



Pensionomics 2023

Measuring the Economic Impact of DB Pension Expenditures

September 24, 2024



**NATIONAL INSTITUTE ON
Retirement Security**

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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

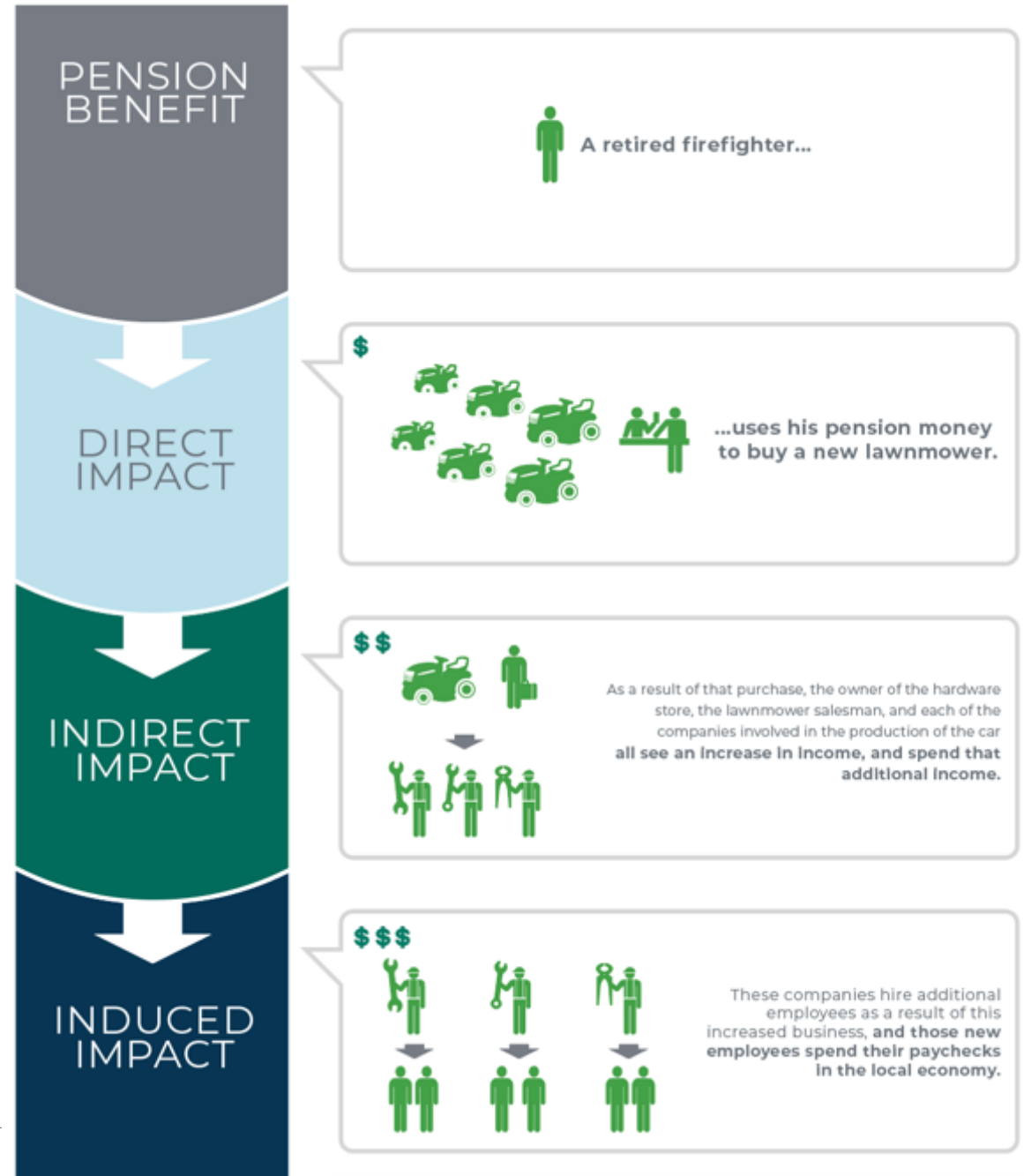
- In 2020, expenditures from public and private pension benefits supported:
 - **\$1.3 trillion** in economic output nationwide
 - **6.8 million jobs** that paid **\$422.2 billion** in labor income
 - **\$738.5 billion** in value added nationally
 - **\$157.7 billion** in federal, state, and local tax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



Pension Benefit Amounts in 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 Support Greater Economic Output in Florida and Across the Nation

