

Pensionomics 2012: Measuring the Economic Impact of DB Pension Expenditures



**NIRS Third Annual Retirement Policy Conference
Sheraton Four Points Hotel
March 6, 2012**

\$1 Trillion...



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Why We Did This Study

- Measure the “ripple effect” of DB pension plans.
- DB benefits can act as an economic stabilizer.
- Retirees with a reliable pension can maintain spending even in tough times.
- Quantify the economic impact of pension spending on the U.S. economy.



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

Public and Private Sector Pension Benefits, 2009

	State and Local	Federal	Private Sector	Total*
Beneficiaries	8.0 million	2.5 million	8.4 million	18.9 million
Total Benefits	\$187.0 billion	\$67.6 billion	\$171.5 billion	\$426.2 billion
Average Benefit	\$23,407	\$27,081	\$20,298	\$22,504**

Sources: U.S. Census Bureau State and Local Government Employee-Retirement Systems, U.S. Office of Personnel Management Federal Annuity Roll, U.S. Bureau of Labor Statistics Current Population Survey, and author's calculations.

*Totals may not add up exactly due to rounding.

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



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PENSION
BENEFIT



A retired firefighter...

DIRECT
IMPACT

\$



...uses his pension money
to buy a new lawnmower.

INDIRECT
IMPACT

\$\$



As a result of that purchase, the owner of the
hardware store, the lawnmower salesman, and each
of the companies involved in the production of the
lawnmower **all see an increase in income, and
spend that additional income.**

INDUCED
IMPACT

\$\$\$



These companies hire additional
employees as a result of this
increased business, **and those
new employees spend their
paychecks in the local economy.**

Results: DB Pensions Support \$134 Billion in Tax Revenue

Table 6. **DB Pensions Support \$74.3 Billion in Federal Tax Revenue**

	From State and Local Pensions	From Federal Pensions	From Private Pensions	Total Federal Tax Revenue*
Taxes Paid by Beneficiaries on Benefits	\$3.2 billion	\$1.1 billion	\$2.9 billion	\$7.2 billion
Tax Revenue Resulting from Retiree Expenditures	29.4 billion	10.6 billion	27.0 billion	67.0 billion
Total Federal Tax Revenue Impact	\$32.6 billion	\$11.8 billion	\$29.9 billion	\$74.3 billion

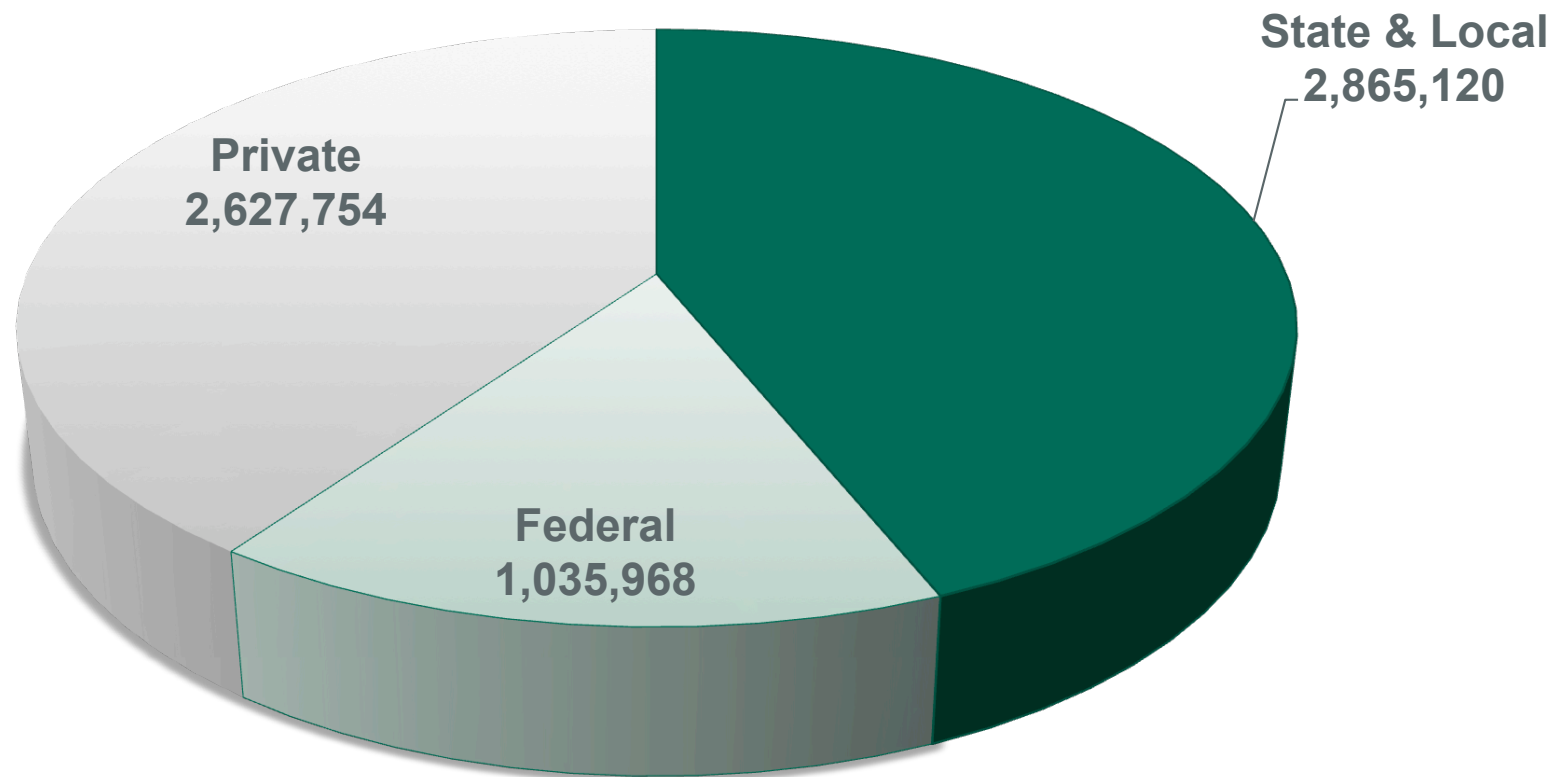
Table 7. **DB Pensions Support \$59.7 Billion in State and Local Tax Revenue**

