

A photograph of the United States Capitol building in Washington, D.C., featuring its iconic white dome and classical architecture, set against a clear blue sky with some light clouds. Green tree branches are visible in the foreground and top corners.

14th Annual Retirement Policy Conference

*Progress Amid Turbulence:
Building Towards a Secure Retirement*

| **February 28, 2023**



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

Panel | Pensions: A Vital Economic Engine

MODERATOR

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NIRS 14th Annual Retirement Policy Conference

Pensions: a Vital Economic Engine

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Pensionomics 2023: 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

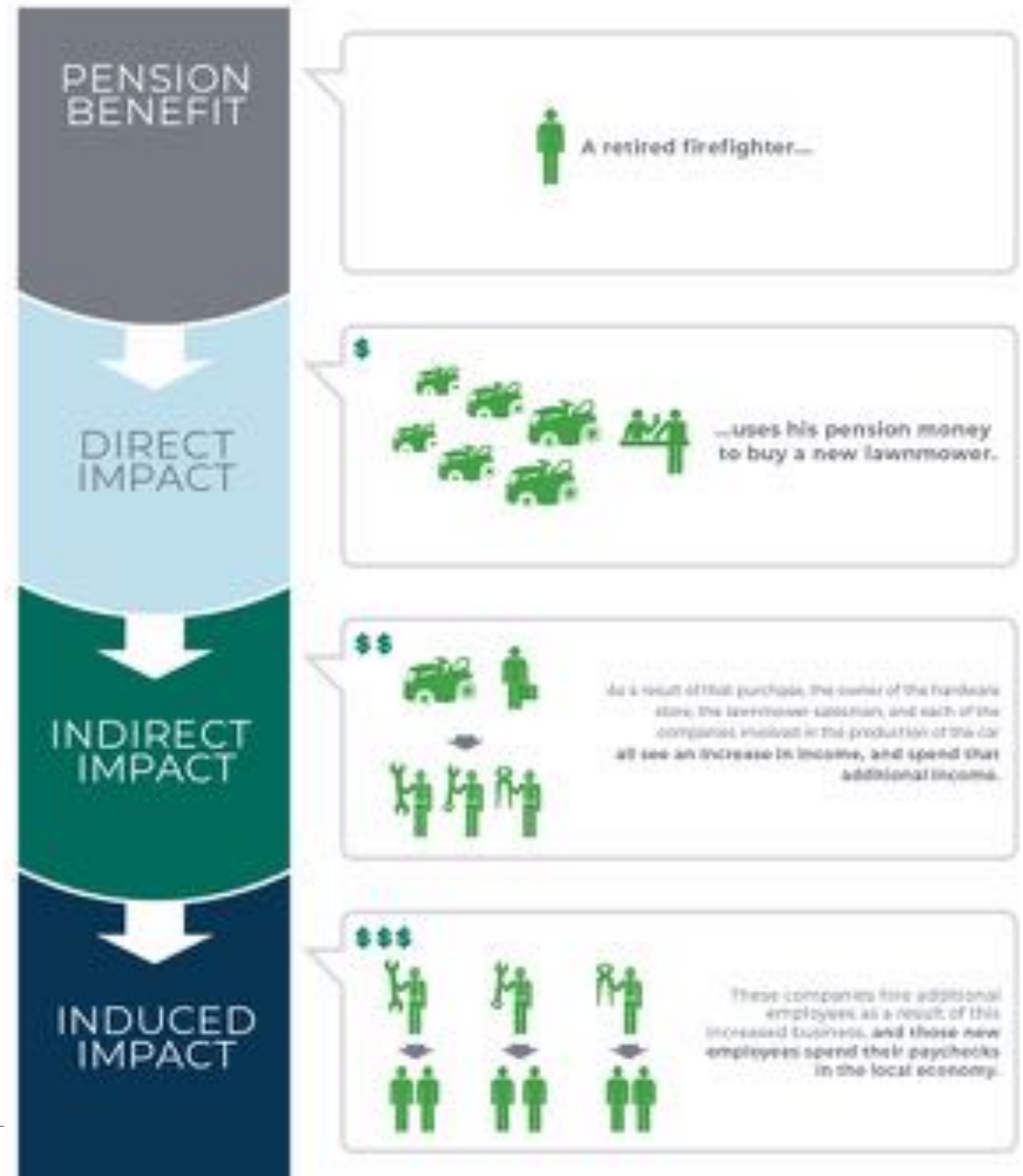
- In 2020, expenditures from public and private pension benefits supported:
 - **\$1.3 trillion** in economic output nationwide
 - **6.8 million jobs** that paid **\$422.2 billion** in labor income
 - **\$738.5 billion** in value added nationally
 - **\$157.7 billion** in federal, state, and local tax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



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.