Pension Benefit Multiplier



\$1.00

pension benefits paid to retirees in Florida



\$1.40

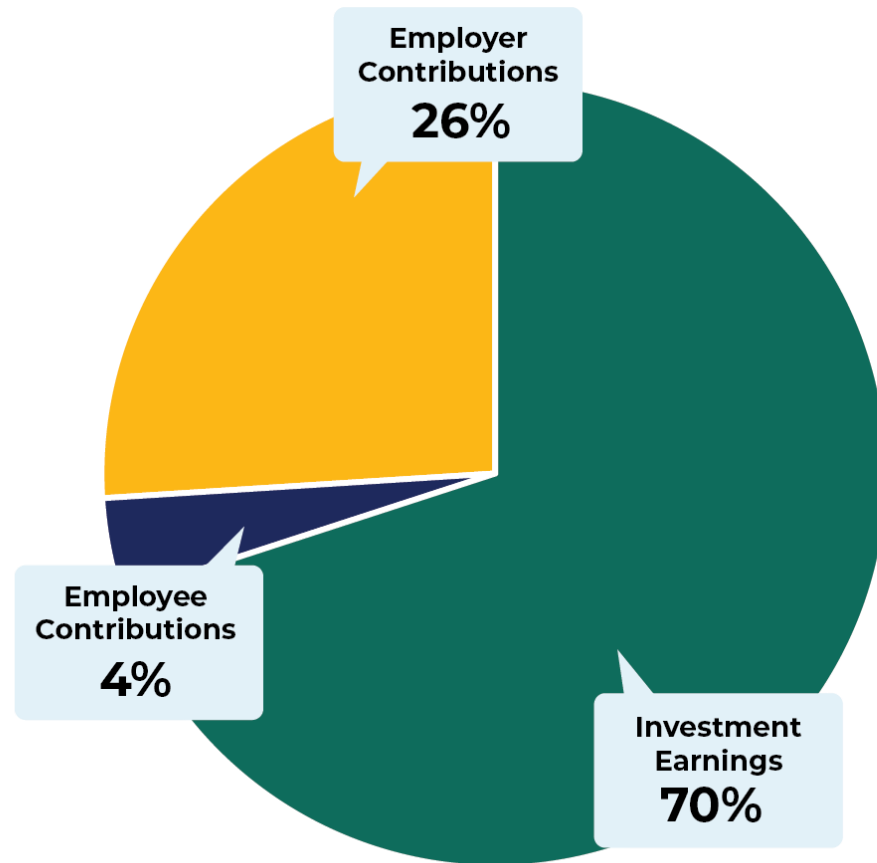
total output



Each \$1 in state and local pension benefits paid to Florida residents ultimately supported \$1.40 in total output in the state. This “multiplier” incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

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

Aggregate State and Local Pension Contributions by Source in Florida, 1993-2020



Taxpayer Dollars Generate a Significant Return on Investment

Taxpayer Investment Factor



\$1.00

contributed by taxpayers to Florida pensions over 30 years



\$5.34

total output



Each \$1 in taxpayer contributions to Florida's state and local pension plans supported \$5.34 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.

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 Across the U.S.

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.

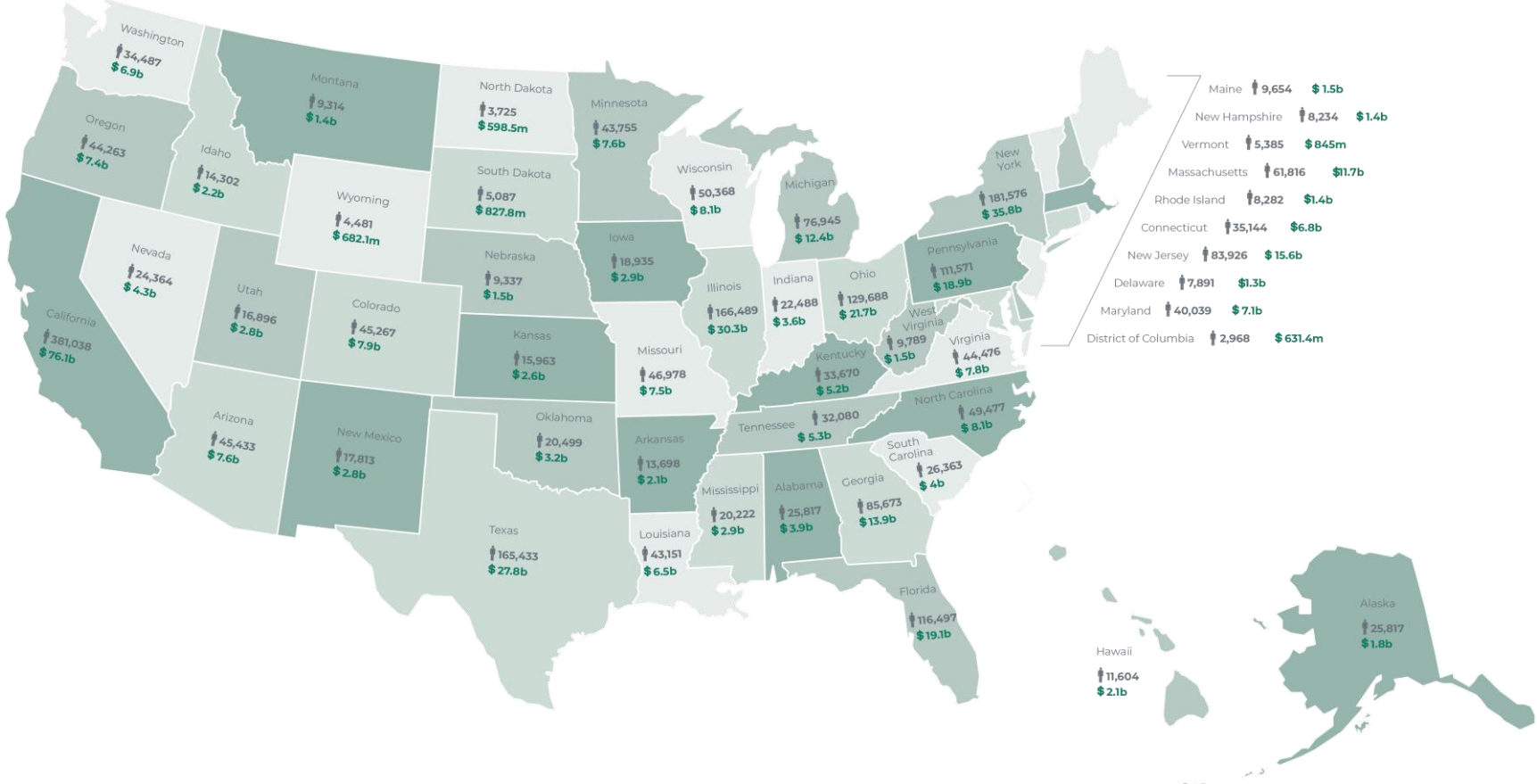
DB Pensions Support \$94.9 Billion in State and Local Tax Revenue