	From State and Local Pensions	From Federal Pensions	From Private Pensions	Total State and Local Tax Revenue*
Taxes Paid by Beneficiaries on Benefits	\$2.4 billion	\$858.9 million	\$2.2 billion	\$5.5 billion
Tax Revenue Resulting from Retiree Expenditures	23.8 billion	8.6 billion	21.8 billion	54.2 billion
Total State and Local Tax Revenue Impact	\$26.2 billion	\$9.4 billion	\$24.0 billion	\$59.7 billion



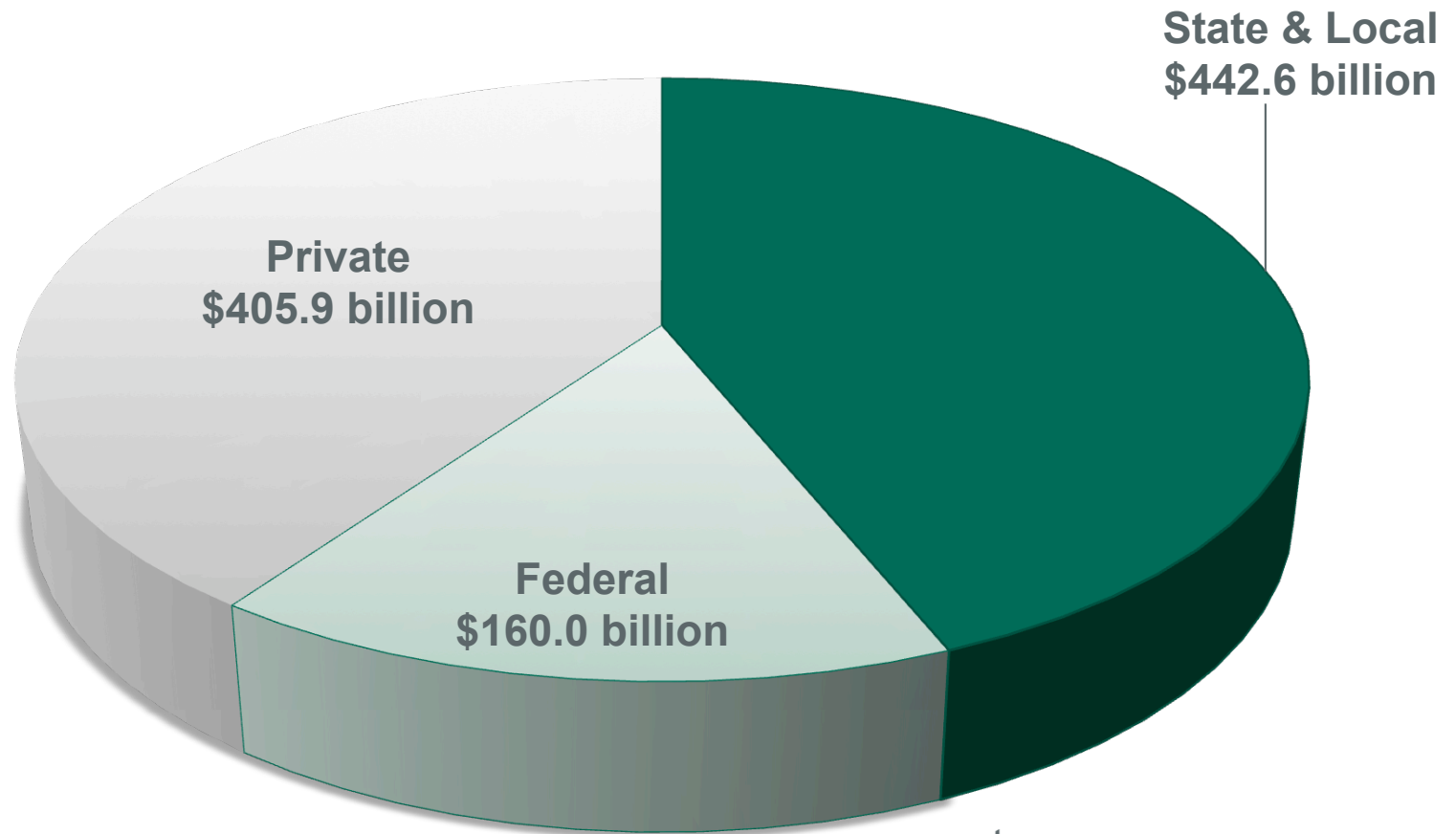
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Results: DB Pensions Support 6.5 Million American Jobs