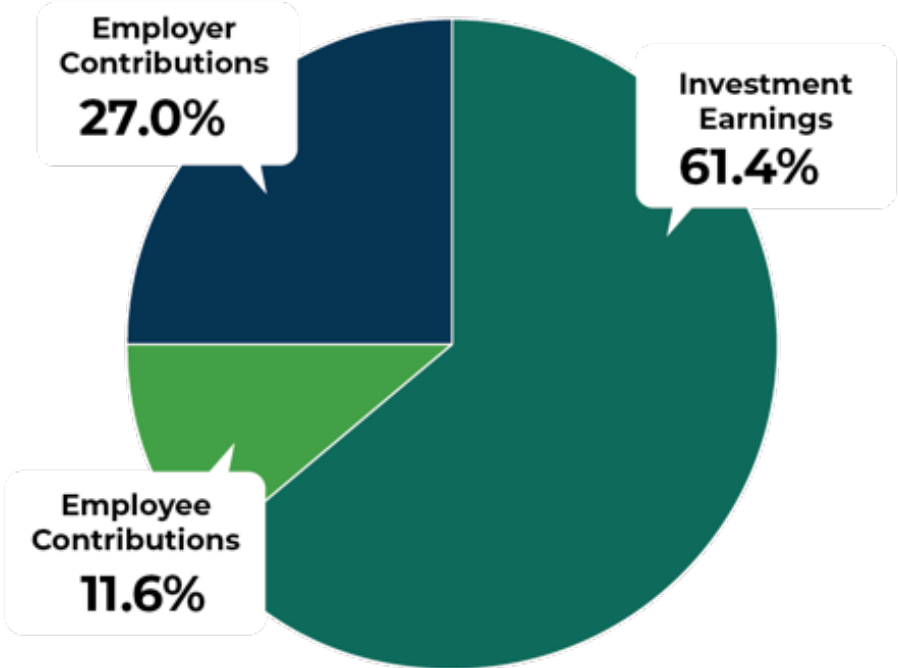
**Total average benefit represents a weighted average of public and private sector benefits.

Pension Benefits More Than Double Their Impact

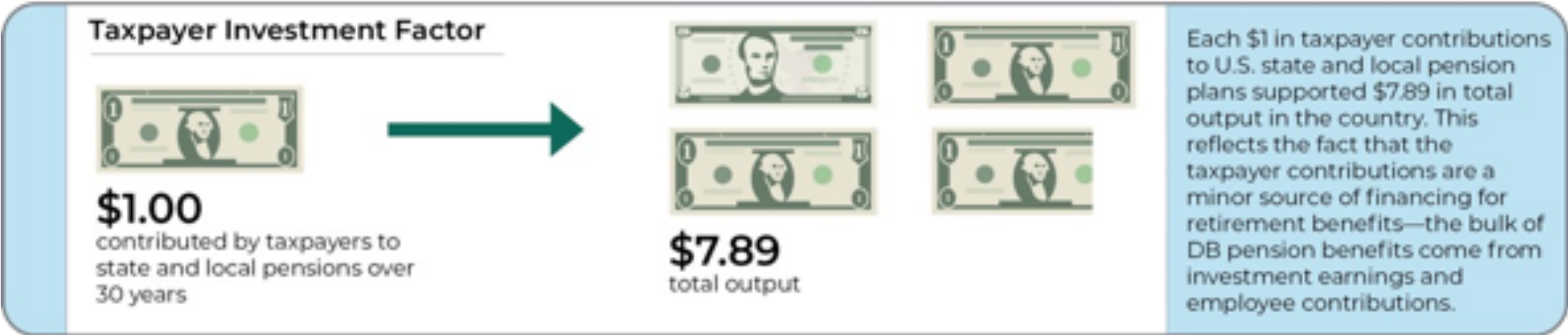


Investment Earnings Accounted for More Than 3/5 of Public Pension Revenues

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.

