

National Institute on Retirement Security: Pensionomics & Public Employees Opinion Research



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Agenda

- Pensionomics 2018
- State and Local Employees Views on Their Jobs, Pay and Benefits
- Questions



Pensionomics: Why We Did This Study

- 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.
- Quantify the economic impact of pension spending on the U.S. economy that will be constrained as the population ages.



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, create jobs.
- This study focuses on the benefit channel

Pensionomics 2018: What We Found

- In 2016, expenditures from public and private pension benefits supported:
 - **\$1.2 trillion** in economic output nationwide, or 6.5% of GDP
 - **7.5 million jobs** that paid **\$386.7 billion** in income
 - **\$685 billion** in value added nationally
 - **\$202.6 billion** in federal, state, and local tax revenue



Overview of Public and Private Pension Payments in the U.S.

Table 1.
Public and Private Sector Pension Benefits, 2016

	State and Local	Federal	Private Sector		Total*
			Single Employer Plans	Multiemployer Plans	
Beneficiaries	10.7 million	2.7 million	10.0 million	3.5 million	26.9 million
Average Benefit	\$27,481	\$31,281	\$15,799	\$11,935	\$21,804
Total Benefits	\$294.7 billion	\$83.0 billion	\$158.6 billion	\$41.8 billion	\$578.0 billion

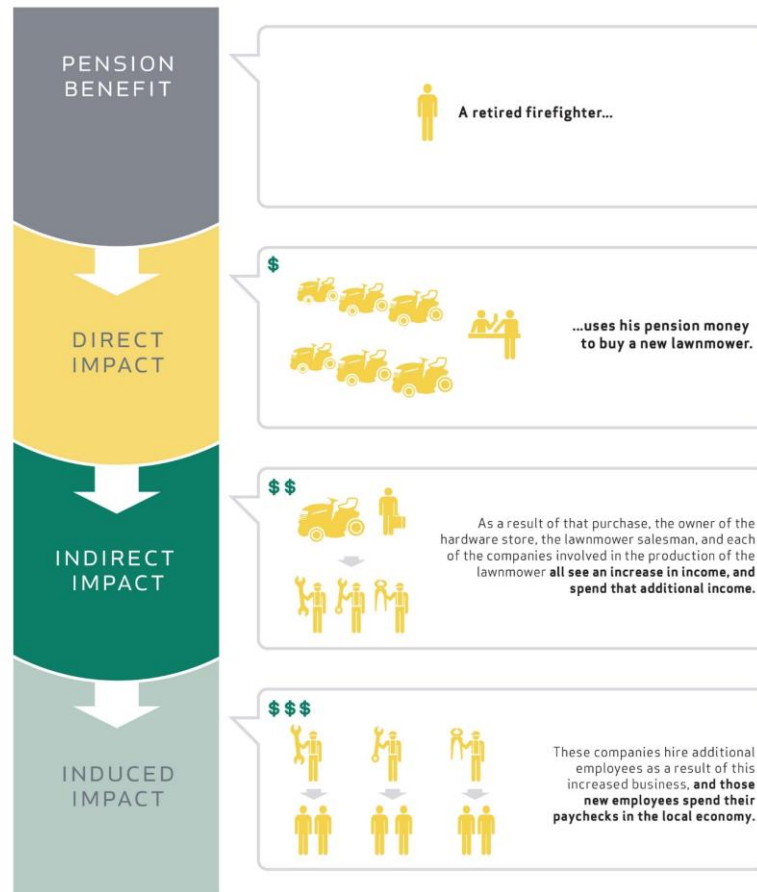
Note: Author's analysis of the Annual Survey of Public Pensions, Congressional Research Service, Pension Benefit Guaranty Corporation, and IRS Form 5500 data.

*Totals may not add up exactly due to rounding.

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

Types of Economic Impact

The Multiplier Effect: How Spending Ripples Through the Economy, Supporting Jobs and Incomes in the Process



DIRECT - Businesses gain revenue from retiree spending.

INDIRECT- Dollars flow up the supply chain to transport and manufacturers.

INDUCED – Those affected business owners and employees spend their earnings



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Results: DB Pensions Support \$1.2 Trillion In Economic Activity

Table 4.

DB Pensions Support \$1.23 Trillion in Total Economic Activity

	State & Local Pensions	Federal Pensions	Private Pensions		Total Output Supported*
			Single Employer	Multiemployer	
Direct Impact	\$252.0 billion	\$70.9 billion	\$135.6 billion	\$35.7 billion	\$494.2 billion
Indirect Impact	\$175.6 billion	\$49.4 billion	\$94.5 billion	\$24.9 billion	\$344.4 billion
Induced Impact	\$200.9 billion	\$56.6 billion	\$108.1 billion	\$28.5 billion	\$394.1 billion
Total Output Impact	\$628.5 billion	\$176.9 billion	\$338.2 billion	\$89.0 billion	\$1.23 trillion

*Totals may not add up exactly due to rounding.



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Results: DB Pensions Support 7.5 Million American Jobs

Table 2.
DB Pensions Support 7.5 Million American Jobs

	State & Local Pensions (# Jobs)	Federal Pensions (# Jobs)	Private Pensions		Total Jobs Supported* (# Jobs)
			Single Employer (# Jobs)	Multiemployer (# Jobs)	
Direct Impact	1,738,475	489,365	935,508	246,324	3,409,672
Indirect Impact	867,937	244,317	467,054	122,978	1,702,285
Induced Impact	1,224,970	344,818	659,180	173,566	2,402,534
Total Employment Impact	3,831,381	1,078,500	2,061,742	542,868	7,514,491

*Totals may not add up exactly due to rounding.



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Results: Economic Impacts by Industry – Food, Health & Real Estate

Table 8. Top Ten Industries by National Employment Impact

Industry	Total # Jobs Supported				Total
	From State and Local Pensions	From Federal Pensions	From Single Employer Pensions	From Multiemployer Pensions	
Real estate	213,008	59,960	114,624	30,181	417,773
Full-service restaurants	147,937	41,643	79,608	20,961	290,148
Nursing and community care facilities	142,007	39,974	76,417	20,121	278,519
Limited-service restaurants	137,833	38,799	74,171	19,530	270,331
Hospitals	134,613	37,892	72,438	19,073	264,016
Wholesale trade	113,433	31,930	61,040	16,072	222,476
Retail - General merchandise stores	95,161	26,787	51,208	13,483	186,639
Retail - Food and beverage stores	89,997	25,333	48,429	12,752	176,512
Individual and family services	87,268	24,565	46,961	12,365	171,159
Offices of physicians	83,609	23,535	44,991	11,847	163,982



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Results: DB Pensions Support \$202.6 Billion in Tax Revenue

Table 6.
DB Pensions Support \$115.7 Billion in Federal Tax Revenue

	State & Local Pensions	Federal Pensions	Private Pensions		Total Federal Tax Revenue*
			Single Employer	Multiemployer	
Taxes Paid by Beneficiaries on Benefits	\$10.6 billion	\$3.0 billion	\$5.7 billion	\$1.5 billion	\$20.8 billion
Tax Revenue Resulting from Retiree Expenditures	\$48.4 billion	\$13.6 billion	\$26.0 billion	\$6.9 billion	\$94.9 billion
Total Federal Tax Revenue Impact	\$59.0 billion	\$16.6 billion	\$31.7 billion	\$8.4 billion	\$115.7 billion

*Totals may not add up exactly due to rounding.

Table 7.
DB Pensions Support \$86.9 Billion in State and Local Tax Revenue

	State & Local Pensions	Federal Pensions	Private Pensions		Total State and Local Tax Revenue*
			Single Employer	Multiemployer	
Taxes Paid by Beneficiaries on Benefits	\$12.0 billion	\$3.4 billion	\$6.5 billion	\$1.7 billion	\$23.5 billion
Tax Revenue Resulting from Retiree Expenditures	\$32.3 billion	\$9.1 billion	\$17.4 billion	\$4.6 billion	\$63.4 billion
Total State and Local Tax Revenue Impact	\$44.3 billion	\$12.5 billion	\$23.8 billion	\$6.3 billion	\$86.9 billion

*Totals may not add up exactly due to rounding.

Results: Pension Expenditure Multiplier

What is the total economic impact of each dollar paid out in pension benefits?

