



Pensionomics 2023

Measuring the Economic Impact of DB Pension Expenditures

Webinar

January 11, 2023



NATIONAL INSTITUTE ON
Retirement Security

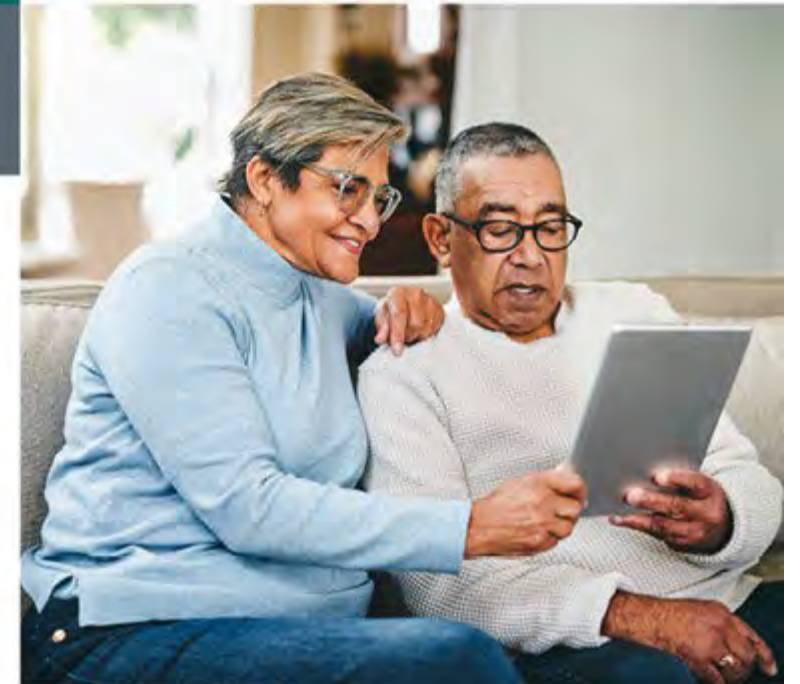
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Agenda

- Logistics and Introductions
- Research Review
- Q&A

PENSIONOMICS 2023

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 <https://www.nirsonline.org/reports/pensionomics2023/>



