

Key Findings

Benefits paid by state and

a significant amount of

of West Virginia.

effect.

local pension plans support

economic activity in the state

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



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 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.

In 2018, expenditures stemming from state and

 10,884 jobs that paid \$502.1 million in wages and salaries

local pensions supported...

- \$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.

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









total output





Each \$1 in taxpayer contributions to West Virginia's state and local pension plans supported \$2.84 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.

Each \$1 in state and local pension benefits paid to West Virginia residents ultimately supported \$1.18 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.

\$1.00

contributed by taxpayers to West Virginia pensions over 30 years

Pension Benefit Multiplier



pension benefits paid to

retirees in West Virginia







\$1.18 total output

*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 West Virginia residents supported a total of \$333.6 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$134.1 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$199.6 million in tax revenue.

Federal Tax	\$150.1 million	
State/Local Tax	\$183.6 million	
Total	\$333.6 million	

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in West Virginia. 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	854.90	\$64,672,439	\$72,557,362	\$144,227,416
Limited-service restaurants	627.60	\$12,556,815	\$19,993,645	\$46,231,523
Full-service restaurants	510.30	\$10,845,220	\$16,068,585	\$30,926,321
Offices of physicians	454.40	\$45,683,524	\$53,514,055	\$80,596,140
Retail - General merchandise stores	326.30	\$9,878,858	\$15,145,601	\$24,078,549
Nursing and community care facilities	264.60	\$12,327,041	\$12,589,011	\$21,636,245
Retail - Food and beverage stores	251.70	\$7,288,669	\$10,911,652	\$18,208,692
Offices of other health practitioners	234.60	\$13,817,999	\$12,772,719	\$18,249,206
Individual and family services	231.60	\$5,873,289	\$5,264,850	\$8,431,051
Religious organizations	198.30	\$7,726,860	\$2,944,631	\$16,800,823