Pension Expenditure Multiplier



\$1.00

pension benefits paid to
retirees with DB pension income



\$2.13

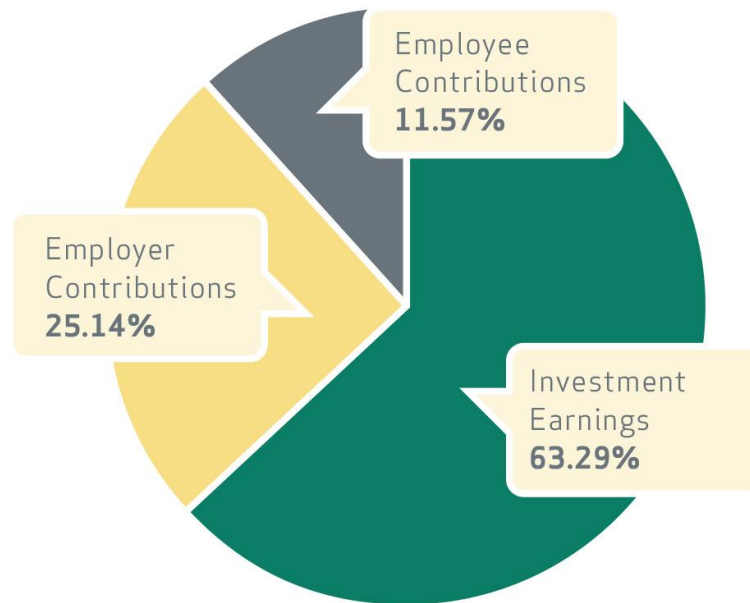
total output



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Financing of State and Local Plans, 1993-2016

Figure 1:
Aggregate State and Local Pension Contributions by Source, 1993-2016



Note: Author's analysis of data from U.S. Census Bureau.



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What We Found: Taxpayer Investment

What is the “return” on each dollar taxpayers “invest” in state and local pension plans?

Taxpayer Investment Factor*



\$1.00

contributed by taxpayers to
state and local pensions over 30 years



\$8.48

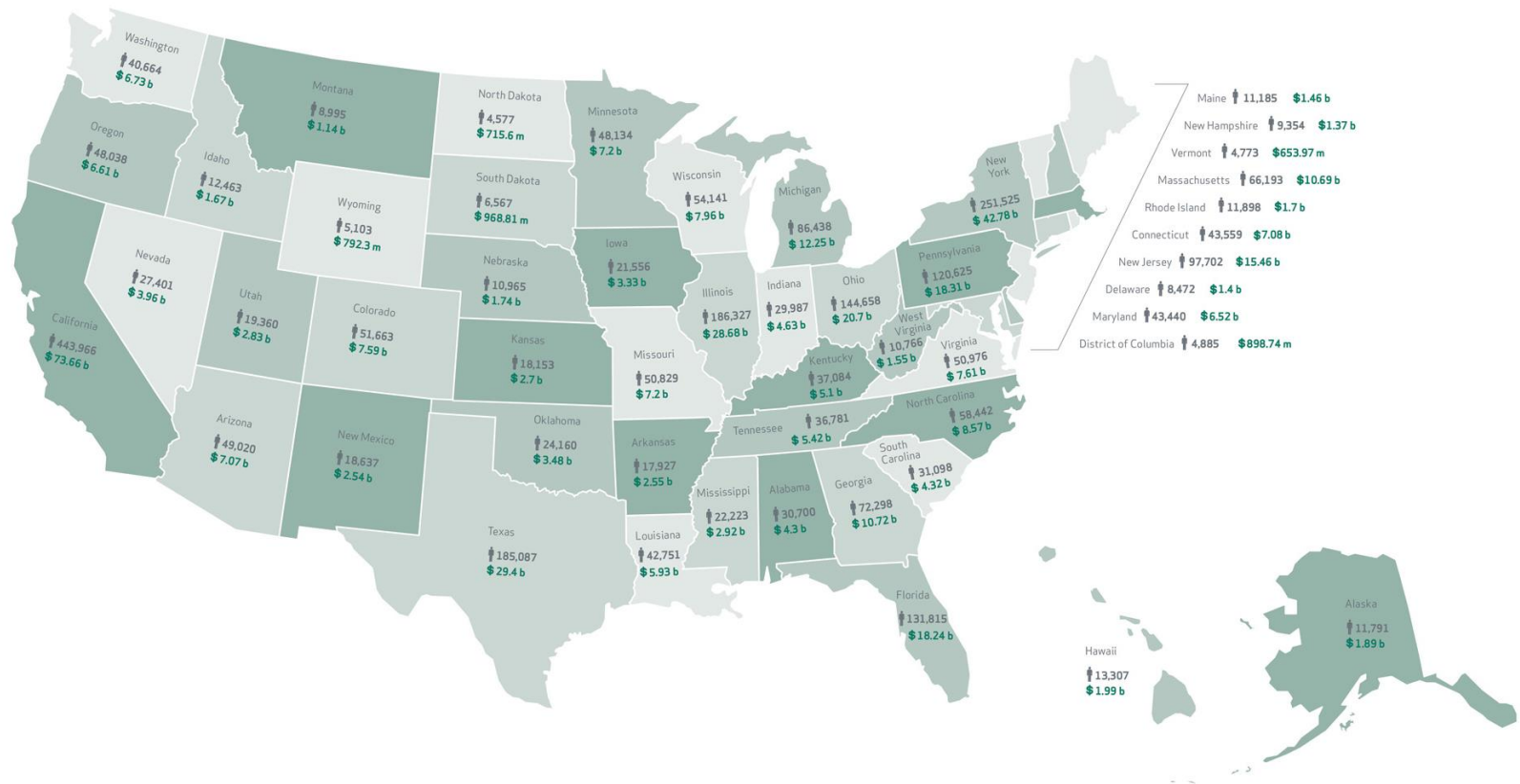
total output



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State-by-State Impact from State & Local Pensions

Figure 3: Employment and Economic Output Impacts by State



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Results: Economic Impact by State

FLORIDA

Key Findings

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

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 2016, expenditures stemming from state and local pensions supported...

- 131,815 jobs that paid \$5.7 billion in wages and salaries
- \$18.2 billion in total economic output
- \$2.8 billion in federal, state, and local tax revenues

... in the state of Florida.

Each dollar paid out in pension benefits supported \$1.64 in total economic activity in Florida.

Each dollar "invested" by Florida taxpayers in these plans supported \$6.14 in total economic activity in the state.

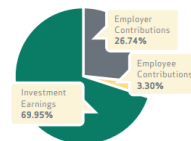
Pensionomics 2018:

Measuring the Economic Impact of DB Pension Expenditures



Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Florida communities and the state economy. In 2016, 462,459 residents of Florida received a total of \$11.1 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$2,001 per month or \$24,013 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 2016, 26.74% of Florida's pension fund receipts came from employer contributions, 3.30% from employee contributions, and 69.95% 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

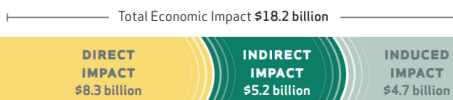
Retiree expenditures stemming from state and local pension plan benefits supported 131,815 jobs in the state. The total income to state residents supported by pension expenditures was \$5.7 billion.

To put these employment impacts in perspective, in 2016 Florida's unemployment rate was 4.8%. The fact that DB pension expenditures supported 131,815 jobs is significant, as it represents 1.2 percentage points in Florida's labor force.

Economic Impact

State and local pension funds in Florida and other states paid a total of \$11.1 billion in benefits to Florida residents in 2016. Retirees' expenditures from these benefits supported a total of \$18.2 billion in total economic output in the state, and \$10.3 billion in value added in the state.

\$8.3 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$5.2 billion in indirect impact resulted when these businesses purchased additional goods and services. \$4.7 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.



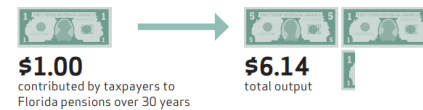
Totals may not add up due to rounding. For data and methodology, see Boivie, I., 2018, *Pensionomics 2018: Measuring the Economic Impact of DB Pension Expenditures*, National Institute on Retirement Security, Washington, DC, www.nirsonline.org. Results not directly comparable to previous *Pensionomics* due to methodological refinements.

National Institute on Retirement Security
Pensionomics 2018: Measuring the Economic Impact of DB Pension Expenditures

FLORIDA

Economic Multipliers

Taxpayer Contribution Factor*



Each \$1 in taxpayer contributions to Florida's state and local pension plans supported \$6.14 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits—investment earnings and employee contributions finance the lion's share.

Pension Benefit Multiplier



Each \$1 in state and local pension benefits paid to Florida residents ultimately supported \$1.64 in total output in the state. This "multiplier" incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.

*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 Florida residents supported a total of \$2.8 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$399.8 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$2.4 billion in tax revenue.