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

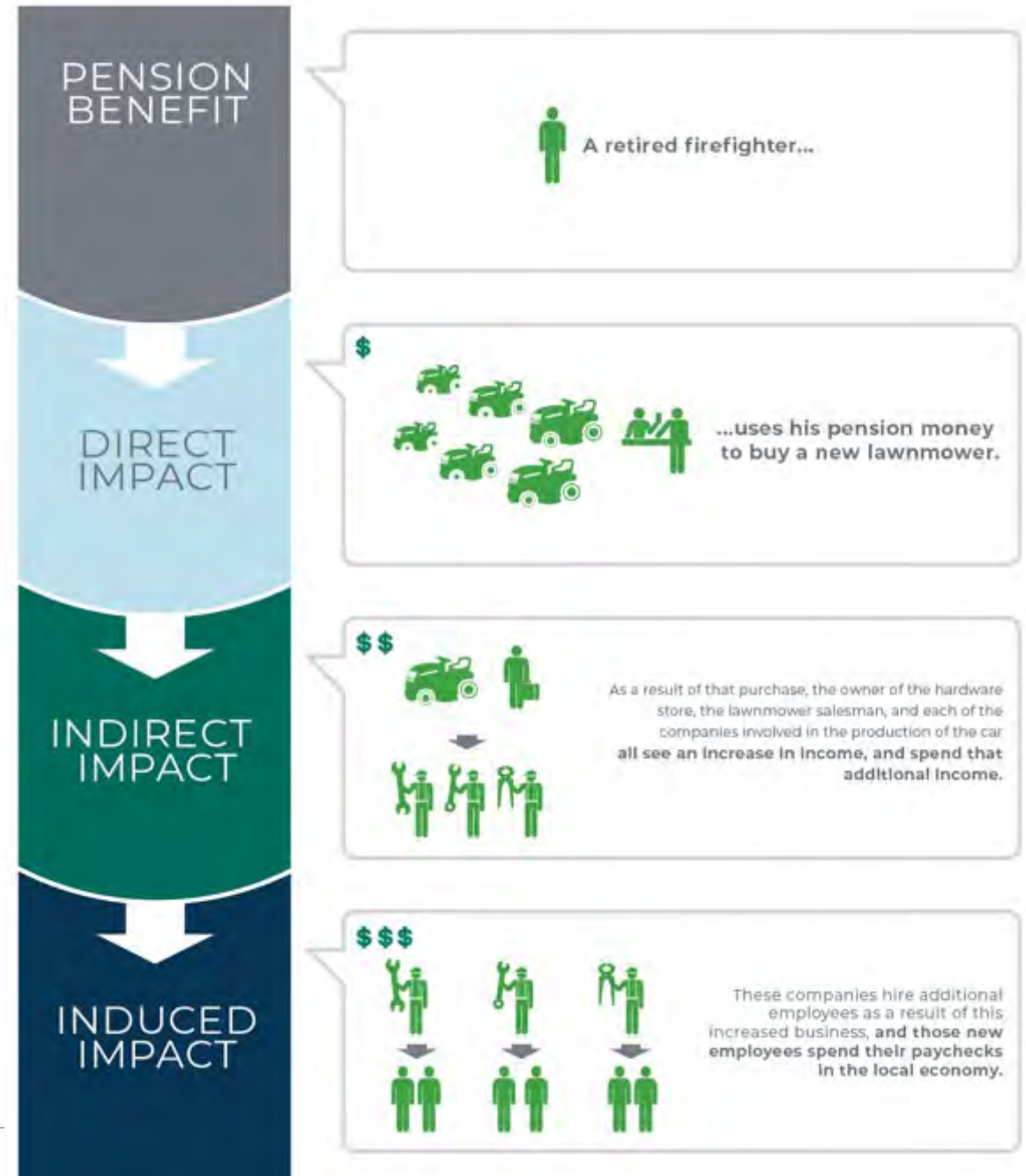
- In 2020, expenditures from public and private pension benefits supported:
 - **\$1.3 trillion** in economic output nationwide
 - **6.8 million jobs** that paid **\$422.2 billion** in labor income
 - **\$738.5 billion** in value added nationally
 - **\$157.7 billion** in federal, state, and local tax 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, 2020

Table 1: Public and Private Sector Pension Benefits, 2020

	State and Local	Federal	Private Sector		Total*
			Single Employer Plans	Multiemployer Plans	
Beneficiaries	11.5 million	2.7 million	6.4 million	4.0 million	24.6 million
Average Benefit	\$29,132	\$33,125	\$21,813	\$11,934	\$24,898
Total Benefits	\$334.8 billion	\$90.3 billion	\$140.2 billion	\$47.2 billion	\$612.6 billion

Note: Author's analysis of the Annual Survey of Public Pensions, US OPM, U.S. Census Bureau, Pension Benefit Guaranty Corporation, and IRS Form 5500 data.

*Totals may not add up exactly due to rounding.

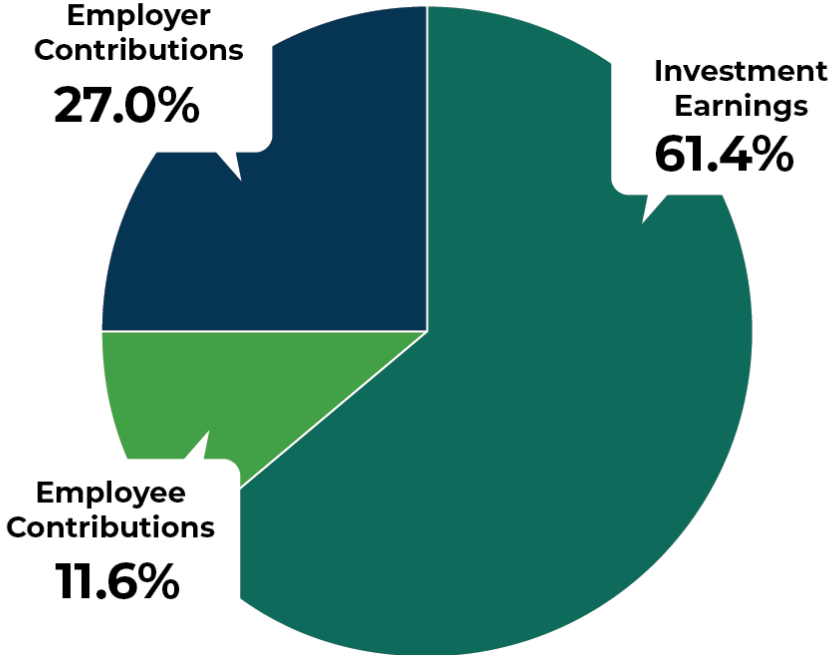
**Total average benefit represents a weighted average of public and private sector benefits.

