

ALABAMA

Key Findings

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

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...

- 30,054 jobs that paid \$1.4 billion in wages and salaries
- \$4.8 billion in total economic output
- \$788.0 million in federal, state, and local tax revenues

... in the state of Alabama.

Each dollar paid out in pension benefits supported \$1.30 in total economic activity in Alabama.

Each dollar "invested" by Alabama taxpayers in these pension plans supported \$5.49 in total economic activity in the state.

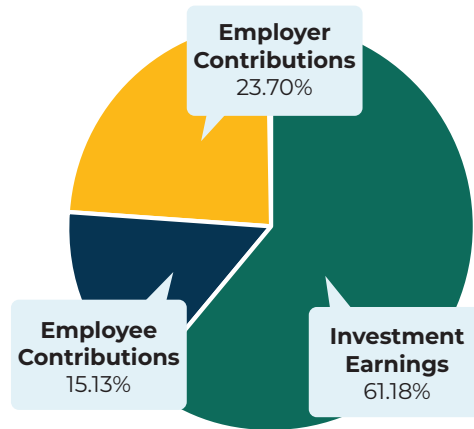


Pensionomics 2021:

Measuring the Economic Impact of DB Pension Expenditures

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alabama communities and the state economy. In 2018, 156,428 residents of Alabama received a total of \$3.7 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,945 per month or \$23,341 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, 23.70% of Alabama's pension fund receipts came from employer contributions, 15.13% from employee contributions, and 61.18% 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

Retiree expenditures stemming from state and local pension plan benefits supported 30,054 jobs in the state. The total income to state residents supported by pension expenditures was \$1.4 billion.

To put these employment impacts in perspective, in 2018 Alabama's unemployment rate was 3.9%. The fact that DB pension expenditures supported 30,054 jobs is significant, as it represents 1.47 percentage points in Alabama's labor force.

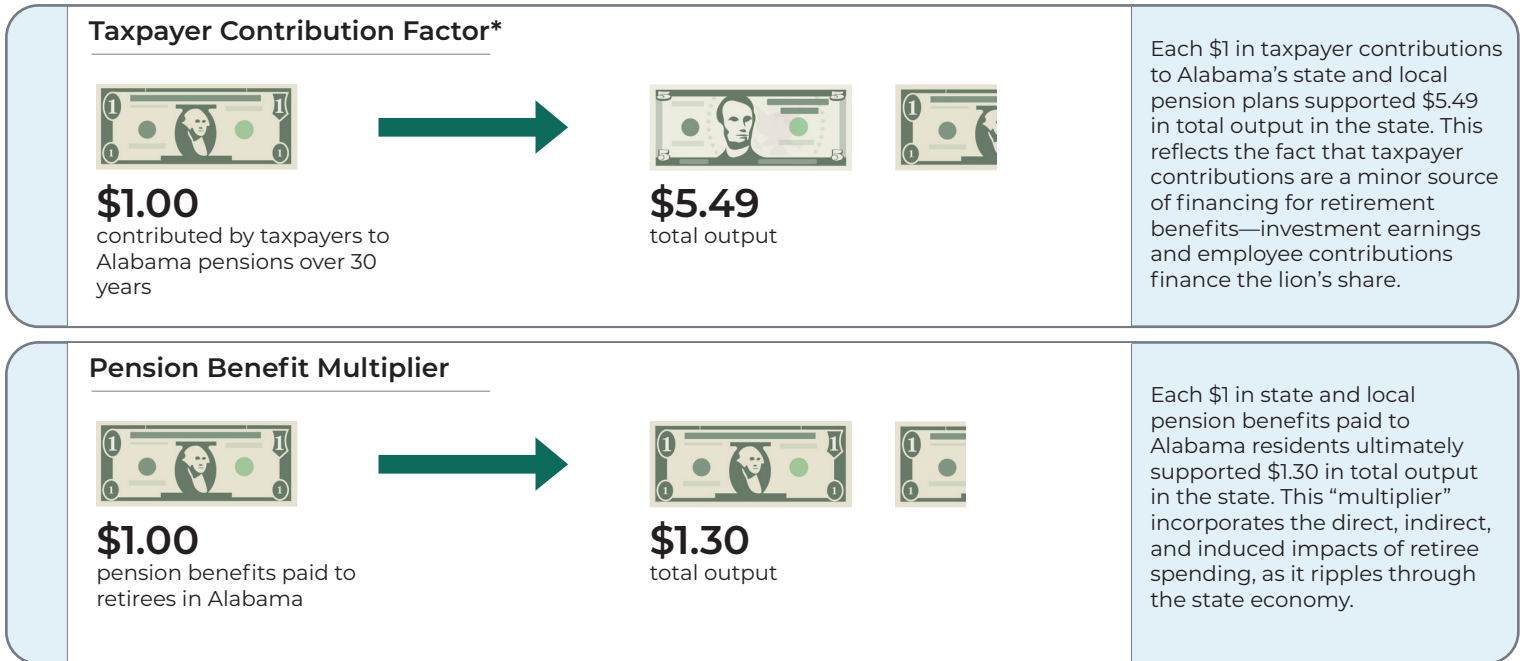
Economic Impact

State and local pension funds in Alabama and other states paid a total of \$3.7 billion in benefits to Alabama residents in 2018. Retirees' expenditures from these benefits supported a total of \$4.8 billion in total economic output in the state, and \$2.5 billion in value added in the state.

\$2.3 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$1.5 billion in indirect impact resulted when these businesses purchased additional goods and services. \$981.7 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.



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 Alabama residents supported a total of \$788.0 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$256.3 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$531.6 million in tax revenue.

Federal Tax	\$397.8 million
State/Local Tax	\$390.2 million
Total	\$788.0 million

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Alabama. 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
Limited-service restaurants	1,669.90	\$30,297,947	\$49,914,751	\$119,679,559
Full-service restaurants	1,377.40	\$30,001,915	\$45,260,131	\$85,392,425
Hospitals	1,188.30	\$83,679,669	\$105,613,877	\$205,220,626
Offices of physicians	1,151.20	\$116,576,231	\$134,192,289	\$202,806,222
Retail - General merchandise stores	951.40	\$29,078,675	\$45,289,917	\$71,328,946
Nursing and community care facilities	798.10	\$28,879,616	\$32,189,543	\$59,448,811
Other real estate	794.10	\$14,388,920	\$39,390,581	\$132,682,780
Retail - Food and beverage stores	715.90	\$20,915,444	\$31,617,498	\$52,371,982
Tenant-occupied housing	599.50	\$10,497,151	\$145,441,364	\$169,412,313
Retail - Miscellaneous store retailers	583.90	\$9,162,971	\$12,762,537	\$23,753,560

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.