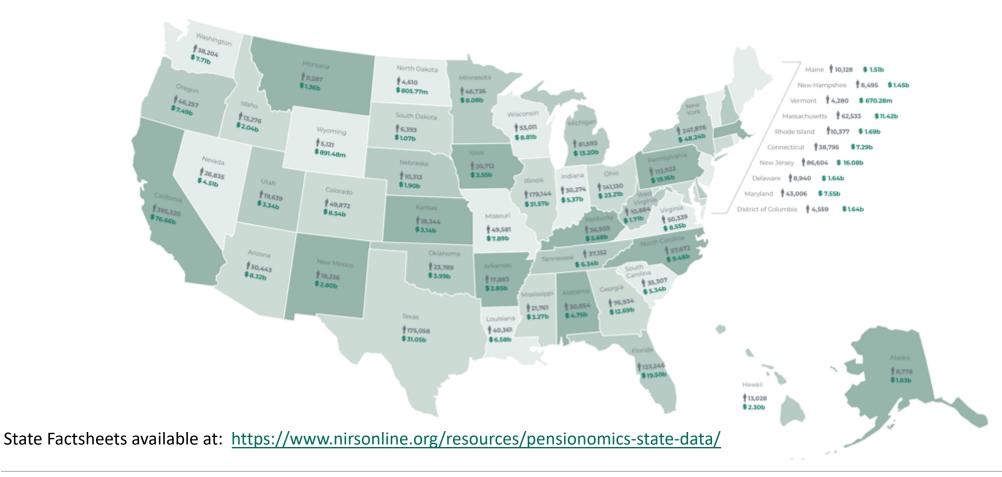
DB Pensions Support \$89.8 Billion in State and Local Tax Revenue

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

State and	Federal	Private Pensions		Total State
Local Pensions	Pensions	Single Employer	Multiemployer	and Local Tax Revenue*
\$12.6 billion	\$4.3 billion	\$4.9 billion	\$1.8 billion	\$23.6 billion
\$35.4 billion	\$12.1 billion	\$13.7 billion	\$5.1 billion	\$66.3 billion
\$47.9 billion	\$16.4 billion	\$18.6 billion	\$6.9 billion	\$89.8 billion
	Local Pensions \$12.6 billion \$35.4 billion	Local PensionsFederal Pensions\$12.6 billion\$4.3 billion\$35.4 billion\$12.1 billion	Local PensionsFederal PensionsSingle Employer\$12.6 billion\$4.3 billion\$4.9 billion\$35.4 billion\$12.1 billion\$13.7 billion	Local PensionsFederal PensionsSingle EmployerMultiemployer\$12.6 billion\$4.3 billion\$4.9 billion\$1.8 billion\$35.4 billion\$12.1 billion\$13.7 billion\$5.1 billion

State-By-State Pension Impacts

Figure 3: Employment and Economic Output Impacts by State



Fact Sheets Highlight State-Specific Findings

Retirement Security

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Overview

Pensionomics 2021:

Expenditures made by retirees of state and local government provide a steady economic stimulus to Wisconsin communities and the state economy. In 2018, 227,268 residents of Wisconsin received a total of \$5.9 billion in pension benefits from state and local pension plans.

Measuring the Economic Impact of DB Pension Expenditures



Key Findings

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 2018, expenditures stemming from state and local pensions supported.

53,011 jobs that paid \$2.7 billion in wages and salaries \$8.8 billion in total



\$1.6 billion in federal, state, and local tax revenues

in the state of Wisconsin.

Each dollar paid out in pension benefits supported \$1.50 in total economic activity in Wisconsin,

Each dollar "invested" by Wisconsin taxpavers in these pension plans supported \$9.89 in total economic activity in the state.



The average pension benefit received was \$2,153 per month or \$25,834 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 2018, 15 17% of Wacconsin's pension fand receipts came from employer contributions, 6.91% from employee contributions, and 77:92% from investment earnings.* Earnings on investments and employee contributions-not taxpayer based contributions-have historically made up the bulk of pension fund receipts.

Impact on Jobs and Incomes

Setiree expenditures stemming from state and local pension plan benefits supported \$3,011 jobs in the state. The total income to state residents supported by pension expenditures was \$2.7 billion.

To put these employment impacts in perspective, in 2018 Wisconsin's unemployment rate was 3.0% The fact that DB pension expenditures supported \$3.011 jobs is significant, as it represents 1.78 percentage points in Wasconsin's labor force.

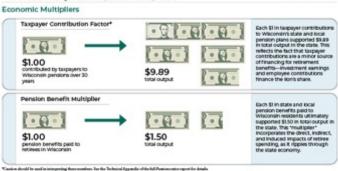
Economic Impact

State and local pension funds in Wisconsin and other states paid a total of \$5.9 billion in benefits to Wisconsin residents in 2018. Betirves' expenditures from these benefits supported a total of \$5.8 billion in total economic output in the state, and \$4.8 billion in value added in the state.

\$4.0 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$2.7 billion in indirect impact resulted when these businesses purchased additional goods and services. \$22 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.



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\$7537 million

\$812.5 million

\$1.6 billion

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Impact on Tax Revenues

State and local pension payments made to Wisconsin residents Federal Tax supported a total of \$1.6 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries State/Local Tax directly out of pension payments totaled \$541.9 million. Taxes Total attributable to direct, indirect, and induced impacts accounted for \$1.0 billion in tax prevenue

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various in dustry sectors in Wisconsin. 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	3,034.70	\$232,664,299	\$278,381,353	\$532,719,554
Limited-service restaurants	2,328.80	\$46,304,254	\$74,061,468	\$171,424,549
Full-service restaurants	2,266.30	\$46,120,752	\$69,715,030	\$135,264,372
Offices of physicians	1,531.10	\$201,852,202	\$241,068,095	\$332,902,759
Nursing and community care facilities	1,493.60	\$60,664,414	\$63,660,852	\$14,689,623
Retail - General merchandise stores	1,433.60	\$44,570,339	\$61306,523	\$100,391,963
Retail - Food and beverage stores	1,336.20	\$41,467,097	\$55,531,211	\$94,286,900
Other real estate	1,298.50	\$31,845,309	\$91,283,545	\$243,732,343
All other food and drinking places	1149.50	\$28,030,223	\$35,868,407	\$61,069,79
Individual and family services	1,092,60	\$28,603,740	\$27,018.134	\$41,971,274

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

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Questions



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September 2020

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