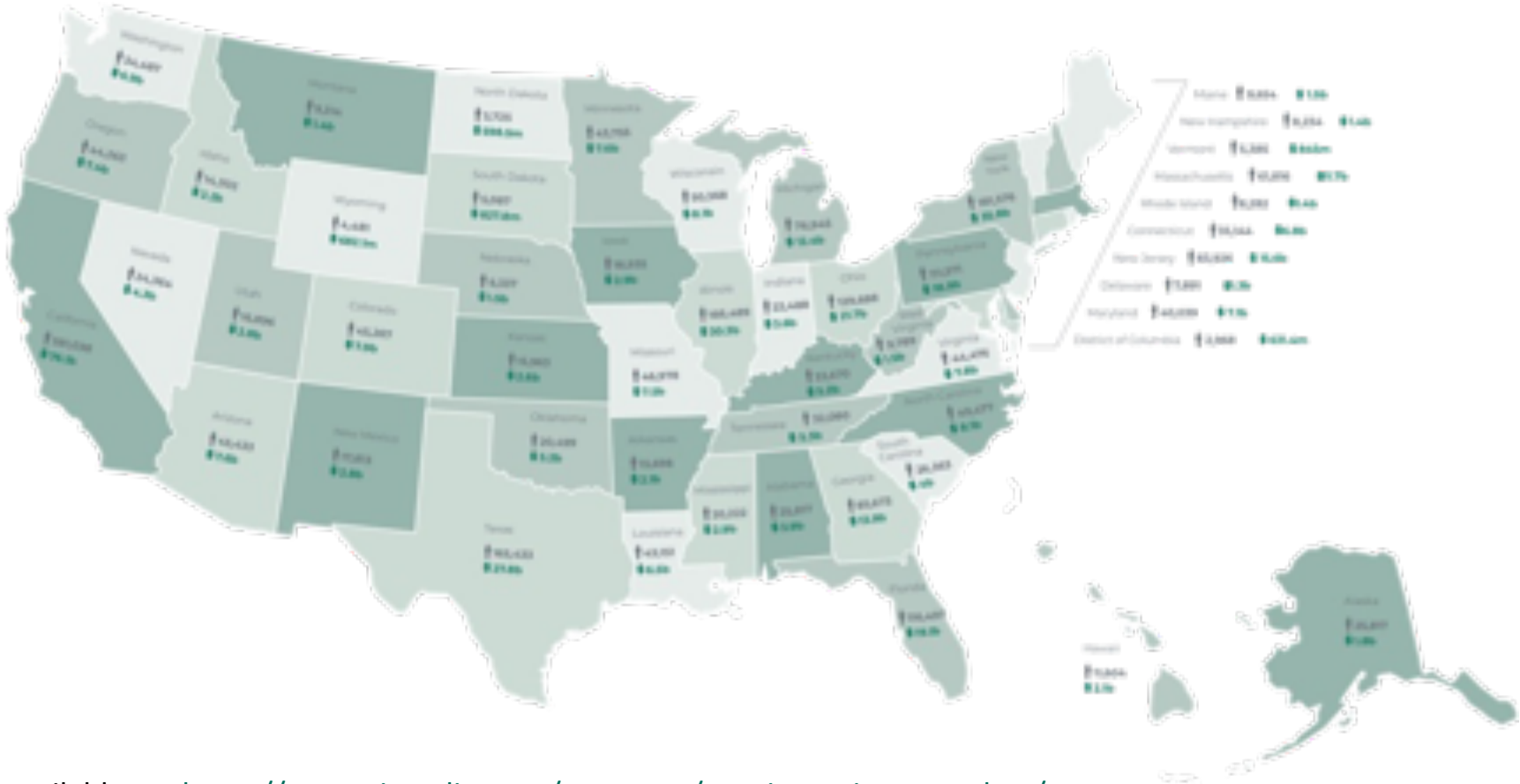
DB Pensions Support \$1.3 Trillion in Total Economic Activity

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.

State-By-State Pension Impacts



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

Fortifying Main Street: Why This Research

- **Previous NIRS research (*Pensionomics*) has focused on the downstream economic impact of the spending of pension benefits.** This research focuses on the raw dollar amounts of pension benefits at the county level.
- **New data on Gross Domestic Product (GDP) by county only became available in the past few years,** enabling new areas of research.
- **Previous research by other organizations had indicated that rural areas received a greater relative economic impact** from the flow of pension benefit dollars than cities and other metropolitan areas.
- **Cities likely receive a greater amount of pension benefit dollars in absolute terms,** but these are dwarfed by the size of the economy in large cities.

States Included in This Research

- **2020 edition:** CA, IA, ID, IL, KS, ME, MN, MO, MS, ND, NM, NV, NY, PA, SC, SD, TX, WI, WY
- **2022 additional states:** AL, AR, CO, FL, GA, HI, IN, KY, LA, MD, MI, MT, NE, NH, OH, OK, OR, RI, TN, UT, VA, VT, WA, WV
- **States not included in this research:** AK, AZ, CT, DE, MA, NC, NJ

Key Findings

- **Public pension benefit dollars** represent between one and three percent of GDP on average in the 2,922 counties studied.
- **Rural counties** have the highest percentages of their populations receiving public pension benefits.
- **Small town counties** experience a greater relative impact in terms of both GDP and total personal income from pension benefit dollars than rural or metropolitan counties.

Key Findings, Continued

- **Rural counties** experience a greater relative impact in terms of total personal income than metropolitan counties.
- **Counties that contain state capitals** are outliers from other metropolitan counties, likely because there is a greater density of public employees in these counties, most of whom remain in these counties in retirement.
- **On average, rural counties have lost population** while small town counties and metropolitan counties have gained population in the period between 2000 and 2018.