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Results: DB Pensions Support \$1 Trillion in Economic Activity



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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



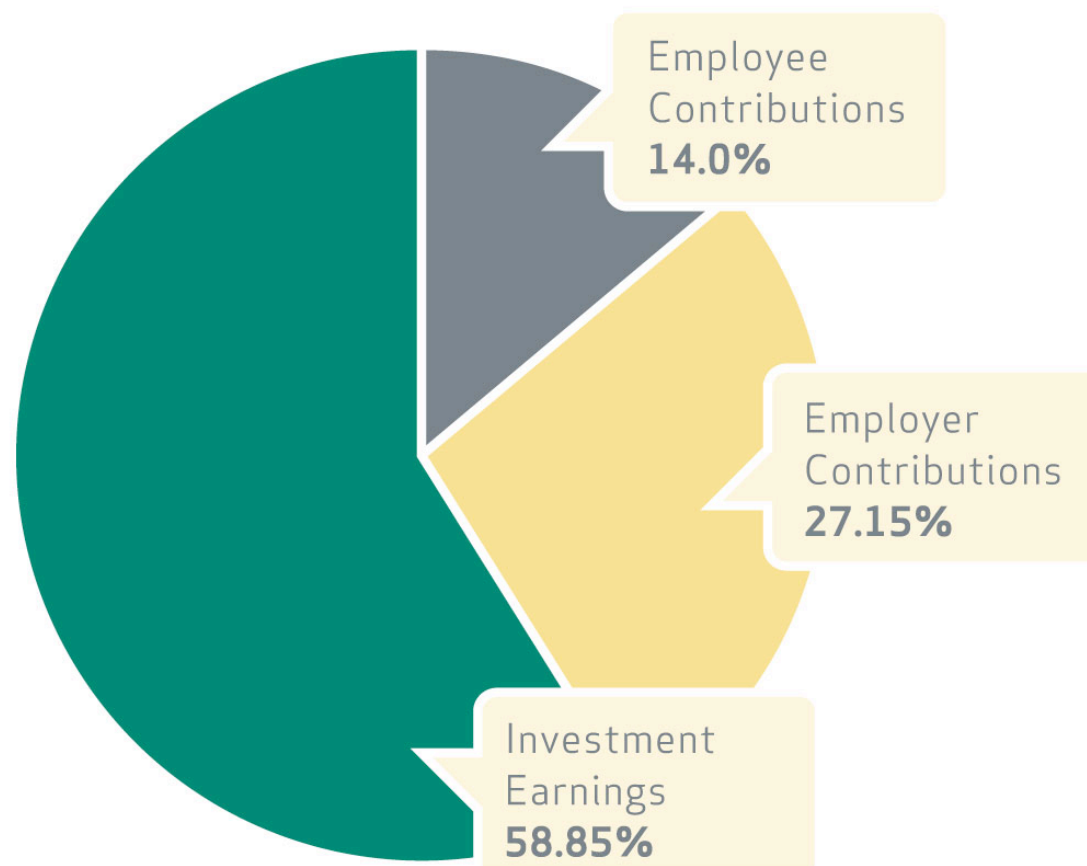
\$2.37

total output



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Financing of State and Local Pension Plans, 1993-2009



