

Benefits of PA's Public Pension Plans to PA's Economy

A new study deserves special attention because it is the first to assess, in real numbers, the significant size of the impact on Pennsylvania's economy of each dollar invested in public defined benefit pension plans: "[e]ach \$1 in taxpayer contributions to Pennsylvania's state and local pension plans supported \$9.46 in total output in the state."

Pennsylvania's "Pension Expenditure Multiplier" ranks 2nd best among all 50 states according to Ilana Boivie and Beth Almeida of the National Institute on Retirement Security (NIRS), the authors of the attached study *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans*. This economic multiplier indicates that "[e]ach \$1 in state and local pension benefits paid to Pennsylvania residents ultimately supported \$1.49 in total output in the state."

Pensionomics reports that despite the modest size of the Pennsylvania's average public employee pension, only \$20,523 per year, "[t]he expenditures stemming from state and local pensions supported. . .

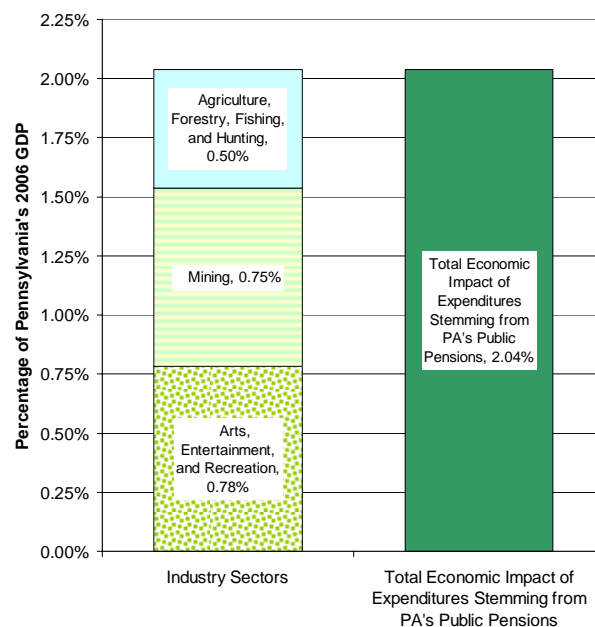
- 70,981 jobs that paid \$4.4 billion in wages and salaries
 - \$10.5 billion in total economic output
 - \$1.6 billion in federal, state and local tax revenues
- . . . in the state of Pennsylvania."

The total economic impact of expenditures stemming from Pennsylvania's public pensions is calculated in three categories: \$6.8 billion of Direct Impact (initial spending from pension benefits), \$1.7 billion of Indirect Impact (additional rounds of spending by local merchants as a result of the direct impact), and \$1.9 billion of Imputed Impact

("additional outputs when new employees, hired as a result of the direct and indirect spending rounds, spend their paychecks in the local economy").

The total economic impact is equal to 2.04% of Pennsylvania's GDP*, and is greater than to the combined percentages of Pennsylvania's GDP represented by the entire industrial sectors of Mining, Agriculture, Forestry, Fishing, and Hunting, and Arts, Entertainment and Recreation. (See chart.)

The total economic impact of expenditures stemming from PA's Public Pensions represents the same percentage of Pennsylvania's GDP* (2.04%) as do three industry sectors combined.



* Percentages of Pennsylvania's 2006 GDP calculated by PSEA based on data from *Pensionomics* and the Bureau of Economic Analysis, U.S. Department of Commerce.