Federal Tax	\$1.9 billion
State/Local Tax	\$911.8 million
Total	\$2.8 billion

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Florida. 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
Real estate	9,426	\$141,072,242	\$1,053,726,484	\$1,610,126,127
Nursing and community care facilities	5,436	\$196,548,648	\$224,728,145	\$363,246,883
Full-service restaurants	5,017	\$129,783,727	\$142,925,612	\$262,486,334
Limited-service restaurants	4,582	\$95,247,260	\$241,279,341	\$409,192,342
Hospitals	4,546	\$316,200,691	\$384,823,505	\$687,564,079
Retail - General merchandise stores	3,476	\$99,074,042	\$155,320,369	\$242,802,600
Retail - Food and beverage stores	3,365	\$95,386,521	\$145,323,248	\$222,870,626
Wholesale trade	3,211	\$249,427,474	\$497,662,324	\$756,539,125
Offices of physicians	3,080	\$288,753,919	\$286,786,276	\$434,692,246
Other financial investment activities	2,741	\$46,350,534	\$65,905,212	\$410,062,955

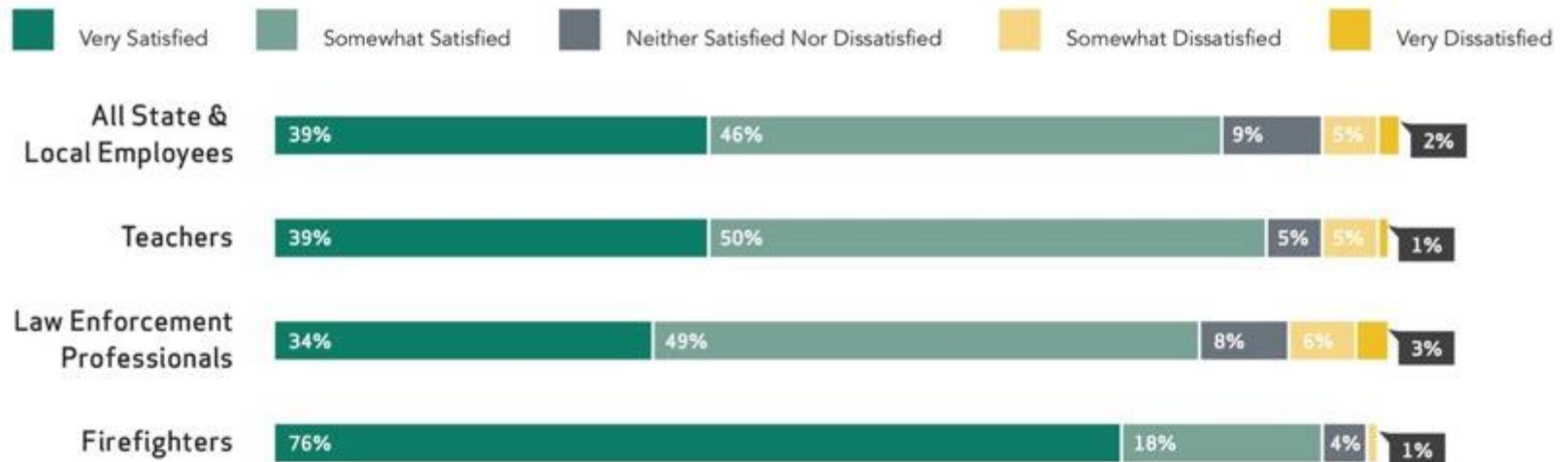
Industry totals include the first round of impacts from pension payments to state residents, and do not account for recaptured "leakage" to or from other states.

<https://www.nirsonline.org/resources/pensionomics-state-data/>



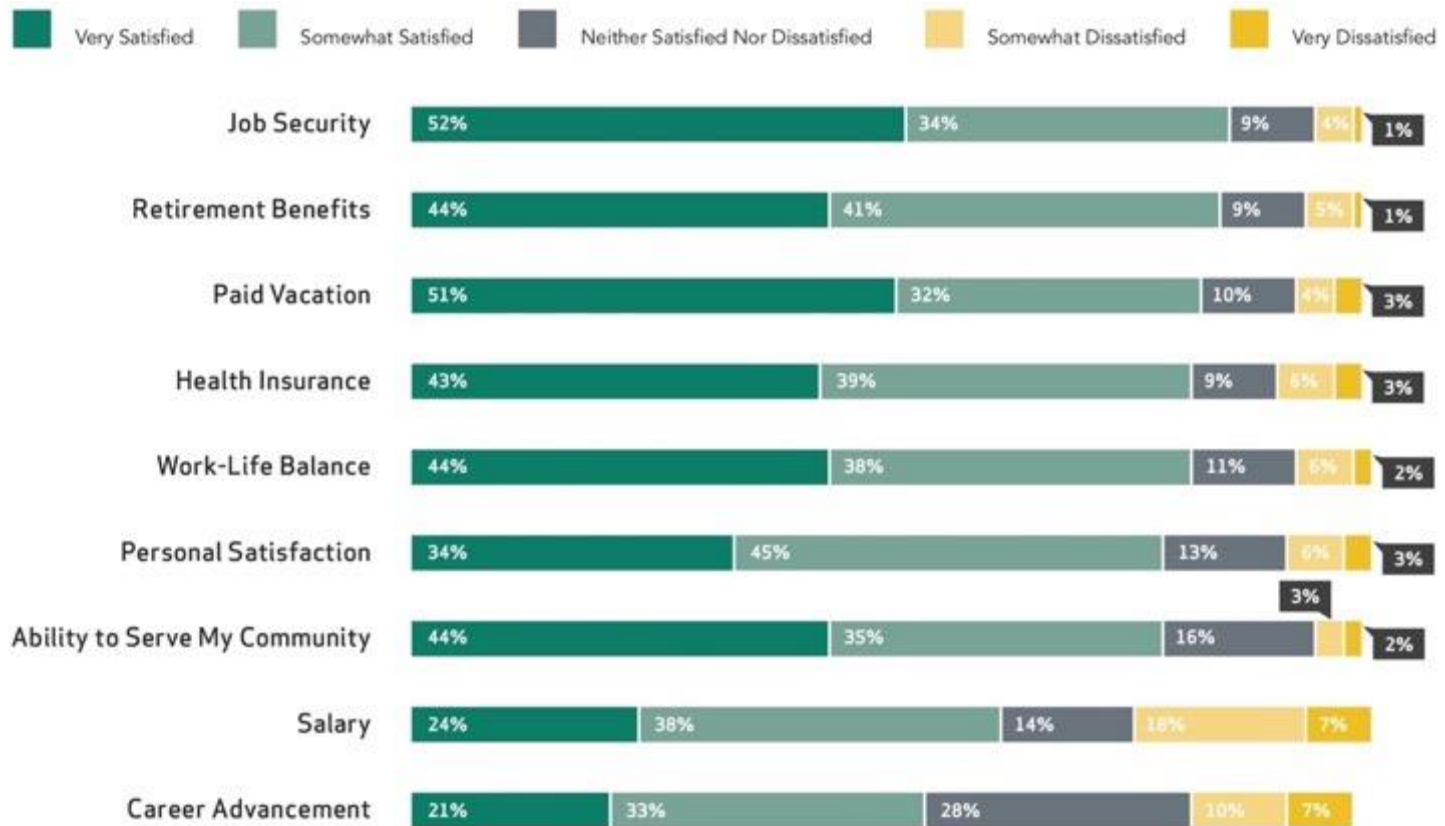
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85% of public employees are satisfied with their job



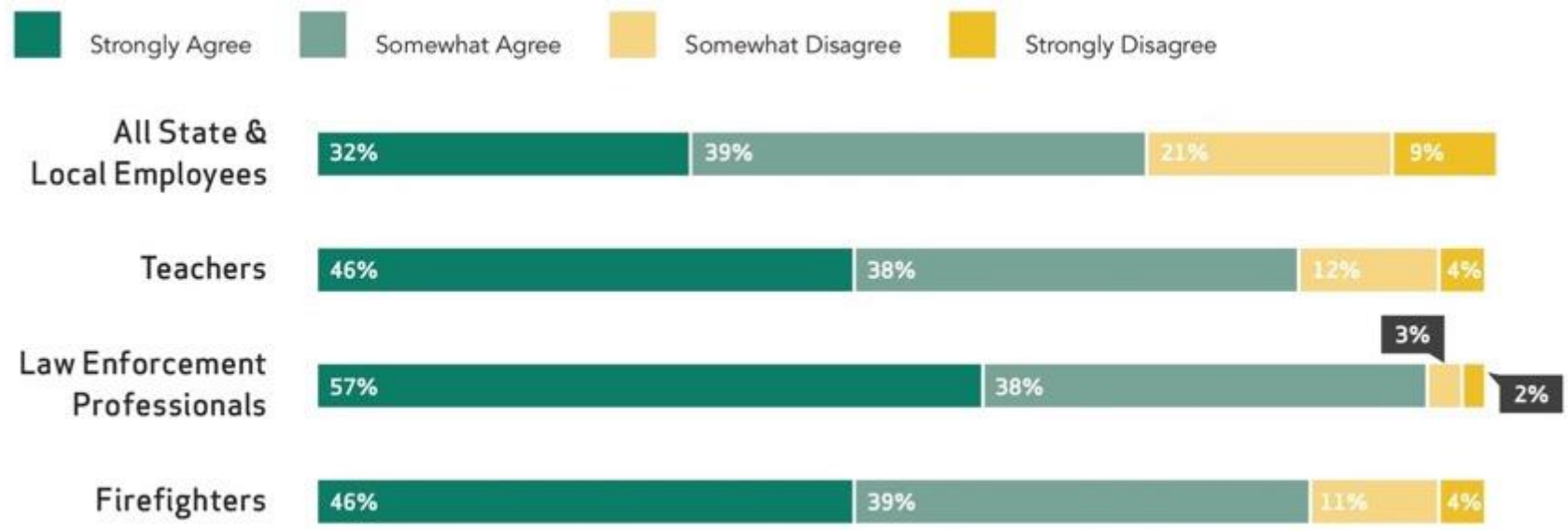
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State and local employees more satisfied with benefits than salary