Summary of County Data Findings

Table 1. Different County Types

Type of County	Number of Counties	Average Population Density	% of Population Receiving	Benefits as Share of GDP	Benefits as Share of Personal Income
Capital	45	544.21	2.60%	1.29%	1.64%
Independent City	9	1350.97	N/A	0.67%	0.75%
Metropolitan	822	281.44	1.87%	1.13%	1.15%
Micropolitan	1365	28.59	2.58%	1.86%	1.79%
Rural	681	5.01	3.02%	1.13%	1.76%
Total	2922	103.49	2.02%	1.20%	1.25%

California County Type

Figure A7. California County Type



California Percent of GDP

Figure A8. California Pension Benefit Dollars as Share of County GDP



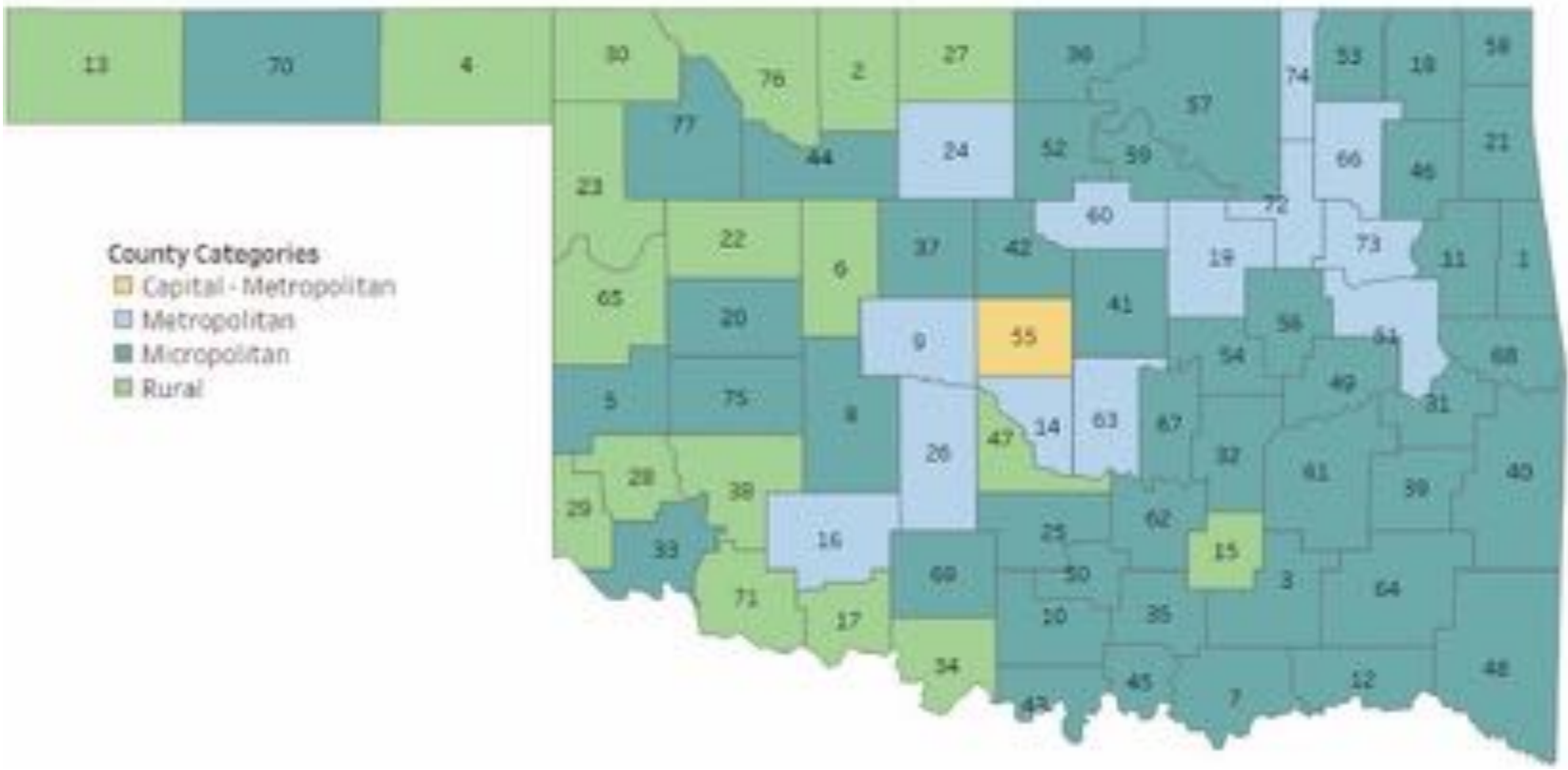
California Percent of Total Personal Income (TPI)

Figure A9. California Pension Benefit Dollars as Share of County Total Personal Income



