

Pensionomics 2023:

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 2020, expenditures stemming from state and local pensions supported...

9,789 jobs that paid \$478.4 million in wages and salaries

\$1.5 billion in total economic output

\$220.7 million in federal, state, and local tax revenues

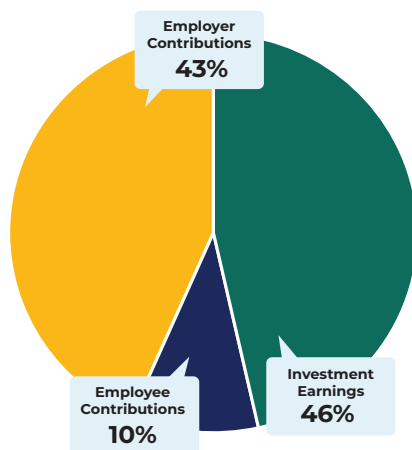
... in the state of West Virginia.

Each dollar paid out in pension benefits supported \$1.00 in total economic activity in West Virginia.

Each dollar "invested" by West Virginia taxpayers in these pension plans supported \$2.30 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 2020, 69,152 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 \$1,762 per month or \$21,145 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, 43% of West Virginia's pension fund receipts came from employer contributions, 10% from employee contributions, and 46% 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 9,789 jobs in the state. The total income to state residents supported by pension expenditures was \$478.4 million.

To put these employment impacts in perspective, in 2020 West Virginia's unemployment rate was 8.2%. The fact that DB pension expenditures supported 9,789 jobs is significant, as it represents 1.3 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 2020. Retirees' expenditures from these benefits supported a total of \$1.5 billion in total economic output in the state, and \$822.8 million in value added in the state.

Impact on Tax Revenues

State and local pension payments made to West Virginia residents supported a total of \$220.7 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$58.8 million. Taxes attributable to pension expenditures in the local economy accounted for \$161.9 million in tax revenue.

Federal Tax	\$73.1 million
State/Local Tax	\$147.6 million
Total	\$220.7 million

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	1,165	\$21,893,276	\$3,916,203	\$25,809,480
Healthcare Practitioners and Technical Occupations	1,106	\$96,888,117	\$21,059,524	\$117,947,642
Office and Administrative Support Occupations	975	\$37,159,466	\$7,798,095	\$44,957,561
Sales and Related Occupations	965	\$30,655,974	\$5,845,449	\$36,501,424
Healthcare Support Occupations	720	\$19,902,309	\$4,322,110	\$24,224,419