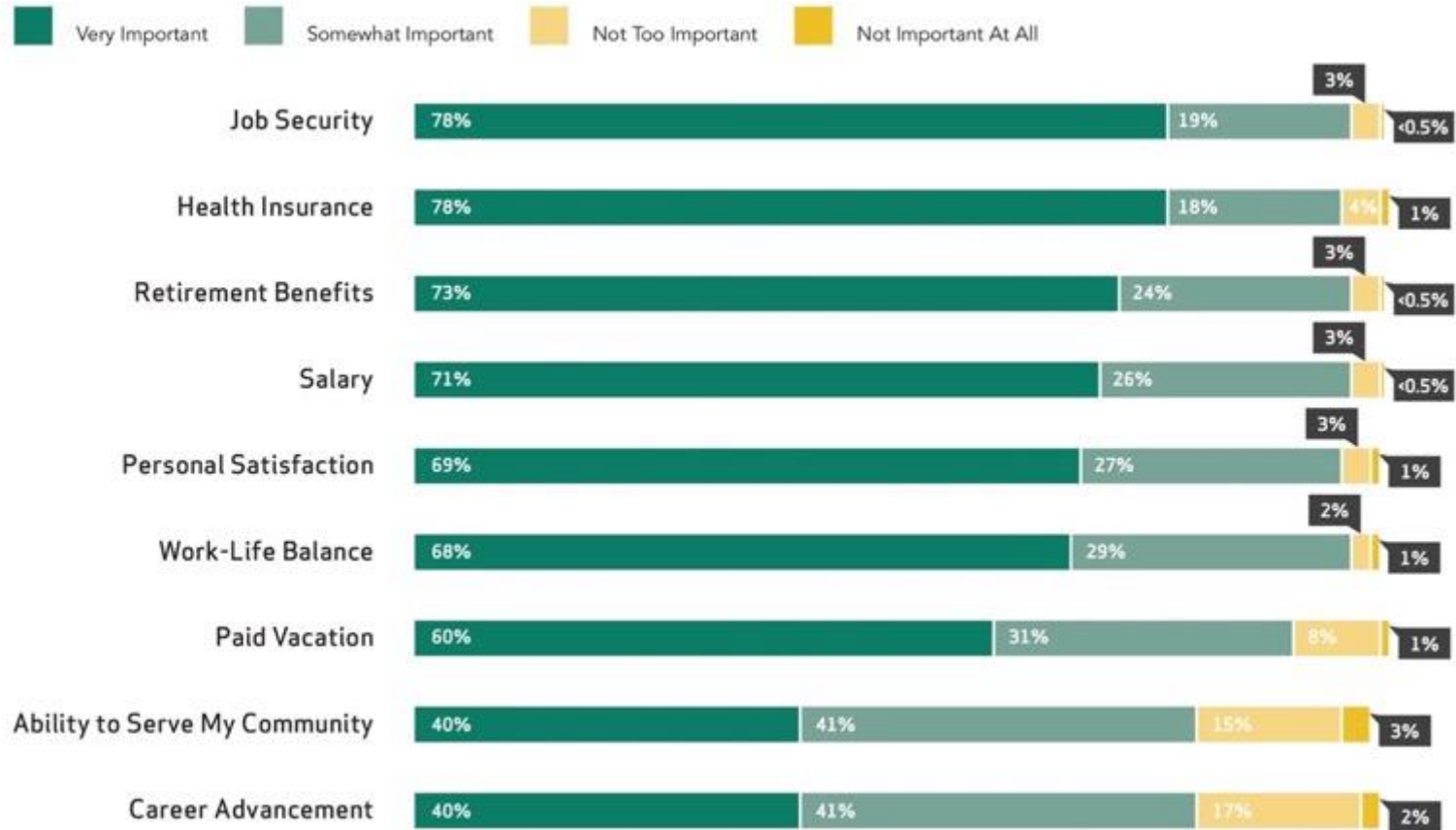
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Nearly three-fourths of state & local employees say jobs are stressful



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Benefits are more important than salary for state and local employees



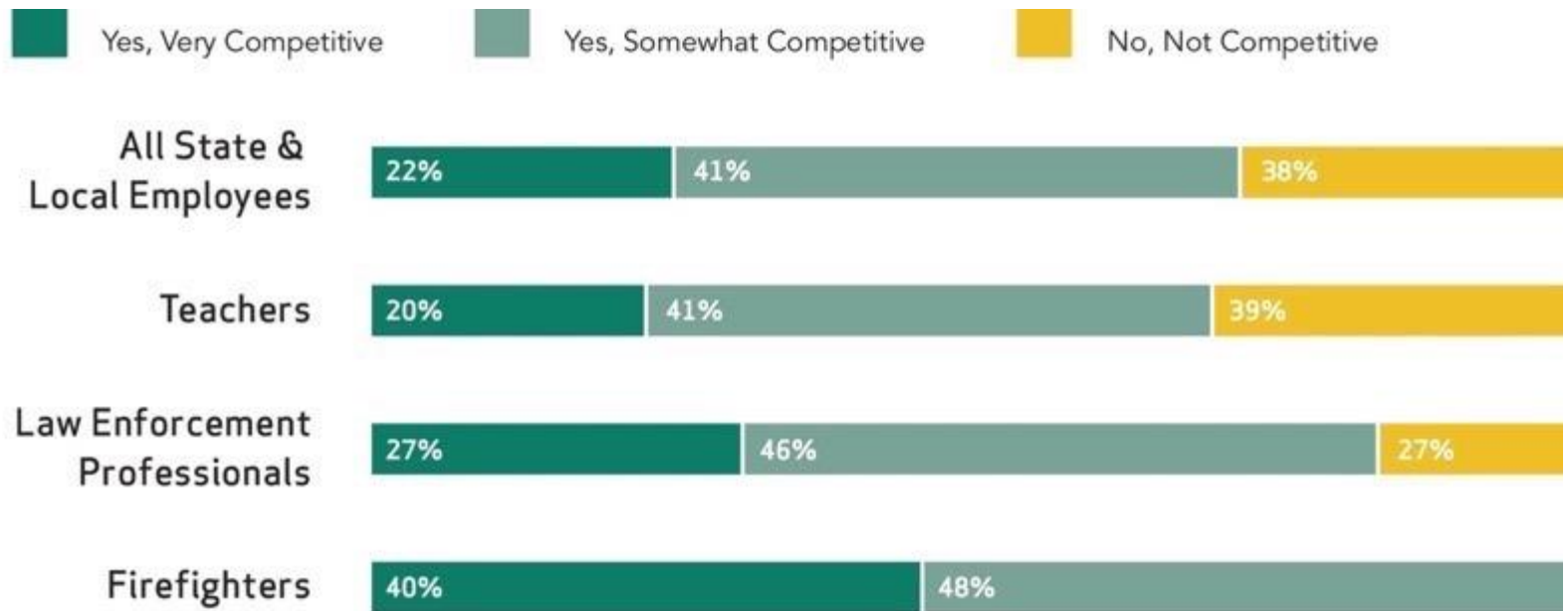
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Retirement benefits are a very important job feature



