MARYLAND

Pensionomics 2018:
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 Maryland.

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 2016, expenditures stemming from state and local pensions supported…

- 43,440 jobs that paid $2.2 billion in wages and salaries

- $6.5 billion in total economic output

- $1.3 billion in federal, state, and local tax revenues

… in the state of Maryland.

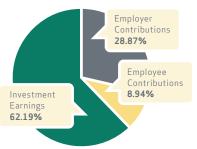Each dollar paid out in pension benefits supported $1.29 in total economic activity in Maryland.

Each dollar "invested" by Maryland taxpayers in these plans supported $4.46 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Maryland communities and the state economy. In 2016, 194,546 residents of Maryland received a total of $5.1 billion in pension benefits from state and local pension plans.

Employer Contributions **28.87%**

Employee Contributions **8.94%**

Investment Earnings **62.19%**

The average pension benefit received was $2,170 per month or $26,043 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 2016, 28.87% of Maryland's pension fund receipts came from employer contributions, 8.94% from employee contributions, and 62.19% 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 43,440 jobs in the state. The total income to state residents supported by pension expenditures was $2.2 billion.

To put these employment impacts in perspective, in 2016 Maryland's unemployment rate was 4.4%. The fact that DB pension expenditures supported 43,440 jobs is significant, as it represents 1.2 percentage points in Maryland's labor force.

Economic Impact

State and local pension funds in Maryland and other states paid a total of $5.1 billion in benefits to Maryland residents in 2016. Retirees' expenditures from these benefits supported a total of $6.5 billion in total economic output in the state, and $3.9 billion in value added in the state.
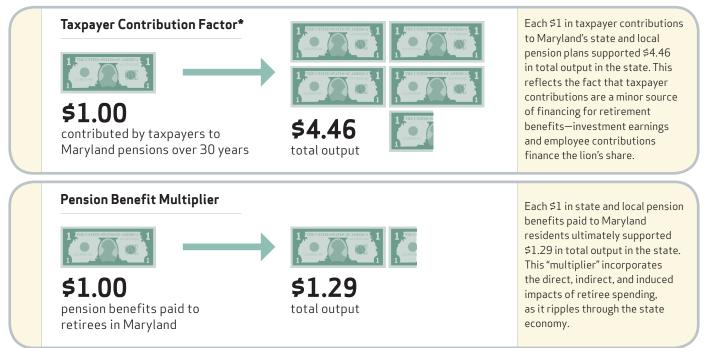
$3.2 billion in direct economic impacts were supported by retirees' initial expenditures. An additional $1.8 billion in indirect impact resulted when these businesses purchased additional goods and services. $1.5 billion in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

Total Economic Impact **$6.5 billion**

DIRECT IMPACT	INDIRECT IMPACT	INDUCED IMPACT
$3.2 billion	$1.8 billion	$1.5 billion

Economic Multipliers

Taxpayer Contribution Factor*

$1.00
contributed by taxpayers to
Maryland pensions over 30 years

$4.46
total output

Each $1 in taxpayer contributions to Maryland's state and local pension plans supported $4.46 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.

Pension Benefit Multiplier

$1.00
pension benefits paid to
retirees in Maryland

$1.29
total output

Each $1 in state and local pension benefits paid to Maryland residents ultimately supported $1.29 in total output in the state. This "multiplier" incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.

*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 Maryland residents supported a total of $1.3 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled $434.7 million. Taxes attributable to direct, indirect, and induced impacts accounted for $835.4 million in tax revenue.

Federal Tax	$615.1 million
State/Local Tax	$655.1 million
Total	**$1.3 billion**

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Maryland. 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
Real estate	2,351	$82,928,852	$441,010,009	$580,530,990
Nursing and community care facilities	2,126	$89,344,031	$100,903,559	$154,998,117
Hospitals	1,787	$137,005,046	$164,789,315	$283,720,937
Limited-service restaurants	1,648	$35,667,219	$90,337,277	$150,717,441
Full-service restaurants	1,569	$39,641,880	$46,807,831	$84,196,176
Retail - Food and beverage stores	1,217	$43,268,580	$64,157,893	$92,106,879
Offices of physicians	1,113	$108,748,334	$106,254,697	$159,667,466
Retail - General merchandise stores	1,036	$28,535,544	$47,842,680	$73,887,196
Wholesale trade	979	$84,339,638	$159,416,990	$238,338,595
Personal care services	904	$22,268,523	$19,141,584	$30,988,111

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.