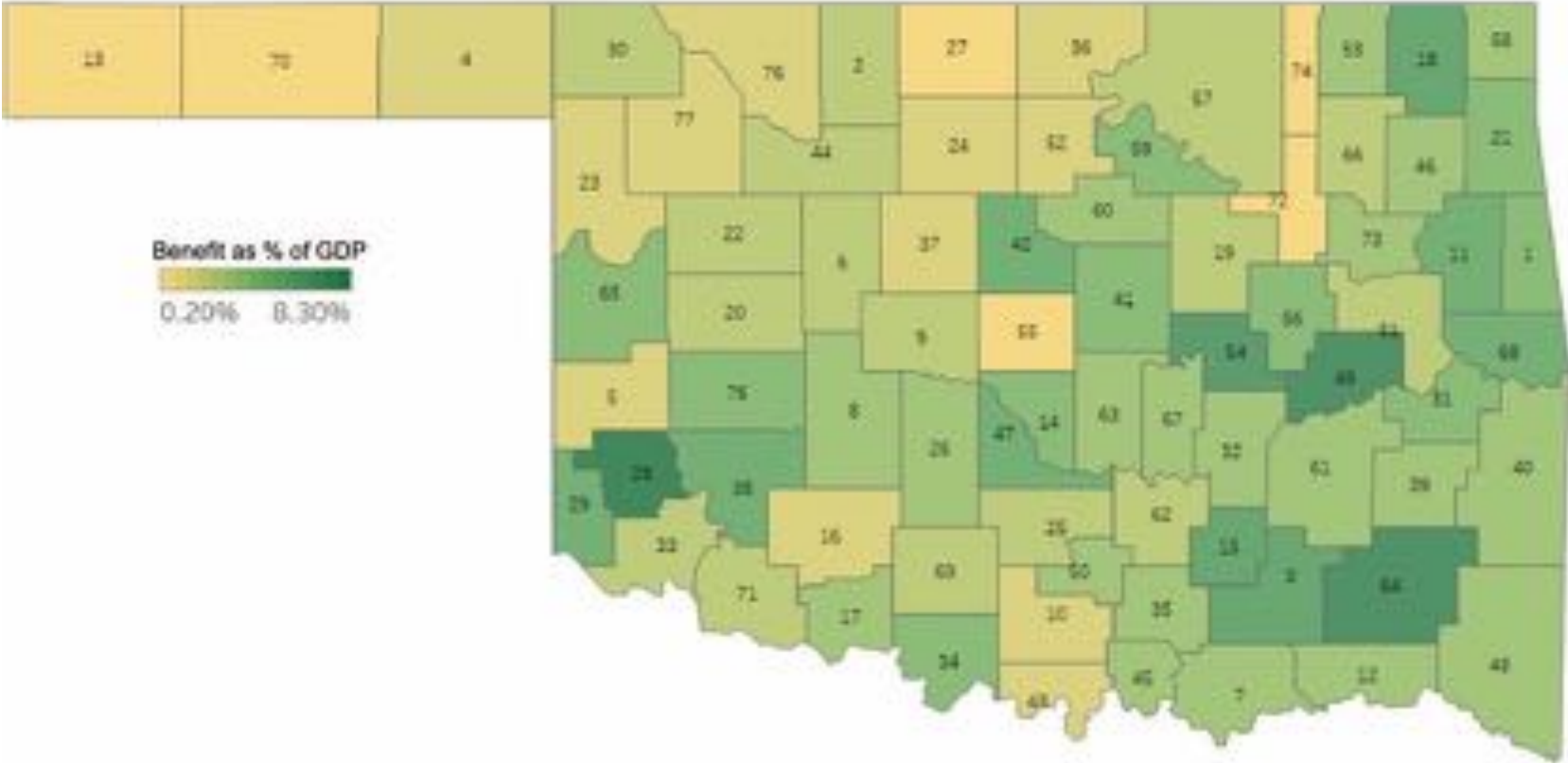
Oklahoma County Type

Figure A85. Oklahoma County Type



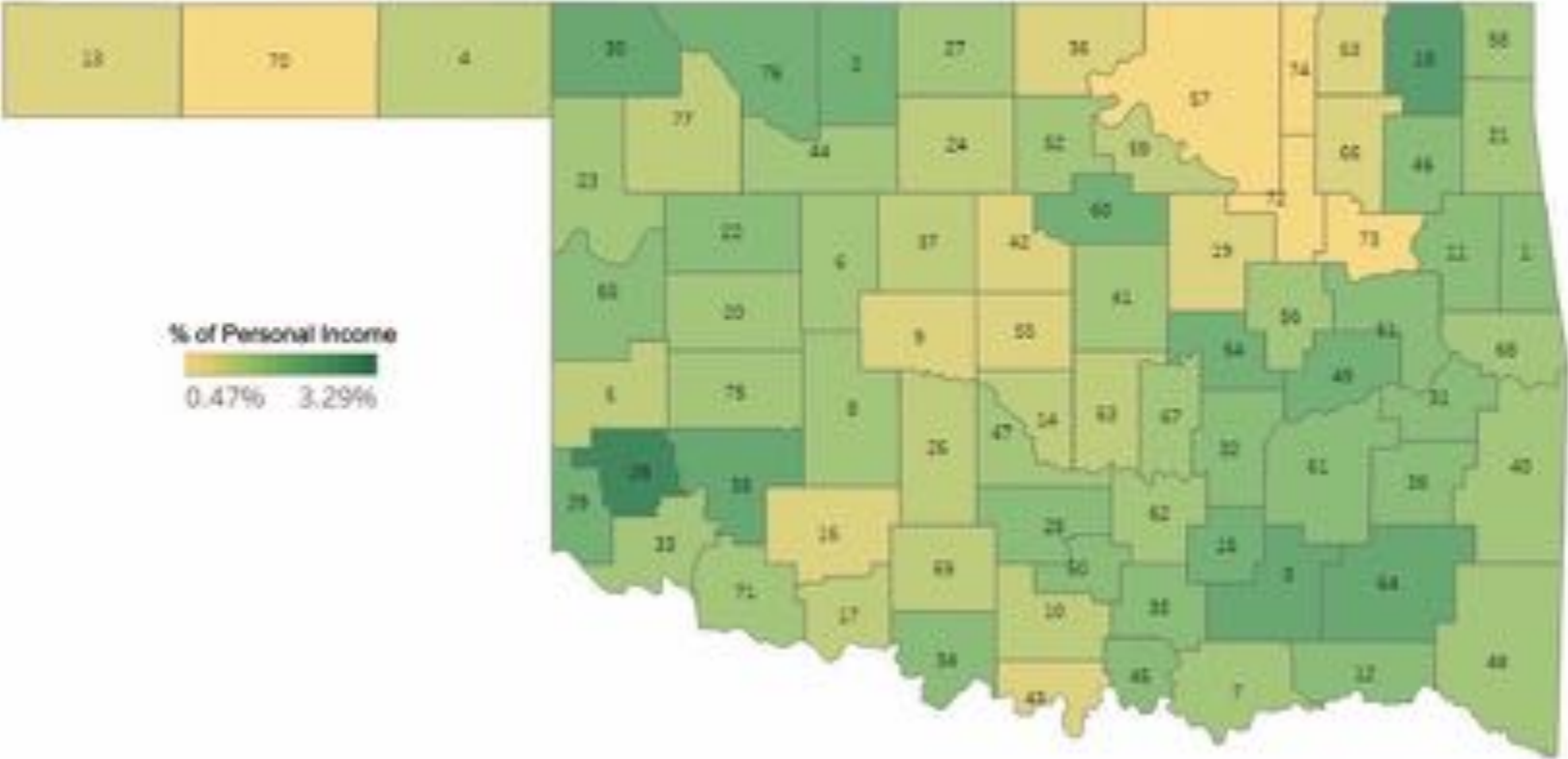
Oklahoma Percent of GDP

Figure A86. Oklahoma Pension Benefit Dollars as Share of County GDP



Oklahoma Percent of Total Personal Income (TPI)

Figure A87. Oklahoma Pension Benefit Dollars as Share of County Total Personal Income



Online Map with State Fact Sheets



Fortifying Main Street
The Economic Growth of Pennsylvania's Main Street Business Districts