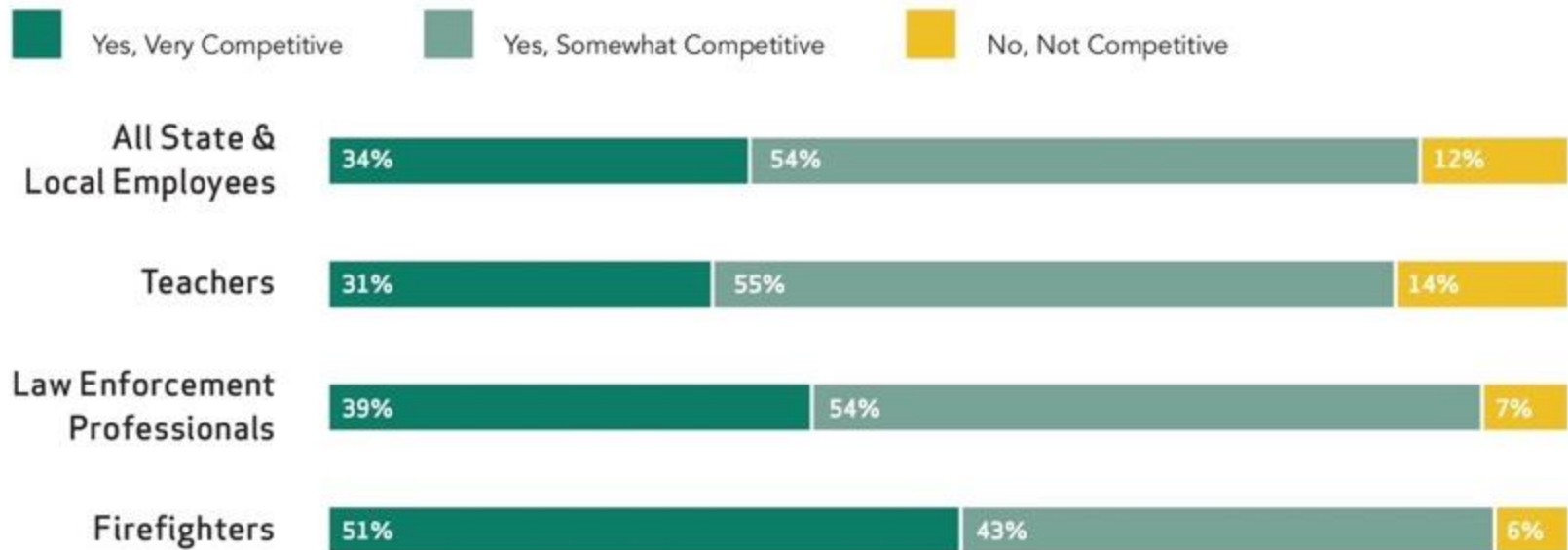
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State & local employees have mixed views on their salaries



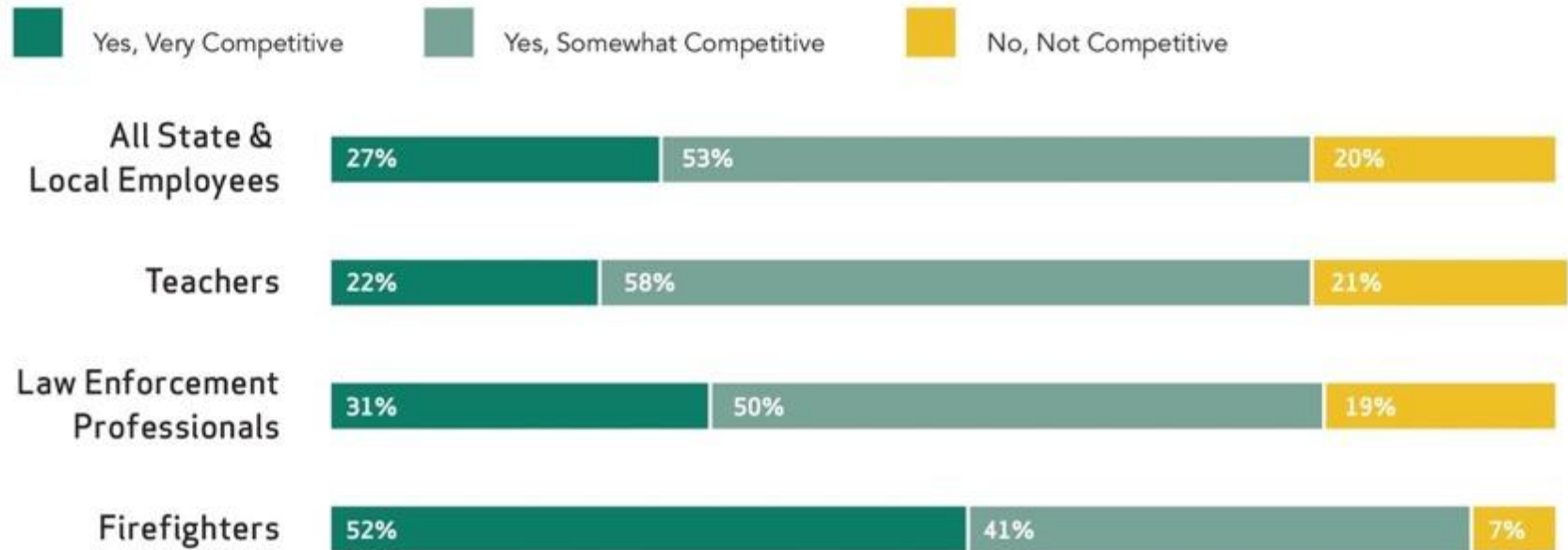
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Vast majority (88%) agree that their retirement benefits are competitive



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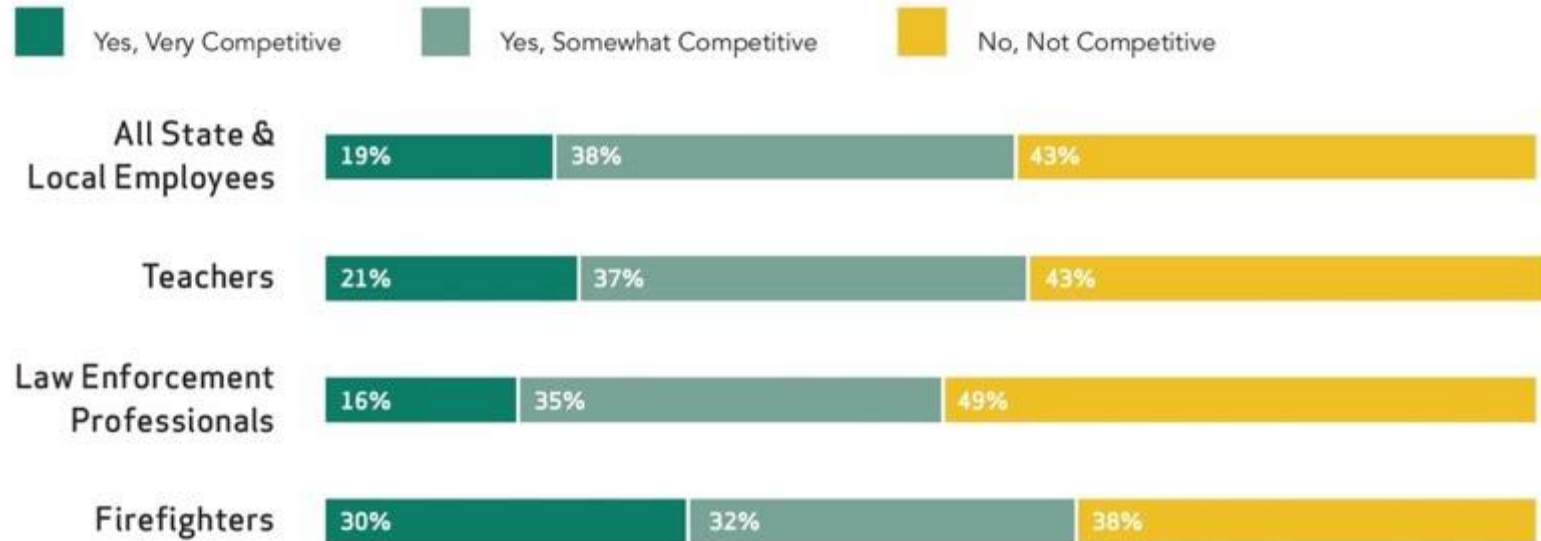
Vast majority (80%) agree that their total compensation is competitive



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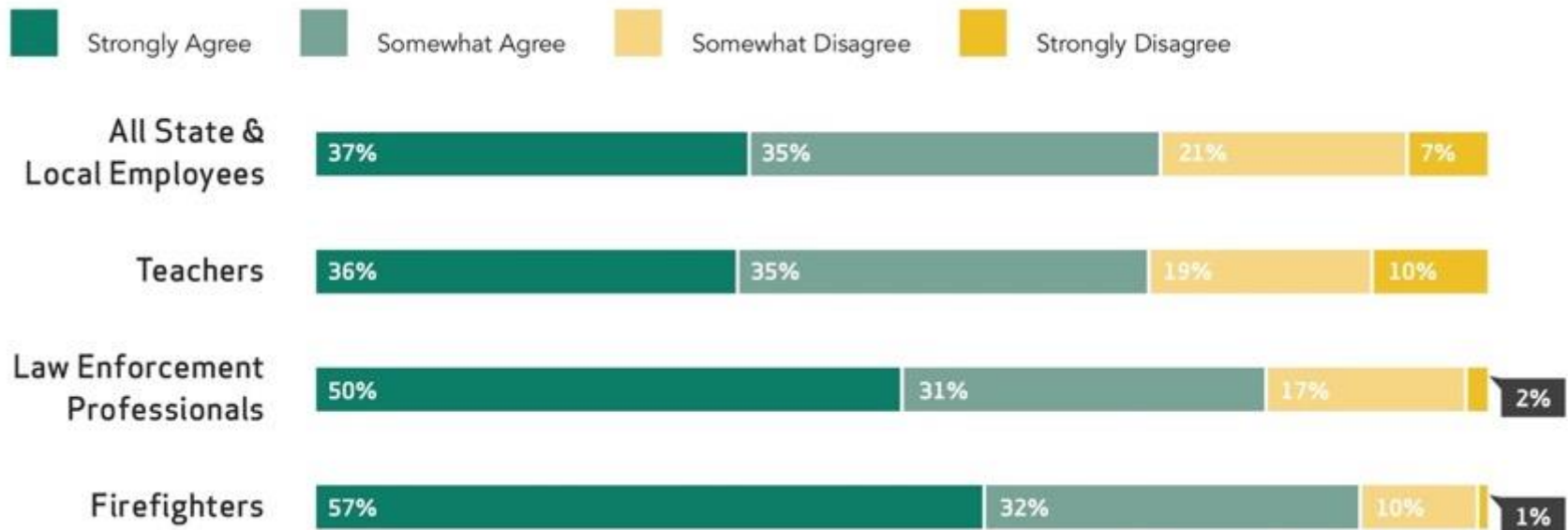
View their total compensation as less competitive if it lacks a pension

Do you think the overall compensation package offered by your current employer would be as competitive as it is if it did not include a pension and instead provided a retirement plan where the responsibility was on you to save for retirement?



