### **ILLINOIS**

### Pensionomics 2023:

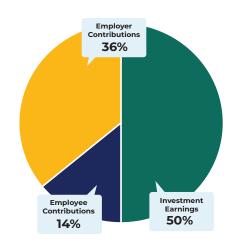
NATIONAL INSTITUTE ON Retirement Security

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Measuring the Economic Impact of DB Pension Expenditures

# Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Illinois communities and the state economy. In 2020, 541,778 residents of Illinois received a total of \$21.6 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$3,318 per month or \$39,814 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, 36% of Illinois's pension fund receipts came from employer contributions, 14% from employee contributions, and 50% from investment earnings.\* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

## **Key Findings**

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

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...

166,489 jobs that paid \$10.4 billion in wages and salaries

\$30.3 billion in total economic output

\$4.0 billion in federal, state, and local tax revenues

... in the state of Illinois.

Each dollar paid out in pension benefits supported \$1.40 in total economic activity in Illinois.

Each dollar "invested" by Illinois taxpayers in these pension plans supported \$3.88 in total economic activity in the state.

### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 166,489 jobs in the state. The total income to state residents supported by pension expenditures was \$10.4 billion.

To put these employment impacts in perspective, in 2020 Illinois's unemployment rate was 9.2%. The fact that DB pension expenditures supported 166,489 jobs is significant, as it represents 2.6 percentage points in Illinois's labor force.

## **Economic Impact**

State and local pension funds in Illinois and other states paid a total of \$21.6 billion in benefits to Illinois residents in 2020. Retirees' expenditures from these benefits supported a total of \$30.3 billion in total economic output in the state, and \$18.6 billion in value added in the state.

#### **Impact on Tax Revenues**

State and local pension payments made to Illinois residents supported a total of \$4.0 billion in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$211.9 million. Taxes attributable to pension expenditures in the local economy accounted for \$3.8 billion in tax revenue.

Federal Tax	\$1.3 billion		
State/Local Tax	\$2.7 billion		
Total	\$4 billion		

### **Economic Multipliers**



Each \$1 in state and local pension benefits paid to Illinois residents ultimately supported \$1.40 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.



Each \$1 in taxpayer contributions to Illinois's state and local pension plans supported \$3.88 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.

#### **Economic Impacts by Industry Sector**

The economic impact of state and local pension benefits was broadly felt across various industry sectors in Illinois. The five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	11,494
Limited-service restaurants	9,442
Full-service restaurants	6,043
Offices of physicians	5,331
Other real estate	4,821

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.

### **Economic Impacts by Occupation Category**

The pension benefits in Illinois supported jobs in every civilian job category, as shown in the table below.

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	17,266	\$391,248,575	\$69,618,779	\$460,867,354
Office and Administrative Support Occupations	16,828	\$894,199,977	\$174,905,310	\$1,069,105,287
Sales and Related Occupations	15,873	\$746,552,251	\$135,881,495	\$882,433,747
Healthcare Practitioners and Technical Occupations	12,743	\$1,211,597,991	\$261,542,828	\$1,473,140,820
Transportation and Material Moving Occupations	11,794	\$512,506,203	\$105,562,483	\$618,068,685

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