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Results: Taxpayer Investment Factor

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

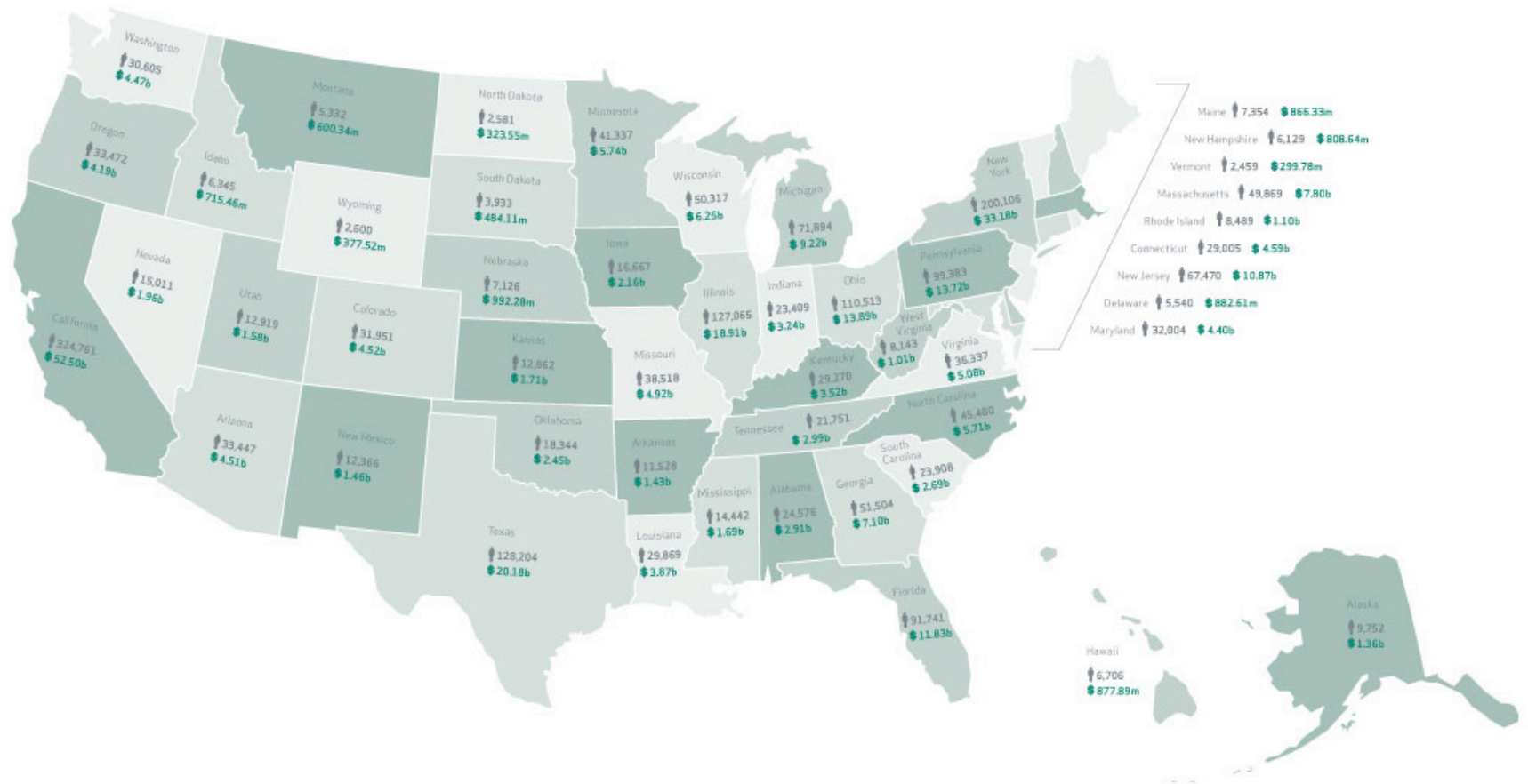


\$8.72
total output



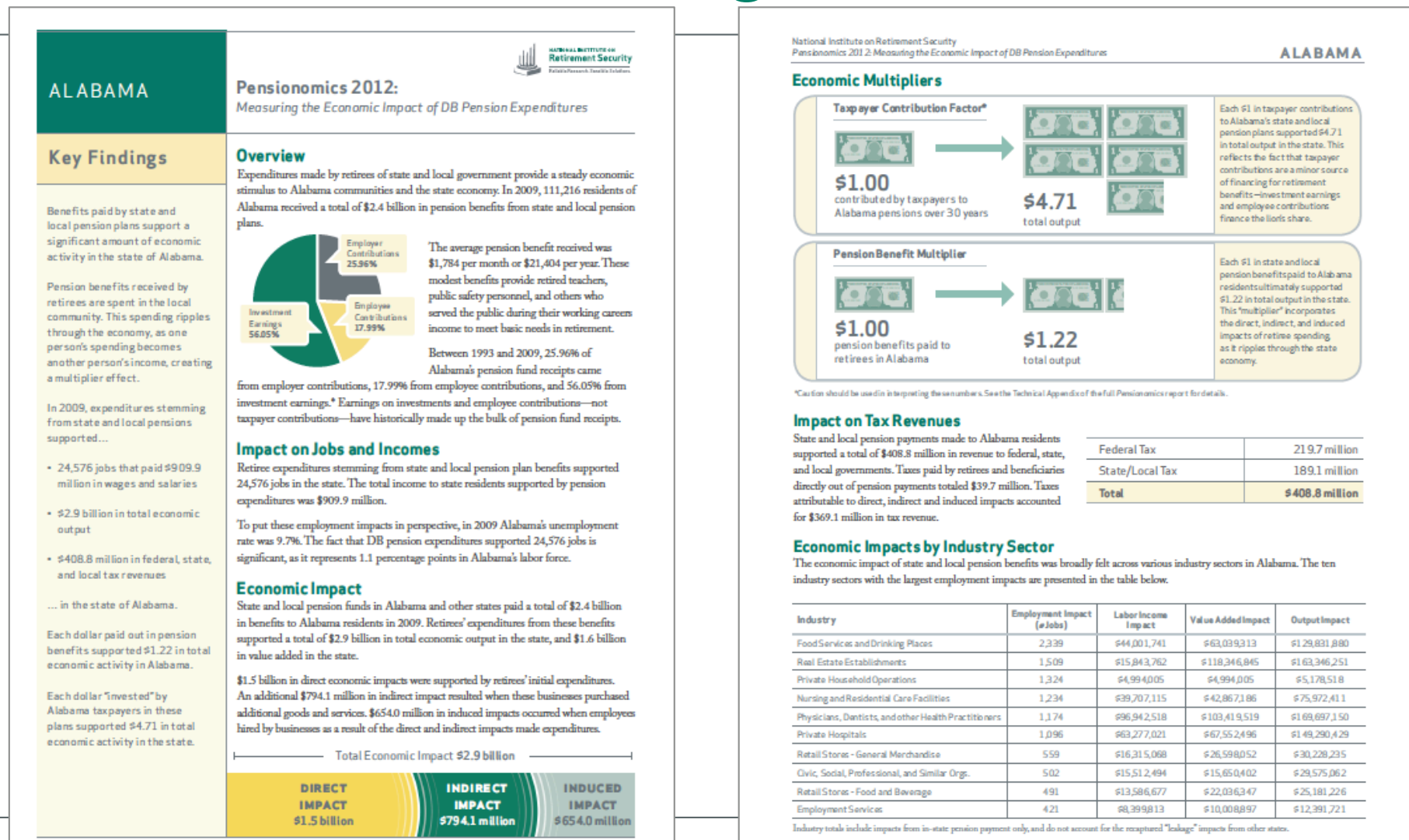
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Results: Economic Impacts By State



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State Fact Sheets available at www.nirsonline.org



Conclusion

- DB pensions provide a critical source of reliable income for 19 million retired Americans.
- Also provide critical economic support...
 - **\$134 billion** in tax revenue
 - **6.5 million** American jobs
 - **\$1 trillion** in economic activity
- Pensions are “automatic stabilizers,” providing important stimulus during tough times.



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Members Only Webinar:

Wed, March 14, 12 PM ET

Interested Parties Webinar:

Thu, March 15, 1 PM ET