

TENNESSEE

Pensionomics 2012:

Measuring the Economic Impact of DB Pension Expenditures

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 2009, expenditures stemming from state and local pensions supported...

- 21,751 jobs that paid \$962.8 million in wages and salaries
- \$3.0 billion in total economic output
- \$357.1 million in federal, state, and local tax revenues

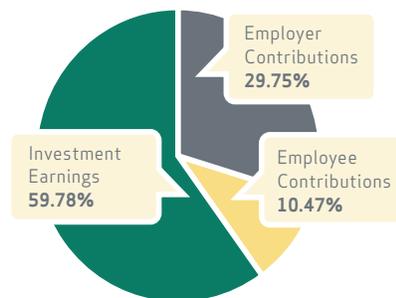
... in the state of Tennessee.

Each dollar paid out in pension benefits supported \$1.97 in total economic activity in Tennessee.

Each dollar "invested" by Tennessee taxpayers in these plans supported \$6.61 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Tennessee communities and the state economy. In 2009, 131,395 residents of Tennessee received a total of \$1.5 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$965 per month or \$11,578 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 2009, 29.75% of Tennessee's pension fund receipts came from employer contributions, 10.47% from employee contributions, and 59.78% from investment earnings.* Earnings on investments and employee contributions—not taxpayer 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 21,751 jobs in the state. The total income to state residents supported by pension expenditures was \$962.8 million.

To put these employment impacts in perspective, in 2009 Tennessee's unemployment rate was 10.4%. The fact that DB pension expenditures supported 21,751 jobs is significant, as it represents 0.7 percentage points in Tennessee's labor force.

Economic Impact

State and local pension funds in Tennessee and other states paid a total of \$1.5 billion in benefits to Tennessee residents in 2009. Retirees' expenditures from these benefits supported a total of \$3.0 billion in total economic output in the state, and \$1.7 billion in value added in the state.

\$1.1 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$1.0 billion in indirect impact resulted when these businesses purchased additional goods and services. \$862.1 million in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures.

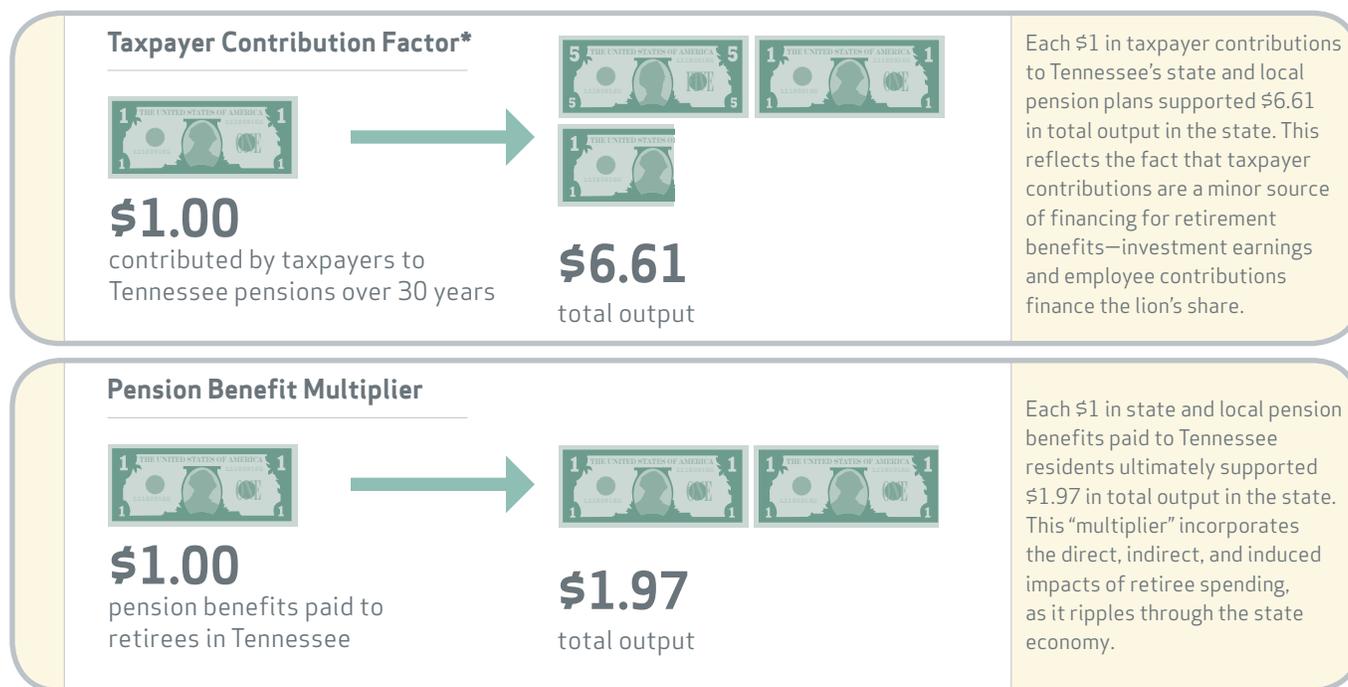
————— Total Economic Impact \$3.0 billion —————

**DIRECT
IMPACT**
\$1.1 billion

**INDIRECT
IMPACT**
\$1.0 billion

**INDUCED
IMPACT**
\$862.1 million

Economic Multipliers



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

Impact on Tax Revenues

State and local pension payments made to Tennessee residents supported a total of \$357.1 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$24.8 million. Taxes attributable to direct, indirect and induced impacts accounted for \$332.3 million in tax revenue.

Federal Tax	209.6 million
State/Local Tax	147.5 million
Total	\$357.1 million

Economic Impacts by Industry Sector

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

Industry	Employment Impact (# Jobs)	Labor Income Impact	Value Added Impact	Output Impact
Food Services and Drinking Places	1,601	\$34,771,863	\$49,652,503	\$96,893,798
Private Hospitals	1,164	\$81,579,209	\$87,124,699	\$175,191,759
Real Estate Establishments	1,133	\$14,471,130	\$109,177,092	\$150,689,834
Physicians, Dentists, and other Health Practitioners	788	\$72,277,110	\$77,152,379	\$123,242,650
Nursing and Residential Care Facilities	761	\$30,239,252	\$32,670,649	\$53,962,612
Private Household Operations	652	\$3,526,003	\$3,526,003	\$3,656,278
Retail Stores - General Merchandise	385	\$11,541,889	\$18,788,618	\$21,352,947
Retail Stores - Food and Beverage	380	\$11,945,877	\$19,430,439	\$22,203,420
Wholesale Trade Businesses	371	\$26,803,182	\$46,173,208	\$63,279,424
Civic, Social, Professional, and Similar Organizations	349	\$10,549,119	\$10,642,889	\$20,309,827

Industry totals include impacts from in-state pension payment only, and do not account for the recaptured “leakage” impacts from other states.