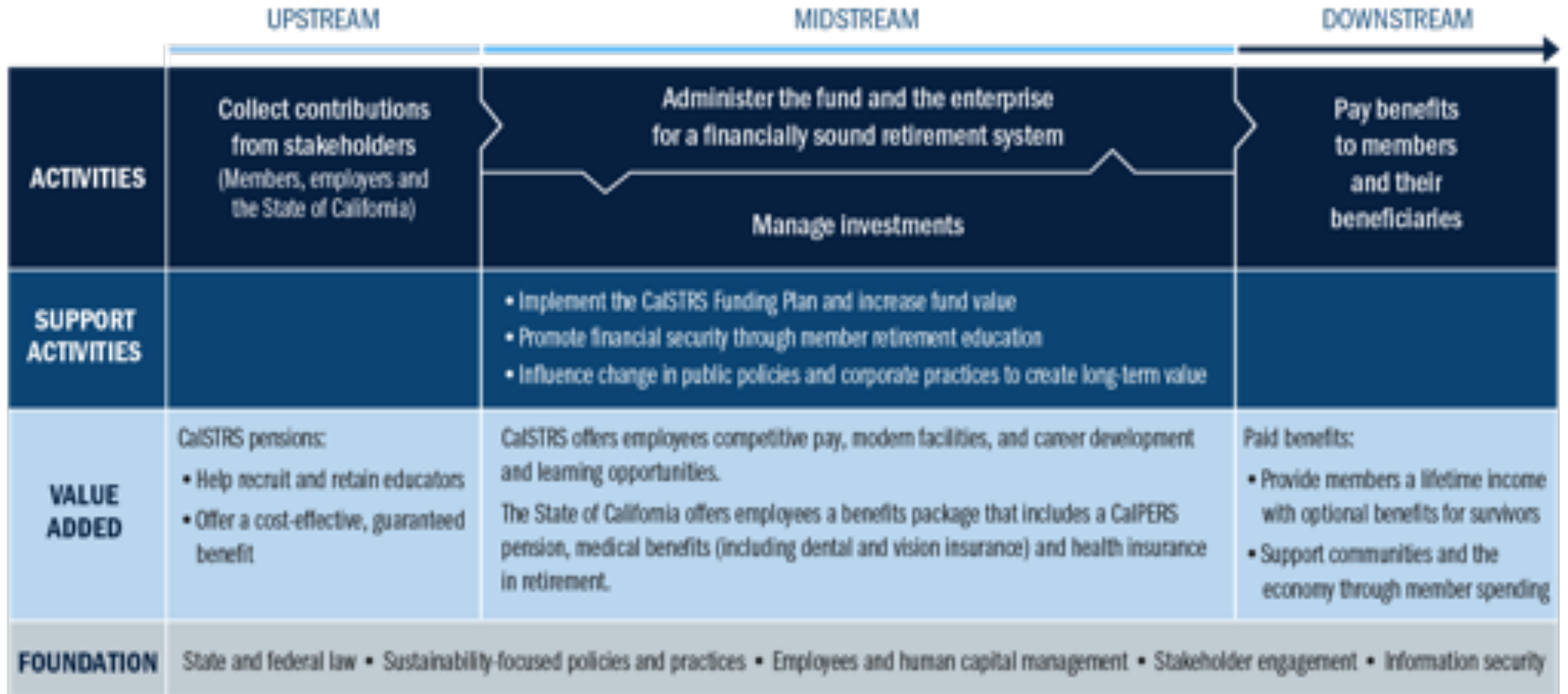
Table 1: Pennsylvania County Data

County	County Type	Population	Population Density	Population Change (2000-2010)	Population Change (%)	Population Change (2010-2015)	Population Change (%)
Adams	County	10,150	101.5	1,000	9.85%	1,000	9.85%
Allegheny	County	1,200,000	120.0	100,000	8.33%	100,000	8.33%
Armstrong	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Beaver	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Bedford	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Butte	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Cameron	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Clarke	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Clearfield	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Clinton	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Collins	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Columbia	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Dauphin	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Delaware	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Erie	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Fayette	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Harrisburg	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Huntingdon	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Juniata	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Lancaster	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Lebanon	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Lehigh	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Lycoming	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Mechanicville	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Merger	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Mifflin	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Monroe	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Montgomery	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Northampton	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Northumberland	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Perry	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Pike	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Potomac	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Snyder	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Union	County	10,000	100.0	1,000	10.00%	1,000	10.00%
Washington	County	10,000	100.0	1,000	10.00%	1,000	10.00%
York	County	10,000	100.0	1,000	10.00%	1,000	10.00%



<https://www.nirsonline.org/resources/fortifying-main-street/>

CalSTRS Value chain



CalSTRS' impact on California's economy

CalSTRS contributes to California's economy through the benefits it pays to its members, who may then spend that money in the communities in which they live. CalSTRS paid an estimated \$13.4 billion in benefits to 237,430 retirees living in California during fiscal year 2021-22. This chart and map show the number of retired members living in each county and a range of the amount of benefits paid to those members, as well as the locations of the CalSTRS member service centers.

Defined Benefit Program

Retirees who live in California—characteristics by county

County	Number of retirees	Estimated benefits paid in FY 2021-22*	County	Number of retirees	Estimated benefits paid in FY 2021-22*
Alameda	1,739	\$438,708,432	Orange	21,957	1,418,861,340
Alpine	14	804,632	Placer	4,609	290,493,580
Alameda	404	21,317,880	Plumas	317	13,913,620
Butte	2,241	110,795,040	Riverside	84,001	799,283,888
Calaveras	410	29,594,780	Sacramento	9,685	503,543,200
Colusa	129	5,931,340	San Benito	303	18,576,312
Contra Costa	3,725	414,806,656	San Bernardino	10,237	513,493,800
Del Norte	206	12,426,456	San Diego	22,238	1,213,175,248
El Dorado	2,363	126,851,884	San Francisco	2,818	158,204,904
Fresno	6,704	363,544,512	San Joaquin	4,235	236,932,840
Glen	136	6,842,872	San Luis Obispo	4,638	238,084,864
Humboldt	1,443	61,862,276	San Mateo	3,777	228,438,704
Inperial	878	55,018,992	Santa Barbara	3,107	164,043,416
Inyo	142	7,070,328	Santa Clara	9,293	580,508,728
Kern	4,520	258,202,480	Santa Cruz	3,026	157,158,336
Kings	818	54,424,544	Shasta	1,899	85,157,888
Lake	408	22,455,000	Sierra	64	3,002,112
Lacuna	214	11,111,216	Stanislaus	434	37,298,888
San Joaquin	84,501	2,436,417,288	Solano	3,250	168,792,000
Marina	1,436	74,097,600	Sonoma	4,408	239,365,800
Mariposa	2,355	138,326,800	Stanislaus	1,125	195,485,916
Martinez	273	12,371,380	Sutter	789	43,275,280
Merced	2,332	51,347,520	Tehama	785	38,897,360
Merced	1,429	91,576,216	Tulare	122	6,324,000
Minoc	87	3,389,888	Tulare	3,205	182,261,940
Mono	202	10,253,520	Tulare	717	35,548,936
Monterey	3,315	183,158,120	Ventura	7,306	471,305,744
Napa	1,422	74,328,024	Yuba	1,288	62,238,832
Nevada	1,837	78,087,000	Total	237,430	\$13,427,740,608

*The projected benefits based on the June 2022 monthly benefits, which also include purchasing power protection payments from the Supplemental Benefit Maintenance Account.



