### INDIANA

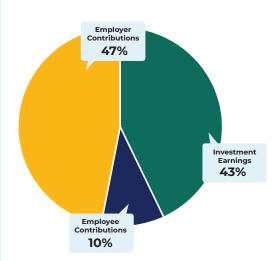


NATIONAL INSTITUTE ON Retirement Security Reliable Research, Sensible Solutions.

Measuring the Economic Impact of DB Pension Expenditures

## Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Indiana communities and the state economy. In 2020, 167,672 residents of Indiana received a total of \$2.7 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,332 per month or \$15,985 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, 47% of Indiana's pension fund receipts came from employer contributions, 10% from employee contributions, and 43% 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 22,488 jobs in the state. The total income to state residents supported by pension expenditures was \$1.2 billion.

To put these employment impacts in perspective, in 2020 Indiana's unemployment rate was 7.2%. The fact that DB pension expenditures supported 22,488 jobs is significant, as it represents 0.7 percentage points in Indiana's labor force.

# **Economic Impact**

State and local pension funds in Indiana and other states paid a total of \$2.7 billion in benefits to Indiana residents in 2020. Retirees' expenditures from these benefits supported a total of \$3.6 billion in total economic output in the state, and \$2.1 billion in value added in the state.

#### Impact on Tax Revenues

State and local pension payments made to Indiana residents supported a total of \$503.4 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$111.2 million. Taxes attributable to pension expenditures in the local economy accounted for \$392.1 million in tax revenue.

Federal Tax	\$169.4 million		
State/Local Tax	\$334 million		
Total	\$503.4 million		

# **Key Findings**

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Indiana.

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...

22,488 jobs that paid \$1.2 billion in wages and salaries

\$3.6 billion in total economic output

\$503.4 million in federal, state, and local tax revenues

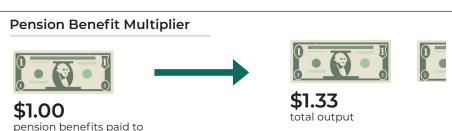
... in the state of Indiana.

Each dollar paid out in pension benefits supported \$1.33 in total economic activity in Indiana.

Each dollar "invested" by Indiana taxpayers in these pension plans supported \$2.83 in total economic activity in the state.

### **Economic Multipliers**

retirees in Indiana



Each \$1 in state and local pension benefits paid to Indiana residents ultimately supported \$1.33 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









Each \$1 in taxpayer contributions to Indiana's state and local pension plans supported \$2.83 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 Indiana. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	1,758
Limited-service restaurants	1,226
Full-service restaurants	903
Offices of physicians	824
Retail - general merchandise stores	768

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 Indiana 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	2,456	\$45,981,949	\$8,211,181	\$54,193,130
Sales and Related Occupations	2,242	\$875,979,893	\$14,205,035	\$90,184,928
Office and Administrative Support Occupations	2,182	\$90,943,898	\$18,527,235	\$109,471,133
Healthcare Practitioners and Technical Occupations	1,995	\$177,396,248	\$38,199,176	\$215,595,424
Transportation and Material Moving Occupations	1,584	\$59,198,289	\$12,011,207	\$71,209,497

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