RHODE ISLAND

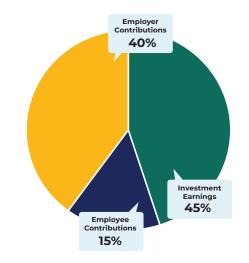




Measuring the Economic Impact of DB Pension Expenditures

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Rhode Island communities and the state economy. In 2020, 36,702 residents of Rhode Island received a total of \$1.1 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$2,428 per month or \$29,132 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, 40% of Rhode Island's pension fund receipts came from employer contributions, 15% from employee contributions, and 45% 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 Rhode Island.

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...

8,282 jobs that paid \$470.0 million in wages and salaries

\$1.4 billion in total economic output

\$206.4 million in federal, state, and local tax revenues

... in the state of Rhode Island.

Each dollar paid out in pension benefits supported \$1.30 in total economic activity in Rhode Island.

Each dollar "invested" by Rhode Island taxpayers in these pension plans supported \$3.28 in total economic activity in the state.

Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 8,282 jobs in the state. The total income to state residents supported by pension expenditures was \$470.0 million.

To put these employment impacts in perspective, in 2020 Rhode Island's unemployment rate was 9.2%. The fact that DB pension expenditures supported 8,282 jobs is significant, as it represents 1.5 percentage points in Rhode Island's labor force.

Economic Impact

State and local pension funds in Rhode Island and other states paid a total of \$1.1 billion in benefits to Rhode Island residents in 2020. Retirees' expenditures from these benefits supported a total of \$1.4 billion in total economic output in the state, and \$857.1 million in value added in the state.

Impact on Tax Revenues

State and local pension payments made to Rhode Island residents supported a total of \$206.4 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$26.8 million. Taxes attributable to pension expenditures in the local economy accounted for \$179.6 million in tax revenue.

Federal Tax	\$61 million	
State/Local Tax	\$145.4 million	
Total	\$206.4 million	

Economic Multipliers



Each \$1 in state and local pension benefits paid to Rhode Island residents ultimately supported \$1.30 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

Each \$1 in taxpayer contributions to Rhode Island's state and local pension plans supported \$3.28 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.

\$1.00 contributed by taxpayers to Rhode Island pensions over 30 years \$3.28 total output

Economic Impacts by Industry Sector

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

Industry	Employment Impact (# Jobs)
Hospitals	633
Full-service restaurants	401
Limited-service restaurants	381
Other real estate	320
Offices of physicians	283

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 Rhode Island 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	916	\$21,572,420	\$3,829,947	\$25,402,368
Office and Administrative Support Occupations	821	\$38,858,810	\$7,665,286	\$46,524,096
Sales and Related Occupations	758	\$32,840,783	\$6,033,386	\$38,874,169
Healthcare Practitioners and Technical Occupations	708	\$64,019,830	\$13,795,184	\$77,815,015
Transportation and Material Moving Occupations	493	\$19,997,029	\$4,043,889	\$24,040,918

^{*}Caution should be used in interpreting these numbers. See the Technical Appendix of the full Pensionomics report for details.