Pension Benefits More Than Double Their Impact

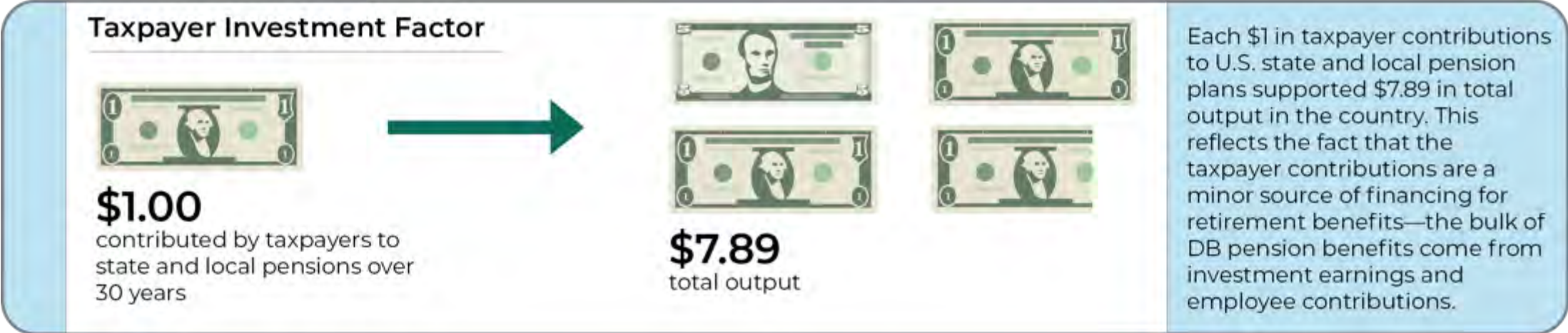


Investment Earnings Accounted for More Than 3/5 of Public Pension Revenues

Figure 1: Aggregate State and Local Pension Contributions by Source, 1993-2020



Taxpayer Dollars Generate a Significant Return on Investment



DB Pensions Support 6.8 Million American Jobs

Table 2: DB Pensions Support 6.8 Million American Jobs That Pay \$422.2 Billion in Labor Income

		Employment	Labor Income
Governmental Plans	State and Local Government	3,736,191	\$232,229,721,639
	Federal Government	994,015	\$61,784,827,559
Private Sector Plans	Multiemployer	519,379	\$32,282,920,670
	Single Employer	1,542,916	\$95,902,741,502
Total Impact	All Plans	6,792,502	\$422,200,211,371

*Totals may not add up exactly due to rounding.

DB Pensions Support \$1.3 Trillion in Total Economic Activity

Table 3: DB Pensions Support \$1.3 Trillion in Economic Activity and \$738.5 Billion in Value Added

		Output	Value Added
Governmental Plans	State and Local Government	\$718,646,463,523	\$406,224,100,829
	Federal Government	\$191,196,232,383	\$108,076,114,646
Private Sector Plans	Multiemployer	\$99,901,109,159	\$56,470,379,108
	Single Employer	\$296,775,819,806	\$167,756,326,188
Total Impact	All Plans	\$1,306,519,624,872	\$738,526,920,772

*Totals may not add up exactly due to rounding.

