

# PENNSYLVANIA

## Pensionomics 2012:

*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 Pennsylvania.

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 2009, expenditures stemming from state and local pensions supported...

- 99,383 jobs that paid \$4.6 billion in wages and salaries
- \$13.7 billion in total economic output
- \$1.8 billion in federal, state, and local tax revenues

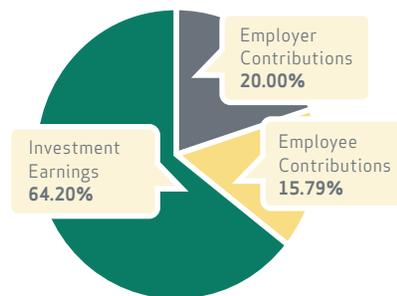
... in the state of Pennsylvania.

Each dollar paid out in pension benefits supported \$1.59 in total economic activity in Pennsylvania.

Each dollar "invested" by Pennsylvania taxpayers in these plans supported \$7.95 in total economic activity in the state.

### Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Pennsylvania communities and the state economy. In 2009, 384,834 residents of Pennsylvania received a total of \$8.6 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,869 per month or \$22,424 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 2009, 20.00% of Pennsylvania's pension fund receipts came from employer contributions, 15.79% from employee contributions, and 64.20% from investment earnings.\* Earnings on investments and employee contributions—not taxpayer 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 99,383 jobs in the state. The total income to state residents supported by pension expenditures was \$4.6 billion.

To put these employment impacts in perspective, in 2009 Pennsylvania's unemployment rate was 8.0%. The fact that DB pension expenditures supported 99,383 jobs is significant, as it represents 1.6 percentage points in Pennsylvania's labor force.

### Economic Impact

State and local pension funds in Pennsylvania and other states paid a total of \$8.6 billion in benefits to Pennsylvania residents in 2009. Retirees' expenditures from these benefits supported a total of \$13.7 billion in total economic output in the state, and \$7.9 billion in value added in the state.

\$6.5 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$3.6 billion in indirect impact resulted when these businesses purchased additional goods and services. \$3.7 billion in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures.

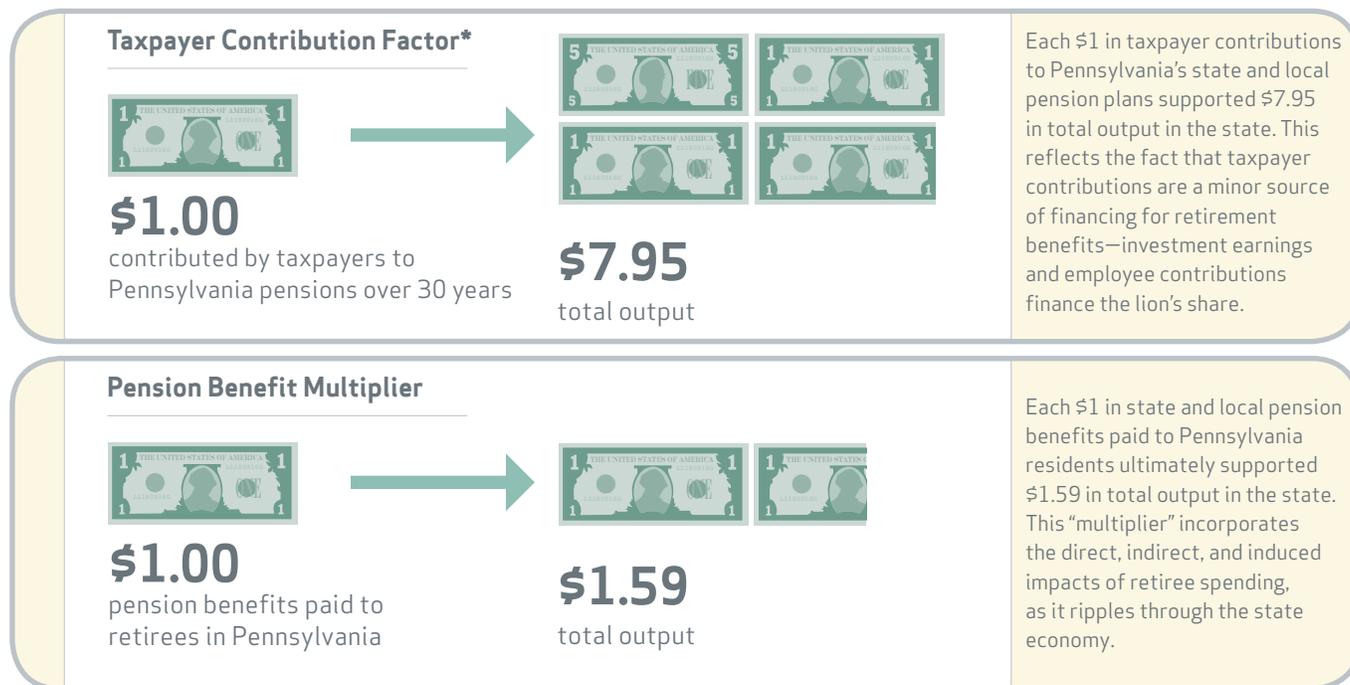
————— Total Economic Impact \$13.7 billion —————

**DIRECT  
IMPACT**  
\$6.5 billion

**INDIRECT  
IMPACT**  
\$3.6 billion

**INDUCED  
IMPACT**  
\$3.7 billion

## Economic Multipliers



\*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 Pennsylvania residents supported a total of \$1.8 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$146.0 million. Taxes attributable to direct, indirect and induced impacts accounted for \$1.7 billion in tax revenue.

Federal Tax	1.2 billion
State/Local Tax	636.0 million
<b>Total</b>	<b>\$1.8 billion</b>

## Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Pennsylvania. 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
Food Services and Drinking Places	8,433	\$176,753,009	\$248,535,504	\$494,337,626
Private Hospitals	6,480	\$439,189,483	\$468,919,065	\$957,749,596
Real Estate Establishments	5,622	\$72,400,824	\$538,582,302	\$743,369,101
Physicians, Dentists, and other Health Practitioners	4,966	\$399,981,495	\$426,618,534	\$704,791,501
Nursing and Residential Care Facilities	4,733	\$181,078,609	\$195,494,382	\$326,860,364
Retail Stores - Food and Beverage	2,556	\$73,325,099	\$118,947,458	\$135,922,841
Individual and Family Services	2,331	\$59,609,943	\$59,780,210	\$89,360,241
Colleges, Universities, and Professional Schools	2,018	\$106,019,134	\$109,480,857	\$200,399,832
Retail Stores - General Merchandise	2,008	\$53,491,212	\$87,005,469	\$98,880,230
Wholesale Trade Businesses	1,998	\$162,658,918	\$279,248,834	\$380,774,725

Industry totals include impacts from in-state pension payment only, and do not account for the recaptured "leakage" impacts from other states.