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

FLORIDA

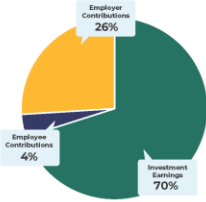


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Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Florida communities and the state economy. In 2020, 531,107 residents of Florida received a total of \$13.6 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$2,141 per month or \$25,693 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, 26% of Florida's pension fund receipts came from employer contributions, 4% from employee contributions, and 70% 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 116,497 jobs in the state. The total income to state residents supported by pension expenditures was \$5.9 billion.

To put these employment impacts in perspective, in 2020 Florida's unemployment rate was 8.2%. The fact that DB pension expenditures supported 116,497 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 \$13.6 billion in benefits to Florida residents in 2020. Retirees' expenditures from these benefits supported a total of \$19.1 billion in total economic output in the state, and \$10.8 billion in value added in the state.

Impact on Tax Revenues

State and local pension payments made to Florida residents supported a total of \$2.2 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$130.0 million. Taxes attributable to pension expenditures in the local economy accounted for \$2.1 billion in tax revenue.

Federal Tax	\$907.8 million
State/Local Tax	\$1.3 billion
Total	\$2.2 billion

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 2020, expenditures stemming from state and local pensions supported...
116,497 jobs that paid \$5.9 billion in wages and salaries

\$19.1 billion in total economic output

\$2.2 billion in federal, state, and local tax revenues
... in the state of Florida.

Each dollar paid out in pension benefits supported \$1.40 in total economic activity in Florida.

Each dollar "invested" by Florida taxpayers in these pension plans supported \$5.34 in total economic activity in the state.


*Totals may not add up due to rounding. For data and methodology, see Exhibit 1, 2021, Pensionomics 2023: 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 2023: Measuring the Economic Impact of DB Pension Expenditures

FLORIDA

Economic Multipliers

Pension Benefit Multiplier




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pension benefits paid to retirees in Florida

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total output

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Taxpayer Investment Factor



\$1.00
contributed by taxpayers to Florida pensions over 30 years

\$5.34
total output

Each \$1 in taxpayer contributions to Florida's state and local pension plans supported \$5.34 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.

*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 Florida. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	6,264
Limited-service restaurants	6,204
Full-service restaurants	5,014
Other real estate	4,549
Offices of physicians	4,228

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 Florida 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	3,058	\$57,153,156	\$10,208,160	\$67,361,316
Sales and Related Occupations	2,897	\$97,736,370	\$18,436,334	\$116,172,704
Office and Administrative Support Occupations	2,424	\$100,796,557	\$20,400,416	\$121,196,973
Transportation and Material Moving Occupations	1,763	\$63,960,226	\$13,195,462	\$77,155,688
Healthcare Practitioners and Technical Occupations	1,721	\$147,697,223	\$31,207,717	\$178,904,940

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

Questions