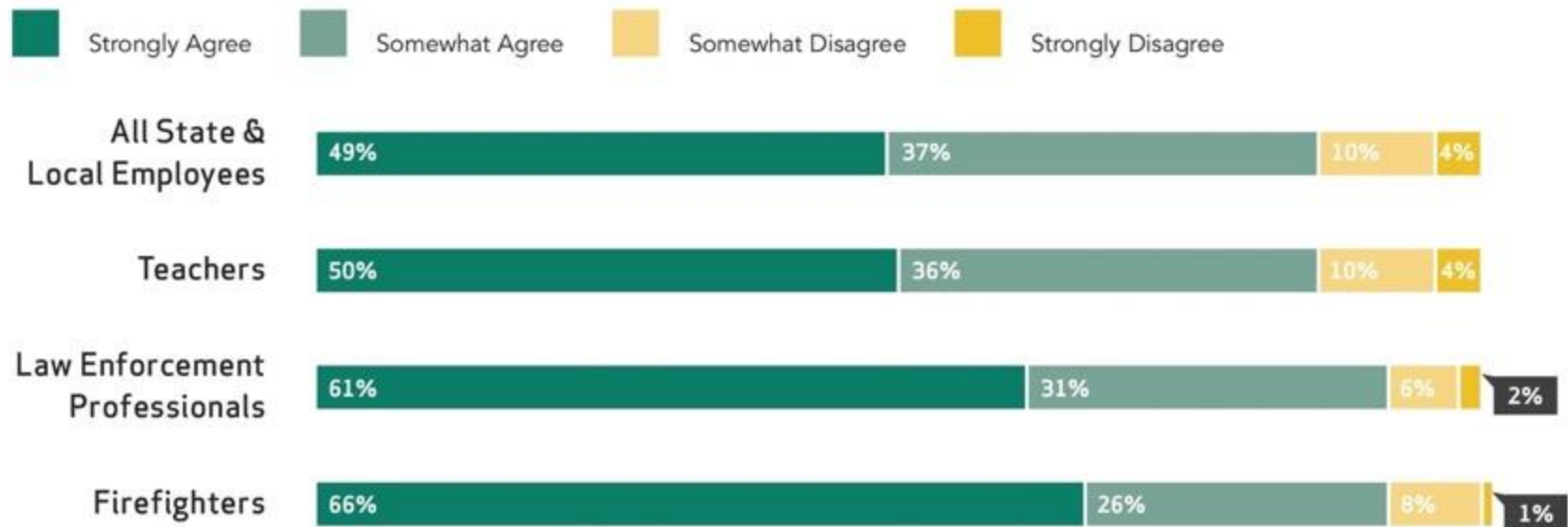
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72% say a pension is a major reason they chose a career in public service



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86% say a pension is a major reason they stay in public service



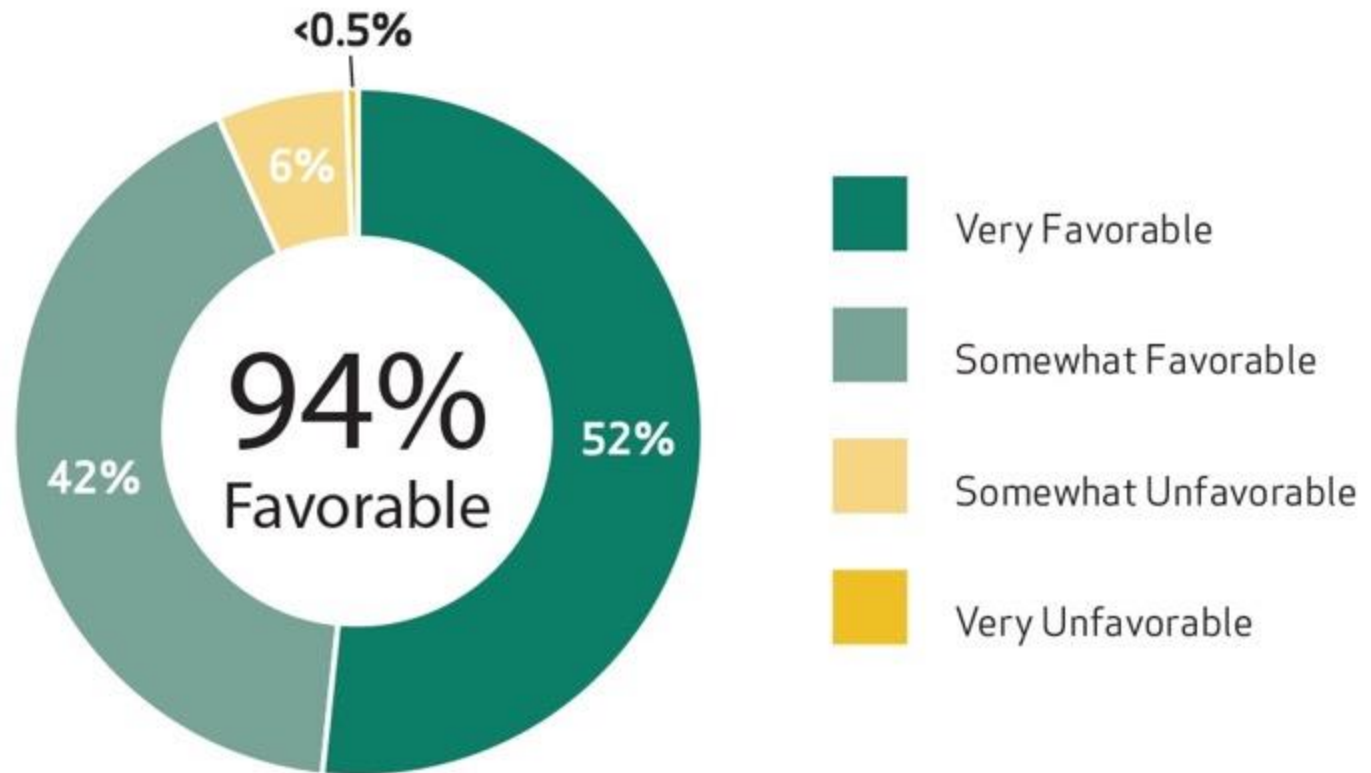
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89% plan to stay in jobs until retirement or unable to work



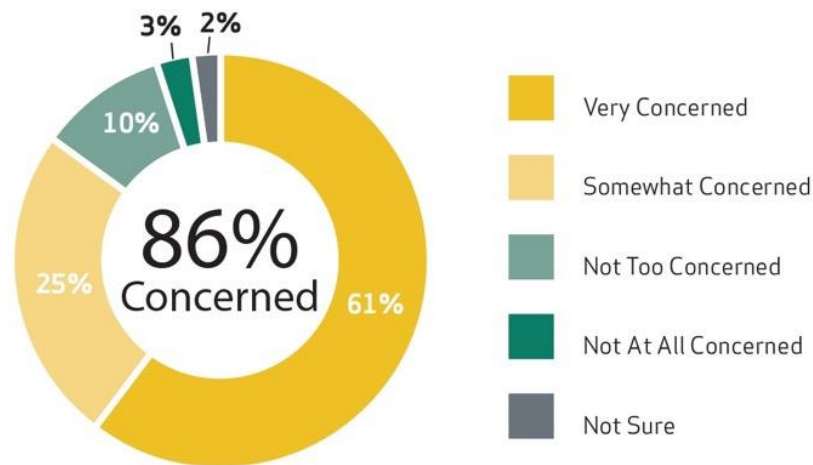
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94% have favorable views of pensions

