

ALASKA

Pensionomics:

Measuring the Economic Impact of State and Local Pension Plans

Key Findings

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

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*.

Expenditures stemming from state and local pensions supported...

- 6,270 jobs that paid \$385.2 million in wages and salaries
- \$1.0 billion in total economic output
- \$155.5 million in federal, state, and local tax revenues

... in the state of Alaska

Each dollar paid out in pension benefits supported \$1.25 in total economic activity in Alaska.

Each dollar "invested" by Alaska taxpayers in these plans supported \$6.35 in total economic activity in the state.

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alaska communities and the state economy. In 2006, 34,962 residents of Alaska received a total of \$819.50 million in pension benefits from state and local pension plans, with \$808.64 million paid from plans within the state and the remainder originating from plans in other states.

The average pension benefit received was \$1,953 per month or \$23,440 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.

Impact on Jobs and Incomes

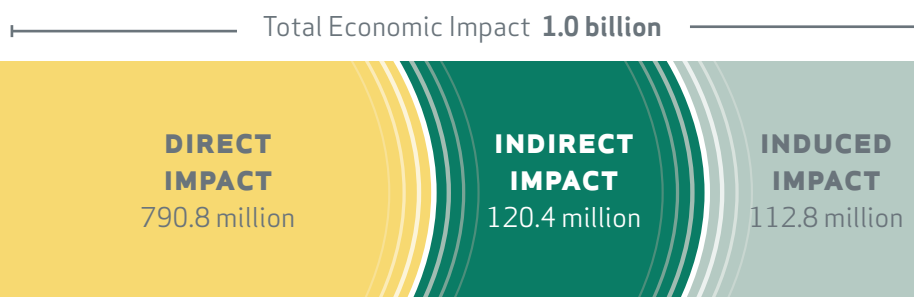
Retiree expenditures stemming from state and local pension plan benefits supported 6,270 jobs in the state. The total income to state residents supported by pension expenditures was \$385.2 million.

Of this, the greatest share, \$188.0 million, was comprised of employee compensation (wages and salaries). Proprietors' income (self-employment income) represented \$33.6 million, and other property income (including payments from interest, rent, royalties, profits and dividends) totaled \$163.6 million.

Economic Impact

State and local pension funds in Alaska and other states paid a total of \$819.50 million in benefits to Alaska residents in 2006. Retirees' expenditures from these benefits supported a total of \$1.0 billion in total economic output in the state, and \$430.7 million in value added in the state.

\$790.8 million in direct economic impacts were supported by retirees' expenditures on goods and services from businesses in the state. An additional \$120.4 million in indirect economic impact resulted when these businesses purchased additional goods and services, generating additional income in the local economy. \$112.8 million in induced impacts occurred when employees hired by businesses as a result of the direct and indirect impacts made expenditures, supporting even more additional income.



Economic Multipliers

Taxpayer Contribution Factor*



\$1.00

contributed by Alaska taxpayers
to state and local pensions



\$6.35

total economic activity

Each \$1 in taxpayer contributions to Alaska's state and local pension plans supported \$6.35 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 Alaska



\$1.25

total economic activity

Each \$1 in state and local pension benefits paid to Alaska residents ultimately supported \$1.25 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 this number, because the Census data used reflect the taxable status of contributions only; because employee contributions may be reported as taxpayer contributions, the multiplier here may be underestimated.

Impact on Tax Revenues

State and local pension payments made to Alaska residents supported a total of \$155.5 million in revenue to federal, state and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$28.7 million. Taxes attributable to direct, indirect and induced expenditures accounted for \$126.8 million in tax revenue.

Federal Tax	87.5 million
State/Local Tax	67.8 million
Other Corporate Taxes	0.2 million
Total	\$155.5 million

Economic Impacts by Industry Sector

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

Industry	Employment Impact (# Jobs)	Value Added Impact (\$ millions)	Income Impact (\$ millions)	Output Impact (\$ millions)
Health Care and Social Assistance	1,354	\$75.0	\$74.2	\$119.1
Retail Trade	1,331	64.4	50.9	97.0
Accommodation and Food Services	839	26.7	23.8	50.0
Other Services (Except Public Administration)	479	14.2	13.3	27.1
Real Estate and Rental and Leasing	452	33.8	28.2	50.8
Professional, Scientific, and Technical Services	229	11.8	11.5	23.2
Arts, Entertainment, and Recreation	229	6.2	5.6	10.8
Finance and Insurance	227	24.2	23.3	43.9
Public Administration	196	10.1	10.1	20.7
Transportation and Warehousing	187	11.4	10.8	22.0