Pension Plans as Long-Term Investors

- **U.S. state & local pension plans** manage approximately \$5 trillion dollars in assets across every asset class.
- **These plans invest for the long-term** and are not subject to the same economic incentives for short-term decision-making that drive other investors.
- **What effect does this long-term outlook** have on financial markets in the U.S. via the economic impact of pension plan investment activity?

Public Plans Hold 5.5% of U.S. Equities

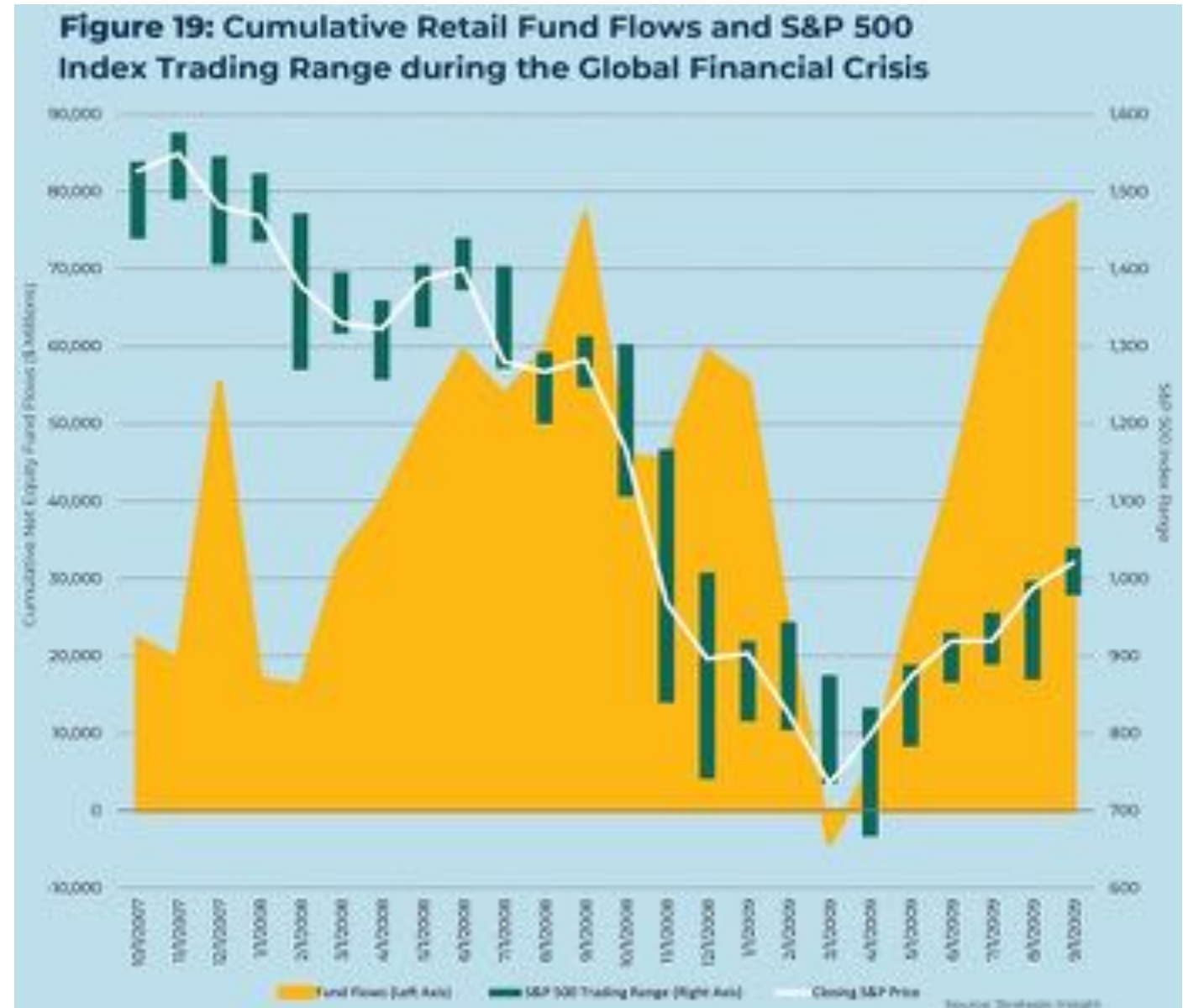


Source: The Federal Reserve - Financial Accounts of the United States

Note: Households include non-profit organizations. Other contains foreign banking offices in the U.S. and funding corporations

Source: SIFMA Insights, "Who Owns Stocks in America"

Fund Flows Show Retail Investors Exhibited Poor Market Timing – Global Financial Crisis



Public Plans Actively Rebalance Investments

