

Pensionomics 2021:

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 West Virginia.

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...

- 10,884 jobs that paid \$502.1 million in wages and salaries
- \$1.7 billion in total economic output
- \$333.6 million in federal, state, and local tax revenues

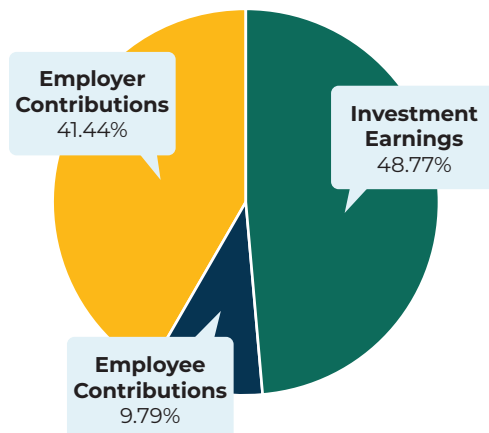
... in the state of West Virginia.

Each dollar paid out in pension benefits supported \$1.18 in total economic activity in West Virginia.

Each dollar "invested" by West Virginia taxpayers in these pension plans supported \$2.84 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to West Virginia communities and the state economy. In 2018, 72,143 residents of West Virginia received a total of \$1.5 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,680 per month or \$20,156 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, 41.44% of West Virginia's pension fund receipts came from employer contributions, 9.79% from employee contributions, and 48.77% 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 10,884 jobs in the state. The total income to state residents supported by pension expenditures was \$502.1 million.

To put these employment impacts in perspective, in 2018 West Virginia's unemployment rate was 5.2%. The fact that DB pension expenditures supported 10,884 jobs is significant, as it represents 1.50 percentage points in West Virginia's labor force.

Economic Impact

State and local pension funds in West Virginia and other states paid a total of \$1.5 billion in benefits to West Virginia residents in 2018. Retirees' expenditures from these benefits supported a total of \$1.7 billion in total economic output in the state, and \$905.8 million in value added in the state.

\$824.1 million in direct economic impacts were supported by retirees' initial expenditures. An additional \$526.2 million in indirect impact resulted when these businesses purchased additional goods and services. \$361.3 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

Total Economic Impact **\$1.7 billion**

DIRECT IMPACT
\$824.1 million

INDIRECT IMPACT
\$526.2 million

INDUCED IMPACT
\$361.3 million

Economic Multipliers

