### **NEW JERSEY**

# Pensionomics 2023:

NATIONAL INSTITUTE ON Retirement Security

Reliable Research, Sensible Solutions.

Measuring the Economic Impact of DB Pension Expenditures

#### Ex

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

**Key Findings** 

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...

83,926 jobs that paid \$5.7 billion in wages and salaries

\$15.6 billion in total economic output

\$2.3 billion in federal, state, and local tax revenues

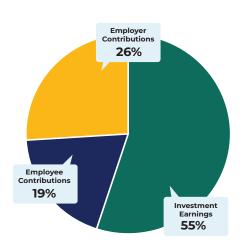
... in the state of New Jersey.

Each dollar paid out in pension benefits supported \$1.33 in total economic activity in New Jersey.

Each dollar "invested" by New Jersey taxpayers in these pension plans supported \$5.21 in total economic activity in the state.

#### Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to New Jersey communities and the state economy. In 2020, 336,963 residents of New Jersey received a total of \$11.8 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$2,908 per month or \$34,900 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 New Jersey's pension fund receipts came from employer contributions, 19% from employee contributions, and 55% 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 83,926 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 2020 New Jersey's unemployment rate was 9.5%. The fact that DB pension expenditures supported 83,926 jobs is significant, as it represents 1.8 percentage points in New Jersey's labor force.

# **Economic Impact**

State and local pension funds in New Jersey and other states paid a total of \$11.8 billion in benefits to New Jersey residents in 2020. Retirees' expenditures from these benefits supported a total of \$15.6 billion in total economic output in the state, and \$9.8 billion in value added in the state.

## **Impact on Tax Revenues**

State and local pension payments made to New Jersey residents supported a total of \$2.3 billionin revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$116.8 million. Taxes attributable to pension expenditures in the local economy accounted for \$2.2 billion in tax revenue.

| Federal Tax     | \$781.2 million |  |
|-----------------|-----------------|--|
| State/Local Tax | \$1.5 billion   |  |
| Total           | \$2.3 billion   |  |

### **Economic Multipliers**

#### Pension Benefit Multiplier





retirees in New Jersey







Each \$1 in state and local pension benefits paid to New Jersey residents ultimately supported \$1.33 in total output in the state. This "multiplier" incorporates multiple rounds of

#### **Taxpayer Investment Factor**











Each \$1 in taxpayer contributions to New Jersey's state and local pension plans supported \$5.21 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.

impacts of retiree spending, as

each purchase ripples through

the state economy.

## **Economic Impacts by Industry Sector**

The economic impact of state and local pension benefits was broadly felt across various industry sectors in New Jersey. The five industry sectors with the largest employment impacts are presented in the table to the side.

| Industry                    | Employment<br>Impact (# Jobs) |
|-----------------------------|-------------------------------|
| Hospitals                   | 5,418                         |
| Limited-service restaurants | 3,206                         |
| Other real estate           | 3,076                         |
| Offices of physicians       | 2,752                         |
| Tenant-occupied housing     | 2,739                         |

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 New Jersey supported jobs in every civilian job category, as shown in the table below.

| Occupation Category                                 | Wage and<br>Salary<br>Employment | Wage and<br>Salary Income | Supplements<br>to Wages and<br>Salaries | Employee Compensation |
|---|----------------------------------|---------------------------|---|-----------------------|
| Office and Administrative<br>Support Occupations    | 8,104                            | \$467,615,954             | \$91,820,713                            | \$559,436,668         |
| Sales and Related Occupations                       | 7,561                            | \$388,243,203             | \$71,441,331                            | \$459,684,534         |
| Food Preparation and Serving<br>Related Occupations | 6,594                            | \$166,598,102             | \$30,094,557                            | \$196,692,660         |
| Healthcare Practitioners and Technical Occupations  | 6,405                            | \$653,211,477             | \$140,767,316                           | \$793,978,794         |
| Transportation and Material<br>Moving Occupations   | 5,721                            | \$274,773,423             | \$57,363,703                            | \$332,137,127         |

<sup>\*</sup>Caution should be used in interpreting these numbers. See the Technical Appendix of the full Pensionomics report for details.