



# Pensionomics 2021:

Measuring the Economic Impact of DB Pension Expenditures

# Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to North Dakota communities and the state economy. In 2018, 26,382 residents of North Dakota received a total of \$561.5 million in pension benefits from state and local pension plans.



The average pension benefit received was \$1,774 per month or \$21,285 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 2018, 20.50% of North Dakota's pension fund receipts came from employer contributions, 13.57% from employee contributions, and 65.93% from investment earnings.\* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

# Key Findings

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

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 2018, expenditures stemming from state and local pensions supported...

- 4,610 jobs that paid \$231.2 million in wages and salaries
- \$805.8 million in total economic output
- \$110.7 million in federal, state, and local tax revenues

... in the state of North Dakota.

Each dollar paid out in pension benefits supported \$1.43 in total economic activity in North Dakota.

Each dollar "invested" by North Dakota taxpayers in these pension plans supported \$7.00 in total economic activity in the state.

### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 4,610 jobs in the state. The total income to state residents supported by pension expenditures was \$231.2 million.

To put these employment impacts in perspective, in 2018 North Dakota's unemployment rate was 2.6%. The fact that DB pension expenditures supported 4,610 jobs is significant, as it represents 1.06 percentage points in North Dakota's labor force.

# **Economic Impact**

State and local pension funds in North Dakota and other states paid a total of \$561.5 million in benefits to North Dakota residents in 2018. Retirees' expenditures from these benefits supported a total of \$805.8 million in total economic output in the state, and \$402.0 million in value added in the state.

\$358.2 million in direct economic impacts were supported by retirees' initial expenditures. An additional \$278.4 million in indirect impact resulted when these businesses purchased additional goods and services. \$169.2 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

- Total Economic Impact \$805.8 million

DIRECT IMPACT \$358.2 million INDIRECT
IMPACT
\$278.4 million

INDUCED IMPACT \$169.2 million

### **Economic Multipliers**





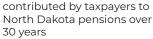








Each \$1 in taxpayer contributions to North Dakota's state and local pension plans supported \$7.00 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits—investment earnings and employee contributions finance the lion's share.



#### Pension Benefit Multiplier











Each \$1 in state and local pension benefits paid to North Dakota residents ultimately supported \$1.43 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.

#### Impact on Tax Revenues

State and local pension payments made to North Dakota residents supported a total of \$110.7 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$28.9 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$81.8 million in tax revenue.

Federal Tax	\$64.5 million		
State/Local Tax	\$46.2 million		
Total	\$110.7 million		

# **Economic Impacts by Industry Sector**

The economic impact of state and local pension benefits was broadly felt across various industry sectors in North Dakota. 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
Hospitals	270.10	\$23,544,058	\$26,689,420	\$49,315,715
Limited-service restaurants	209.90	\$4,437,473	\$6,885,426	\$15,665,773
Full-service restaurants	175.20	\$4,019,071	\$5,872,061	\$10,979,711
Offices of physicians	153.10	\$16,677,806	\$19,061,469	\$28,181,978
Nursing and community care facilities	141.00	\$5,866,397	\$6,225,279	\$11,044,830
Retail - General merchandise stores	135.30	\$4,276,183	\$3,937,026	\$7,657,813
Retail - Food and beverage stores	110.80	\$3,095,928	\$4,323,927	\$7,539,251
All other food and drinking places	100.70	\$2,246,498	\$2,976,026	\$5,181,280
Retail - Nonstore retailers	96.80	\$1,280,999	\$4,341,855	\$11,429,437
Other real estate	93.40	\$2,609,380	\$5,852,777	\$16,819,253

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