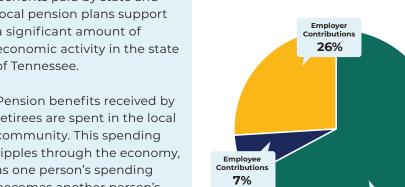
#### **TENNESSEE**

## Pensionomics 2023:

NATIONAL INSTITUTE ON Retirement Security Reliable Research, Sensible Solutions.

Measuring the Economic Impact of DB Pension Expenditures

Expenditures made by retirees of state and local government provide a steady economic stimulus to Tennessee communities and the state economy. In 2020, 212,738 residents of Tennessee received a total of \$3.7 billion in pension benefits from state and local pension plans.



Overview

The average pension benefit received was \$1,439 per month or \$17,272 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 Tennessee's pension fund receipts came from employer contributions, 7% from employee contributions, and 67% 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 Tennessee.

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...

32,080 jobs that paid \$1.9 billion in wages and salaries

\$5.3 billion in total economic output

\$593.4 million in federal, state, and local tax revenues

... in the state of Tennessee.

Each dollar paid out in pension benefits supported \$1.44 in total economic activity in Tennessee.

Each dollar "invested" by Tennessee taxpayers in these pension plans supported \$5.66 in total economic activity in the state.

## Impact on Jobs and Incomes

**Earnings** 

**67**%

Retiree expenditures stemming from state and local pension plan benefits supported 32,080 jobs in the state. The total income to state residents supported by pension expenditures was \$1.9 billion.

To put these employment impacts in perspective, in 2020 Tennessee's unemployment rate was 7.4%. The fact that DB pension expenditures supported 32,080 jobs is significant, as it represents 1.0 percentage points in Tennessee's labor force.

# **Economic Impact**

State and local pension funds in Tennessee and other states paid a total of \$3.7 billion in benefits to Tennessee residents in 2020. Retirees' expenditures from these benefits supported a total of \$5.3 billion in total economic output in the state, and \$3.1 billion in value added in the state.

## Impact on Tax Revenues

State and local pension payments made to Tennessee residents supported a total of \$593.4 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$38.6 million. Taxes attributable to pension expenditures in the local economy accounted for \$554.8 million in tax revenue.

Federal Tax	\$264.6 million	
State/Local Tax	\$328.8 million	
Total	\$593.4 million	

#### **Economic Multipliers**

#### Pension Benefit Multiplier



pension benefits paid to

retirees in Tennessee







\$1.44 total output

Each \$1 in state and local pension benefits paid to Tennessee residents ultimately supported \$1.44 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

#### **Taxpayer Investment Factor**









\$1.00 contributed by taxpayers to Tennessee pensions over 30 years

\$5.66 total output

Each \$1 in taxpayer contributions to Tennessee's state and local pension plans supported \$5.66 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.

#### **Economic Impacts by Industry Sector**

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

Industry	Employment Impact (# Jobs)
Limited-service restaurants	2,078
Hospitals	1,837
Full-service restaurants	1,398
Offices of physicians	1,080
Retail - general merchandise stores	1,020

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

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	3,652	\$72,994,762	\$13,045,176	\$86,039,939
Sales and Related Occupations	3,273	\$124,890,495	\$23,215,390	\$148,105,885
Office and Administrative Support Occupations	3,034	\$138,141,796	\$27,575,868	\$165,717,664
Healthcare Practitioners and Technical Occupations	2,282	\$206,369,608	\$44,210,835	\$250,580,444
Transportation and Material Moving Occupations	2,210	\$90,651,436	\$18,197,387	\$108,848,824

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