PENSIONS: BENEFITS AND RETIREE SPENDING PROVIDE IMPORTANT ECONOMIC SUPPORT ACROSS AMERICA

PENSION SPENDING RIPPLES ACROSS THE U.S. ECONOMY

Defined benefit (DB) pensions provide a secure source of income for many retired Americans, and they contribute substantially to our local, state and national economies. Spending of pension benefits checks creates economic activity and supports millions of American jobs.

When a retired teacher receives a pension benefit payment, s/he spends it on goods and services — food, clothing, medicines, a car or computer. These purchases create an important economic ripple effect.

PENSIONS PROVIDE INCOME THAT RETIREES SPEND, CONTRIBUTING TO ECONOMIC ACTIVITY AND AMERICAN JOBS

$477 BILLION

The total amount of pension benefits paid to 24 million Americans in 2012.

$943 BILLION

The total economic output attributed to pension benefit expenditures in the United States in 2012. The largest share comes from state and local pension plans.

6.2 MILLION JOBS

The total number of jobs in the United States attributed to pension benefit expenditures in 2012. The largest share comes from state and local pension plans.
PENSION BENEFITS GENERATE TAX REVENUE

Pensions also generate tax revenue on the state, local and federal levels. This tax revenue comes from two major sources:

- Taxes paid by beneficiaries directly on their pension benefits and;
- Taxes resulting from expenditures made from pension benefits after income taxes are deducted. For example, sales taxes resulting from a retail purchase.

PUBLIC PENSIONS HAVE A LARGE ECONOMIC IMPACT

Of the $228.5 billion paid out in state and local pension benefits in 2012, only $56 billion was funded by taxpayer dollars. The total economic impact attributable to state and local pension benefits, however, was $451.7 billion. Thus, every taxpayer dollar contributed to state and local pension plans supported $8.06 in national economic output!

PENSION EXPENDITURE MULTIPLIER

Each $1 in public and private pension benefits earned by retirees supported $1.98 in total output in the U.S. This “multiplier” incorporates the impacts of retiree spending, as it ripples through the U.S. economy.

TAXPAYER INVESTMENT FACTOR

Each $1 in taxpayer contributions to U.S. state and local pension plans supported $8.06 in total economic output in the U.S. This is because nationally, taxpayers contributions are about 25 percent of pension financing. Most of the funding comes from investment earnings and employee contributions.