Pension Expenditures Have an Impact Across Multiple Industries

Table 6: Top Five Industries by National Employment Impact

Industry	Total # Jobs Supported
Hospitals	336,296
Limited-service restaurants	320,266
Other real estate	238,861
Full-service restaurants	227,553
Offices of physicians	193,807

Pension Expenditures Have an Impact on Workers in Multiple Occupations

Table 7: Top Ten Occupation Categories by National Employment Impact

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Total Employee Compensation	Hours Worked
Office and Administrative Support Occupations	678,678	\$35,238,942,845	\$7,010,670,754	\$42,249,613,599	1,158,506,275
Food Preparation and Serving Related Occupations	626,523	\$14,205,455,078	\$2,550,533,595	\$16,755,988,673	738,188,665
Sales and Related Occupations	612,650	\$29,155,593,836	\$5,354,263,446	\$34,509,857,282	943,933,014
Transportation and Material Moving Occupations	492,232	\$22,175,442,828	\$4,669,598,456	\$26,845,041,284	855,539,059
Healthcare Practitioners and Technical Occupations	421,408	\$40,420,111,463	\$8,662,109,299	\$49,082,220,762	747,310,507

DB Pensions Support \$62.9B in Federal Tax Revenue

Table 4: DB Pensions Support \$62.9 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	\$3.3 billion	\$903.3 million	\$472 million	\$1.4 billion	\$6.1 billion
Tax Revenue Resulting from Retiree Expenditures	\$31.2 billion	\$8.3 billion	\$4.3 billion	\$12.9 billion	\$56.7 billion
Total Federal Tax Revenue Impact	\$34.6 billion	\$9.2 billion	\$4.8 billion	\$14.3 billion	\$62.9 billion

*Totals may not add up exactly due to rounding.

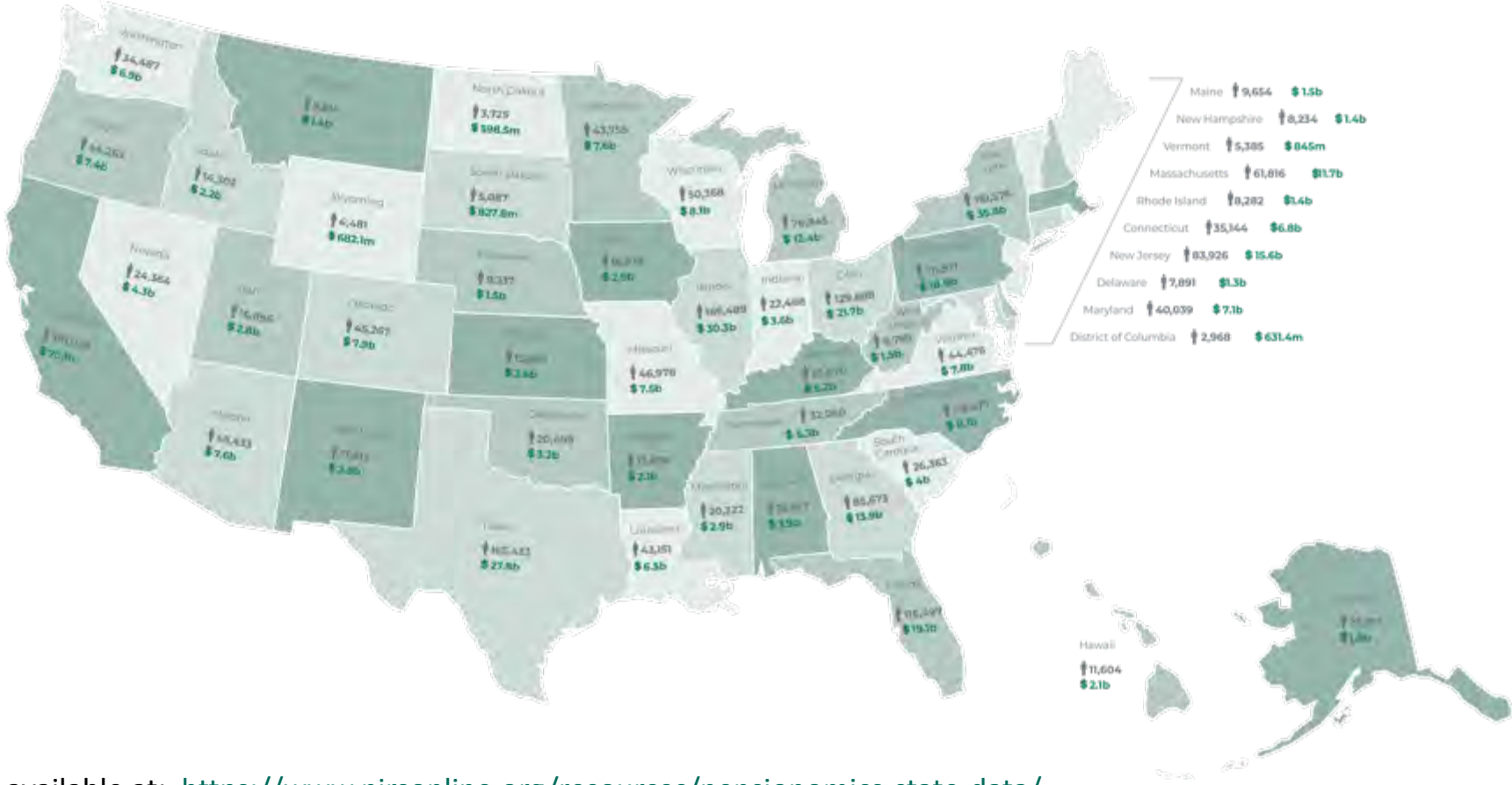
DB Pensions Support \$94.9 Billion in State and Local Tax Revenue

