

Pensionomics 2023:

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 Connecticut.

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 2020, expenditures stemming from state and local pensions supported...

35,144 jobs that paid \$2.4 billion in wages and salaries

\$6.8 billion in total economic output

\$1.2 billion in federal, state, and local tax revenues

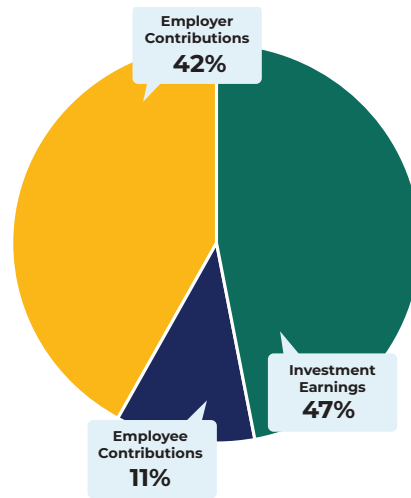
... in the state of Connecticut.

Each dollar paid out in pension benefits supported \$1.25 in total economic activity in Connecticut.

Each dollar "invested" by Connecticut taxpayers in these pension plans supported \$2.99 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Connecticut communities and the state economy. In 2020, 130,876 residents of Connecticut received a total of \$5.5 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$3,475 per month or \$41,698 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, 42% of Connecticut's pension fund receipts came from employer contributions, 11% from employee contributions, and 47% 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 35,144 jobs in the state. The total income to state residents supported by pension expenditures was \$2.4 billion.

To put these employment impacts in perspective, in 2020 Connecticut's unemployment rate was 7.8%. The fact that DB pension expenditures supported 35,144 jobs is significant, as it represents 1.9 percentage points in Connecticut's labor force.

Economic Impact

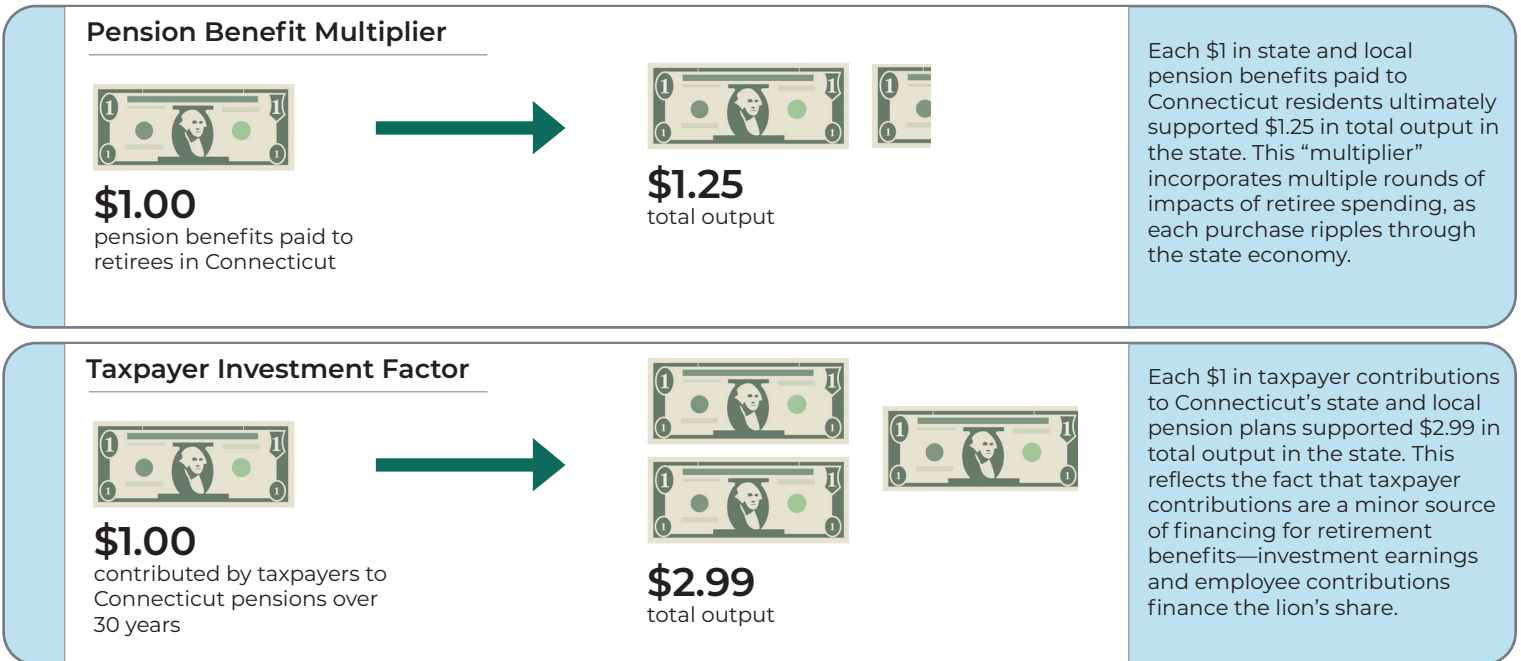
State and local pension funds in Connecticut and other states paid a total of \$5.5 billion in benefits to Connecticut residents in 2020. Retirees' expenditures from these benefits supported a total of \$6.8 billion in total economic output in the state, and \$4.4 billion in value added in the state.

Impact on Tax Revenues

State and local pension payments made to Connecticut residents supported a total of \$1.2 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$175.7 million. Taxes attributable to pension expenditures in the local economy accounted for \$996.3 million in tax revenue.

Federal Tax	\$337.7 million
State/Local Tax	\$834.3 million
Total	\$1.2 billion

Economic Multipliers



*Caution should be used in interpreting these numbers. See the Technical Appendix of the full *Pensionomics* 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 Connecticut. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	2,356
Limited-service restaurants	1,409
Other real estate	1,403
Offices of physicians	1,233
Retail- food and beverage stores	1,124

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.

Economic Impacts by Occupation Category

The pension benefits in Connecticut 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
Office and Administrative Support Occupations	3,386	\$192,575,224	\$38,138,356	\$230,713,580
Sales and Related Occupations	3,243	\$160,214,736	\$29,468,741	\$189,683,477
Food Preparation and Serving Related Occupations	2,888	\$73,792,652	\$13,469,364	\$87,262,017
Healthcare Practitioners and Technical Occupations	2,803	\$290,549,803	\$62,528,330	\$353,078,133
Transportation and Material Moving Occupations	2,370	\$105,836,724	\$20,970,337	\$126,807,062