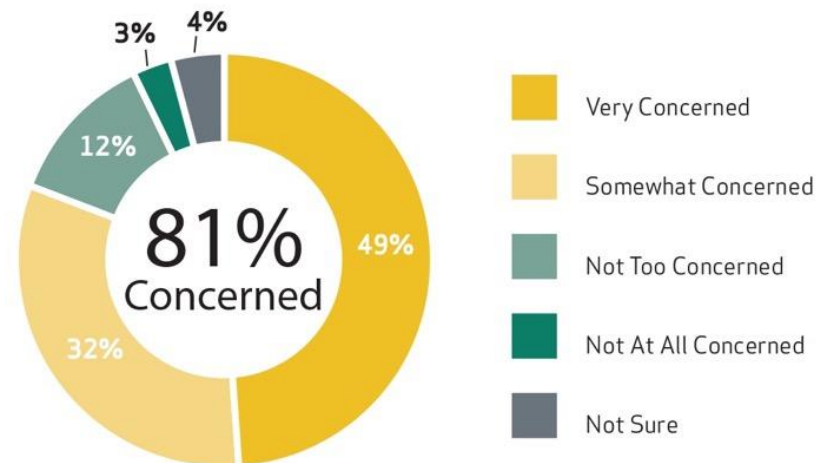


Most are concerned about pension changes

Stated they are concerned about pension cuts

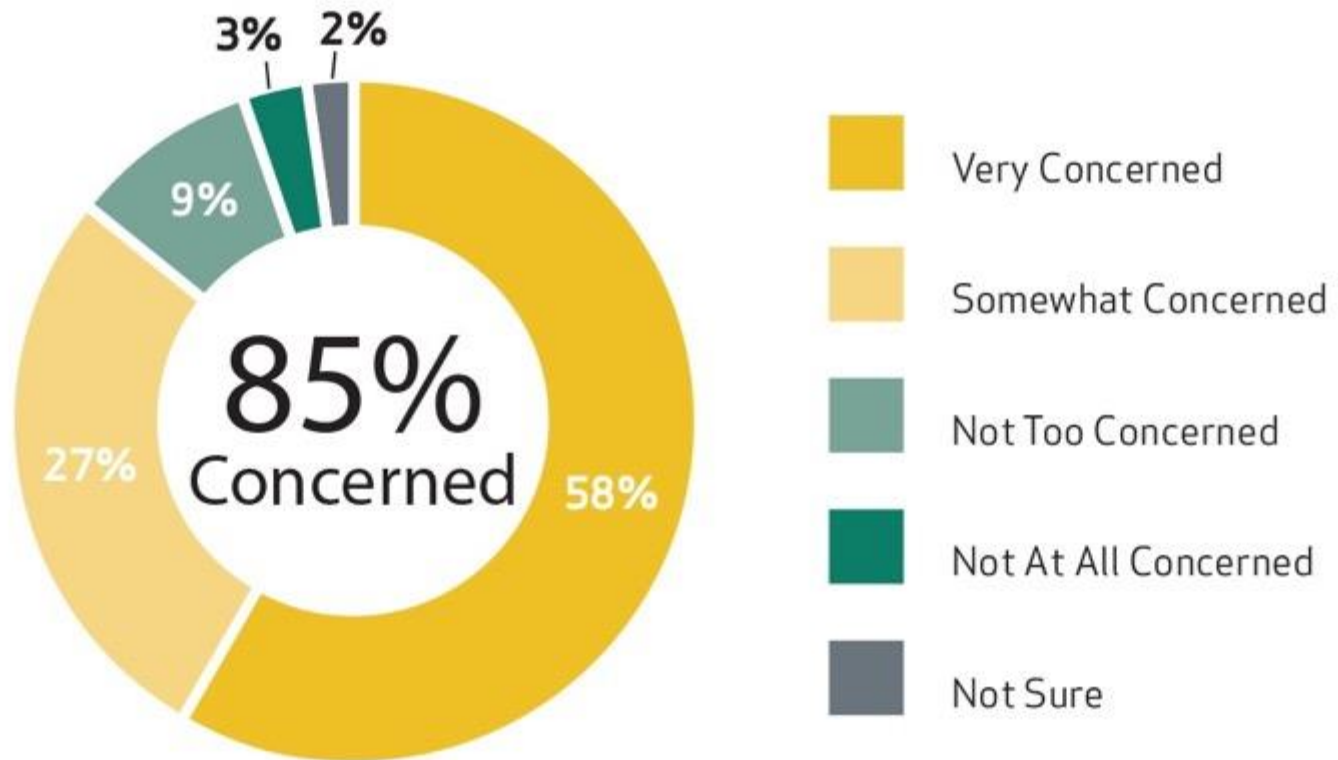


Stated they are concerned about COLA cuts

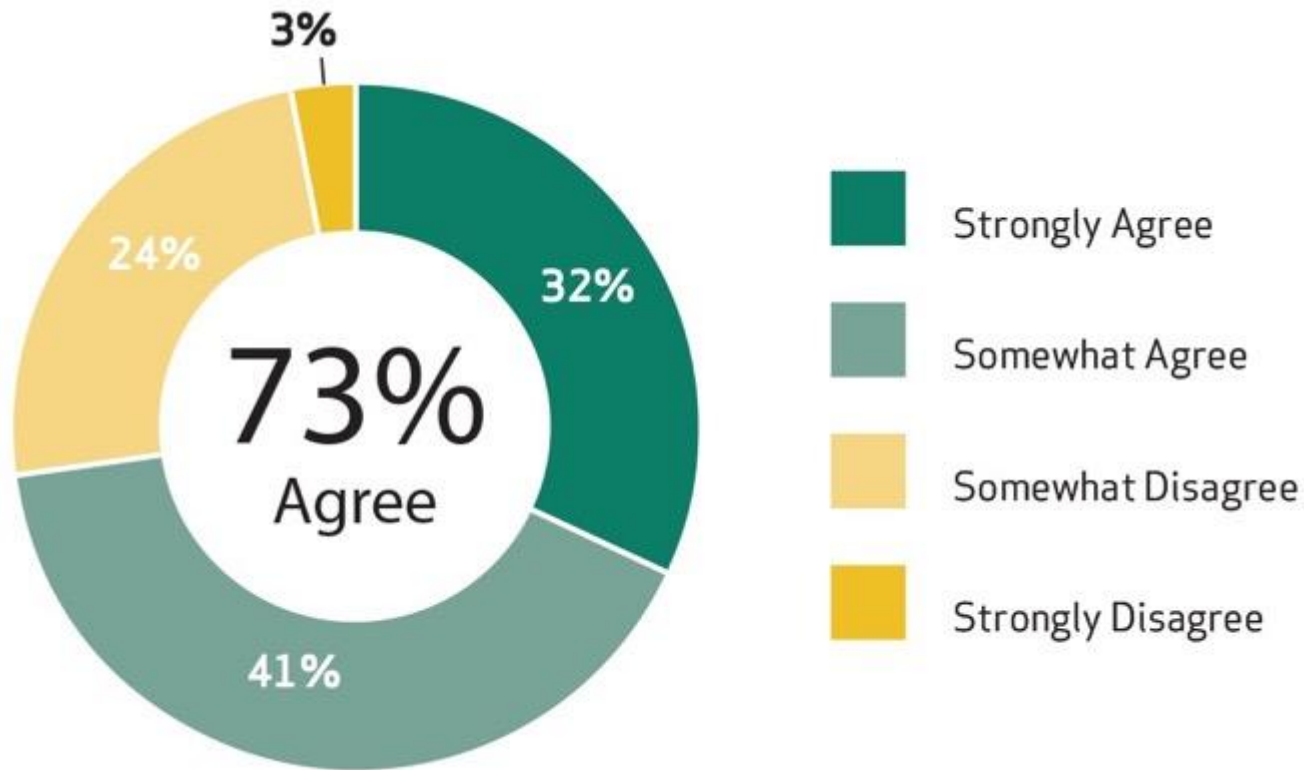


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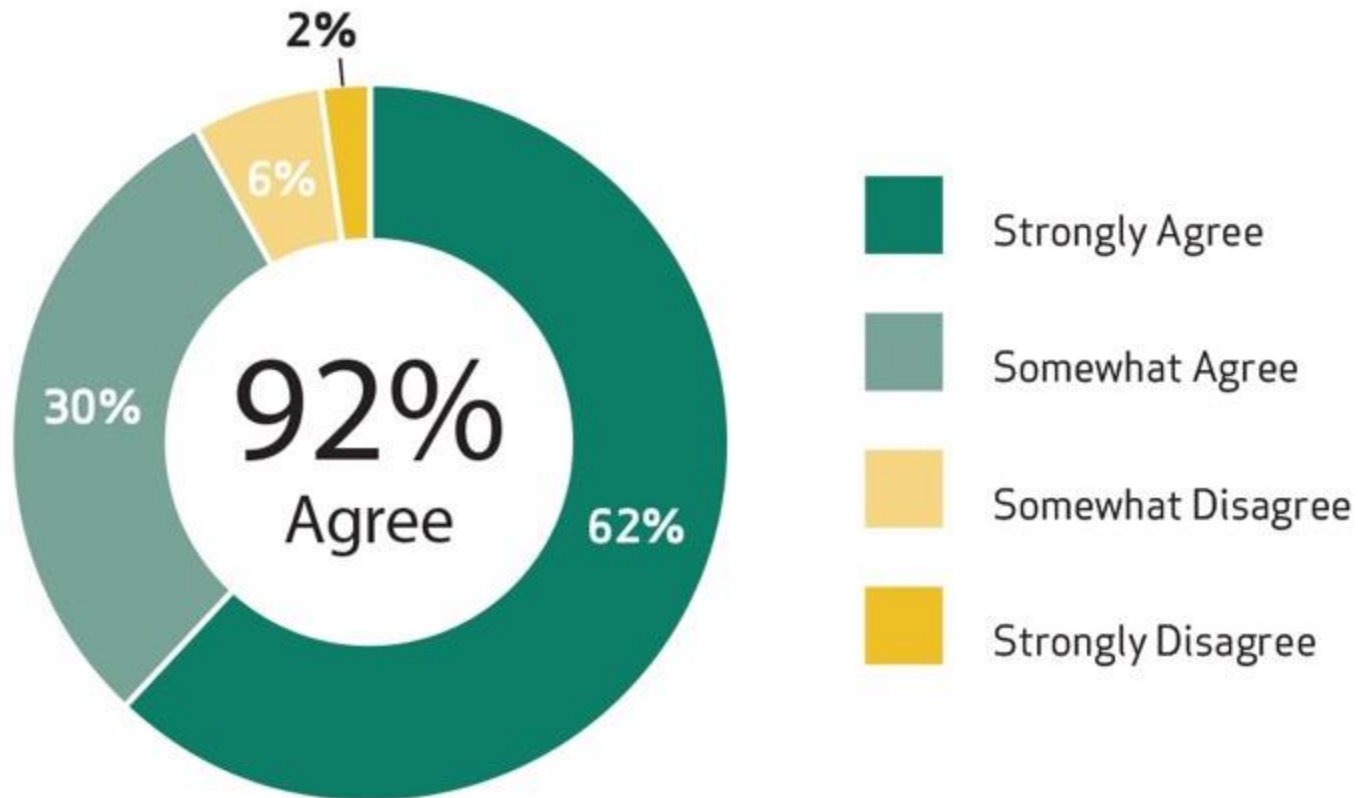
Underfunding of pensions by government officials is a concern



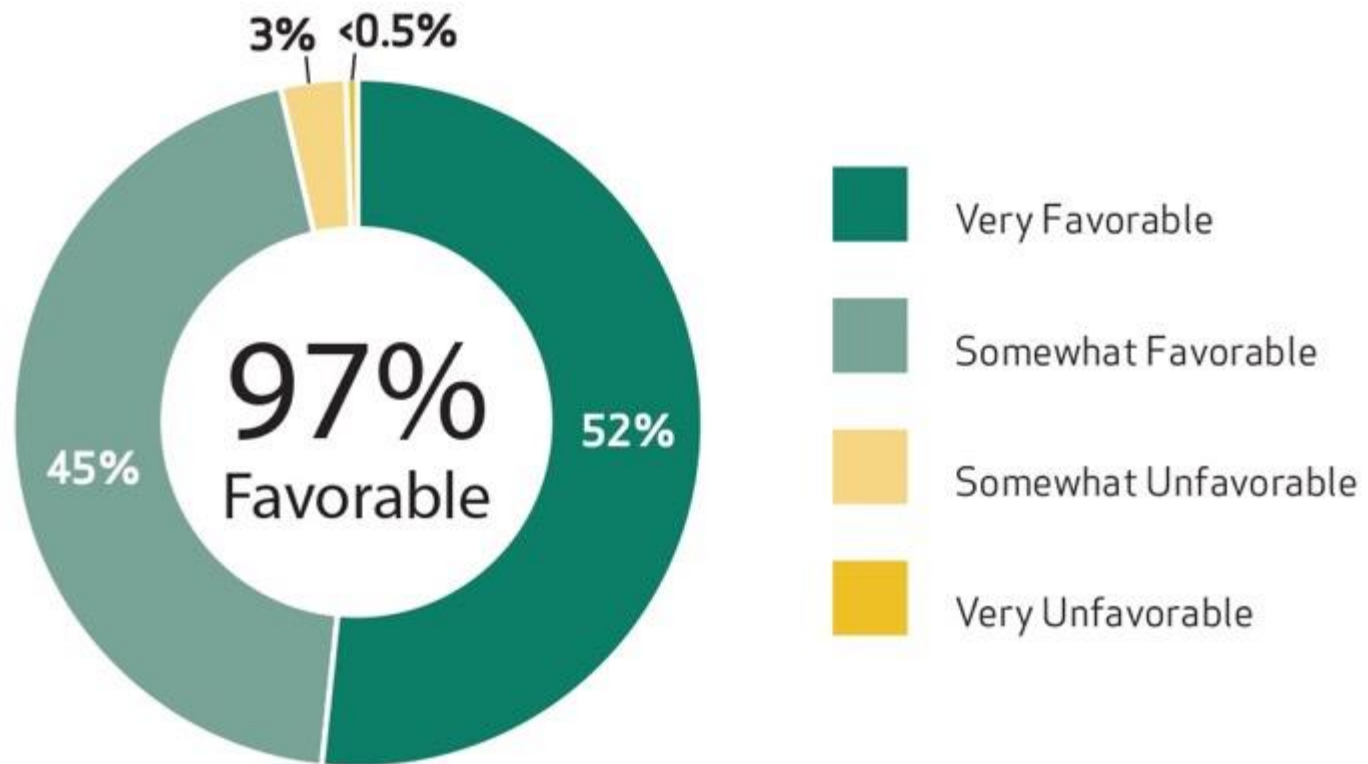
Nearly three-fourths say they're more likely to leave their job if pension cut



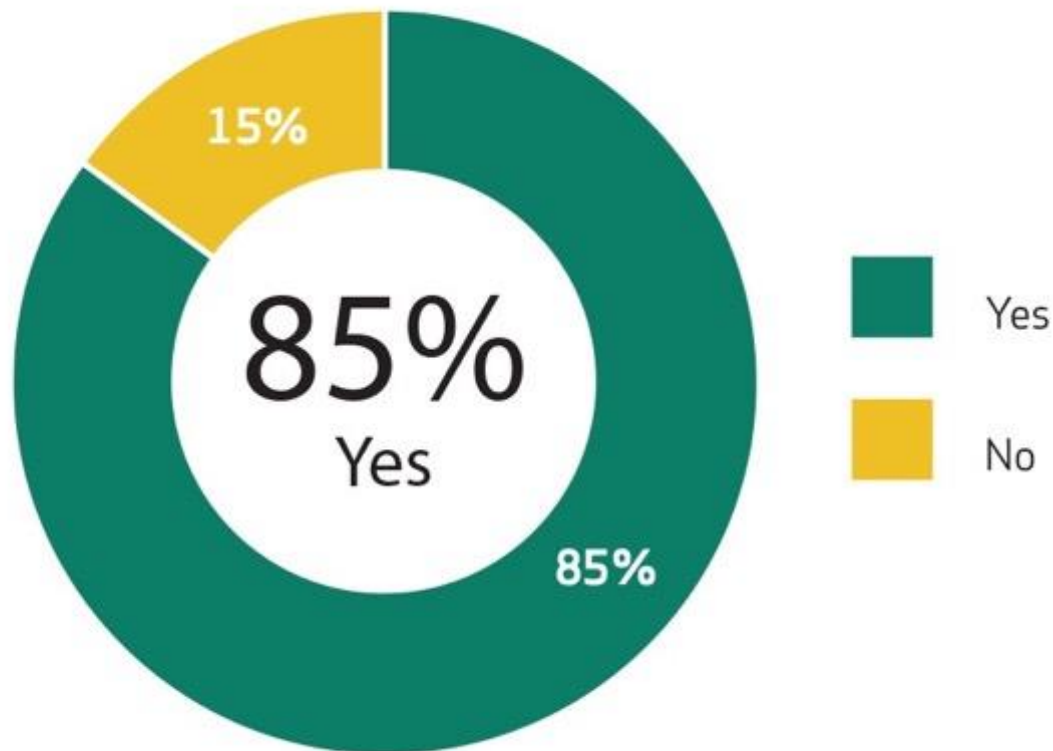
Nearly all say eliminating pensions would harm recruitment & retention



Millennials in state & local gov't have favorable views of pensions



Millennials in state & local gov't plan to stay until retirement or until can't work



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Questions, Contacting NIRS, and Getting Future Research

Please feel free to contact us!

- Dan Doonan, Exec. Director: Dan@nirsonline.org
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- Nicole Dascenzo, Membership Manager: Nicole@nirsonline.org

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- Register for a NIRS webinar



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