Table 5: DB Pensions Support \$94.9 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	\$4.5 billion	\$1.2 billion	\$1.9 billion	\$628.9 million	\$8.2 billion
Tax Revenue Resulting from Retiree Expenditures	\$47.7 billion	\$12.7 billion	\$19.7 billion	\$6.6 billion	\$86.7 billion
Total State and Local Tax Revenue Impact	\$52.2 billion	\$13.9 billion	\$21.6 billion	\$7.3 billion	\$94.9 billion

*Totals may not add up exactly due to rounding.

State-By-State Pension Impacts



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

Fact Sheets Highlight State-Specific Findings

SOUTH DAKOTA

Key Findings

Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures

Overview
Expenditures made by retirees of state and local government provide a steady economic stimulus to South Dakota communities and the state economy. In 2020, 5,026 residents of South Dakota received a total of \$635.9 million in pension benefits from state and local pension plans.

The average pension benefit received was \$1,708 per month or \$20,496 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 2020, 12% of South Dakota's pension fund receipts came from employee contributions, 12% from employer contributions, and 76% 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 6,067 jobs in the state. The total income to state residents supported by pension expenditures was \$268.4 million.

To put these employment impacts in perspective, in 2020 South Dakota's unemployment rate was 4.9%. The fact that DB pension expenditures supported 6,067 jobs is significant, as it represents 1.1 percentage points in South Dakota's labor force.

Economic Impact
State and local pension funds in South Dakota and other states paid a total of \$635.9 million in benefits to South Dakota residents in 2020. Retirees' expenditures from these benefits supported a total of \$277.6 million in total economic output in the state, and \$476.0 million in value added in the state.

Impact on Tax Revenues
State and local pension payments made to South Dakota residents supported a total of \$88.4 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$7.6 million. Taxes attributable to pension expenditures in the local economy accounted for \$81.4 million in tax revenue.

Federal Tax	\$24.7 million
state/local Tax	\$63.7 million
Total	\$88.4 million

*Earnings on investments and employee contributions—not taxpayer-based contributions—have historically made up the bulk of pension fund receipts.

SOUTH DAKOTA

Economic Multipliers

Pension Benefit Multiplier

\$1.00 pension benefits paid to retirees in South Dakota

→

\$1.30 total output

Each \$1 in state and local pension benefits paid to South Dakota residents ultimately supported \$1.30 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

Employer Investment Factor

\$1.00 contributed by employers to South Dakota pensioners over 30 years

→

\$10.62 total output

Each \$1 in taxpayer contributions to South Dakota state and local pension plans supported \$10.62 in total output in the state. This reflects the fact that taxpayer contributions are a major source of financing for government benefits—investment earnings and employee contributions—make up the bulk of pension fund receipts.

*Values should be used in interpreting these models. See the Technical Appendix of the DB Pension Report for details.

