

## Key Findings

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

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...

61,816 jobs that paid \$4.4 billion in wages and salaries

\$11.7 billion in total economic output

\$1.5 billion in federal, state, and local tax revenues

... in the state of Massachusetts.

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

Each dollar "invested" by Massachusetts taxpayers in these pension plans supported \$4.01 in total economic activity in the state.

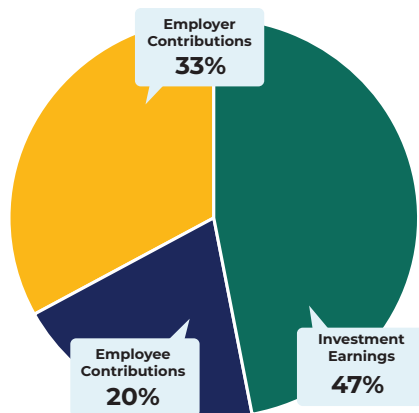
## Pensionomics 2023:

## Measuring the Economic Impact of DB Pension Expenditures



## Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Massachusetts communities and the state economy. In 2020, 237,387 residents of Massachusetts received a total of \$8.9 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$3,110 per month or \$37,315 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, 33% of Massachusetts's pension fund receipts came from employer contributions, 20% from employee contributions, and 47% 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 61,816 jobs in the state. The total income to state residents supported by pension expenditures was \$4.4 billion.

To put these employment impacts in perspective, in 2020 Massachusetts's unemployment rate was 9.4%. The fact that DB pension expenditures supported 61,816 jobs is significant, as it represents 1.7 percentage points in Massachusetts's labor force.

## Economic Impact

State and local pension funds in Massachusetts and other states paid a total of \$8.9 billion in benefits to Massachusetts residents in 2020. Retirees' expenditures from these benefits supported a total of \$11.7 billion in total economic output in the state, and \$7.5 billion in value added in the state.

## Impact on Tax Revenues

State and local pension payments made to Massachusetts residents supported a total of \$1.5 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$87.9 million. Taxes attributable to pension expenditures in the local economy accounted for \$1.4 billion in tax revenue.

Federal Tax	\$729.6 million
State/Local Tax	\$772.1 million
Total	\$1.5 billion

Economic Multipliers