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in South Dakota. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	516
Limited-service restaurants	302
Full-service restaurants	191
Offices of physicians	181
Tenants-occupied housing	167

Industry totals include direct, indirect, and induced impacts from expenditures to consumption and do not account for required "leakage" from other states.

Economic Impacts by Occupation Category

The pension benefits in South Dakota supported jobs in every civilian job category, as shown in the table below:

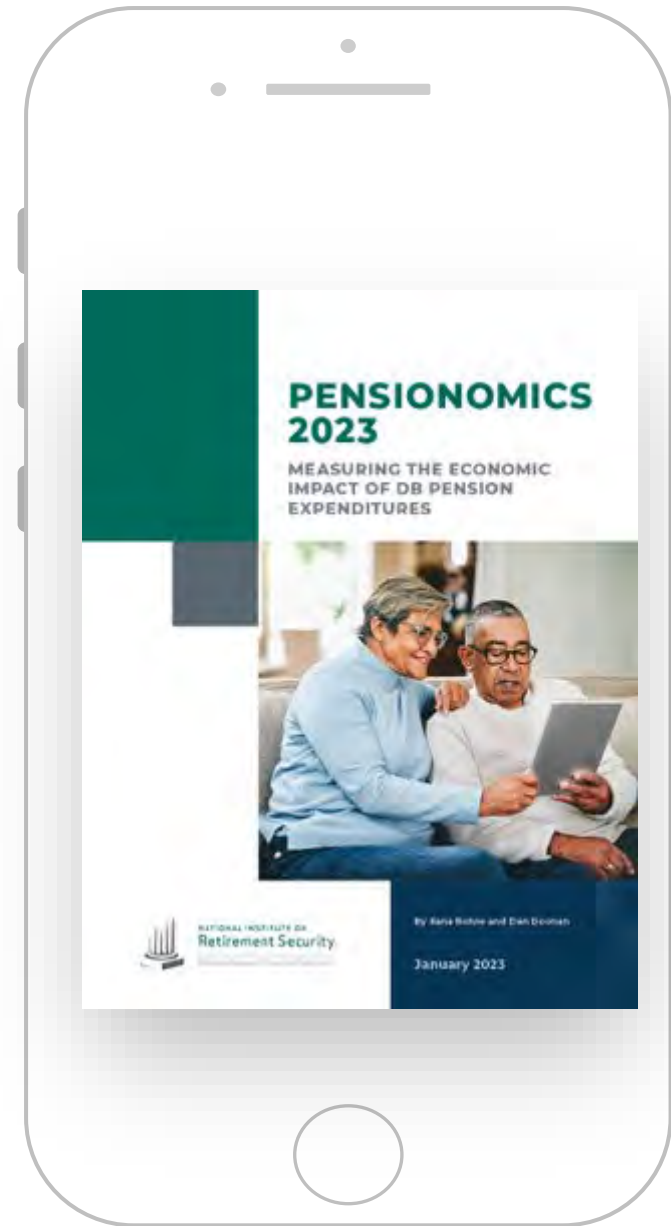
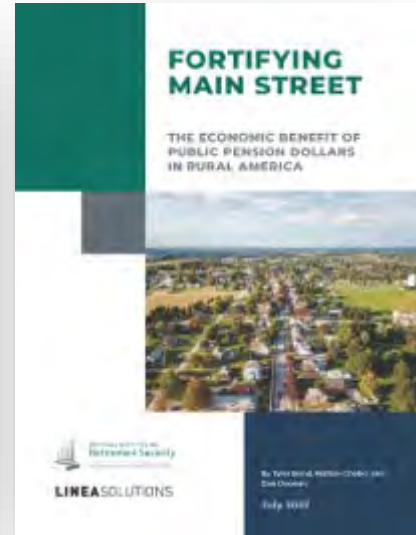
Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	573	\$9,746,993	\$1,950,647	\$12,697,640
Sales and Related Occupations	492	\$16,966,393	\$3,200,353	\$20,166,747
Healthcare Practitioners and Technical Occupations	388	\$46,701,094	\$9,176,082	\$55,877,177
Office and Administrative Support Occupations	477	\$20,284,380	\$4,192,837	\$24,477,218
Transportation and Material Moving Occupations	278	\$9,843,296	\$2,099,693	\$11,942,990

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

Questions



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