



The Economic Impact of Public Pensions

Presentation to New Mexico Investments and Pensions Oversight Committee

Tyler Bond, Research Manager
National Institute on Retirement Security

| **November 3, 2022**

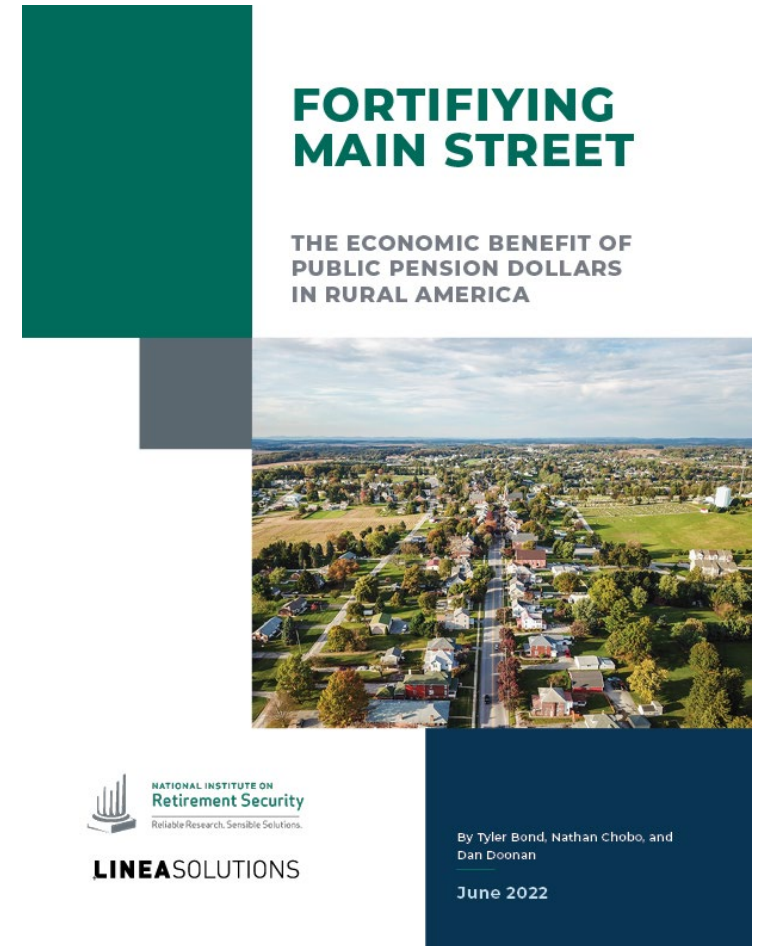


NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

Fortifying Main Street

- Previous NIRS research (*Pensionomics*) has focused on the downstream economic impact of the spending of pension benefits. This research focuses on the raw dollar amounts of pension benefits at the county level.
- Data on Gross Domestic Product (GDP) by county only became available in the past few years, enabling new areas of research.
- Previous research had indicated that rural areas receive a greater relative economic impact from the flow of pension benefit dollars than cities and metropolitan areas.
- Cities likely receive a greater amount of pension benefit dollars in absolute terms, but these are dwarfed by the size of the economy in large cities.



New Mexico Key Findings

Average percent of Gross Domestic Product (GDP) for each county type in the state:

- Capital: 4.3%
- Metropolitan: 1.8%
- Micropolitan: 2.7%
- Rural: 3.5%

Total average percent of GDP in the state: 2.1%

Average percent of Total Personal Income (TPI) for each county type in the state:

- Capital: 2.9%
- Metropolitan: 2.0%
- Micropolitan: 2.7%
- Rural: 3.4%

Total average percent of TPI in the state: 2.2%

NM Pension Dollars as Percent of GDP

Figure A31. New Mexico County Type

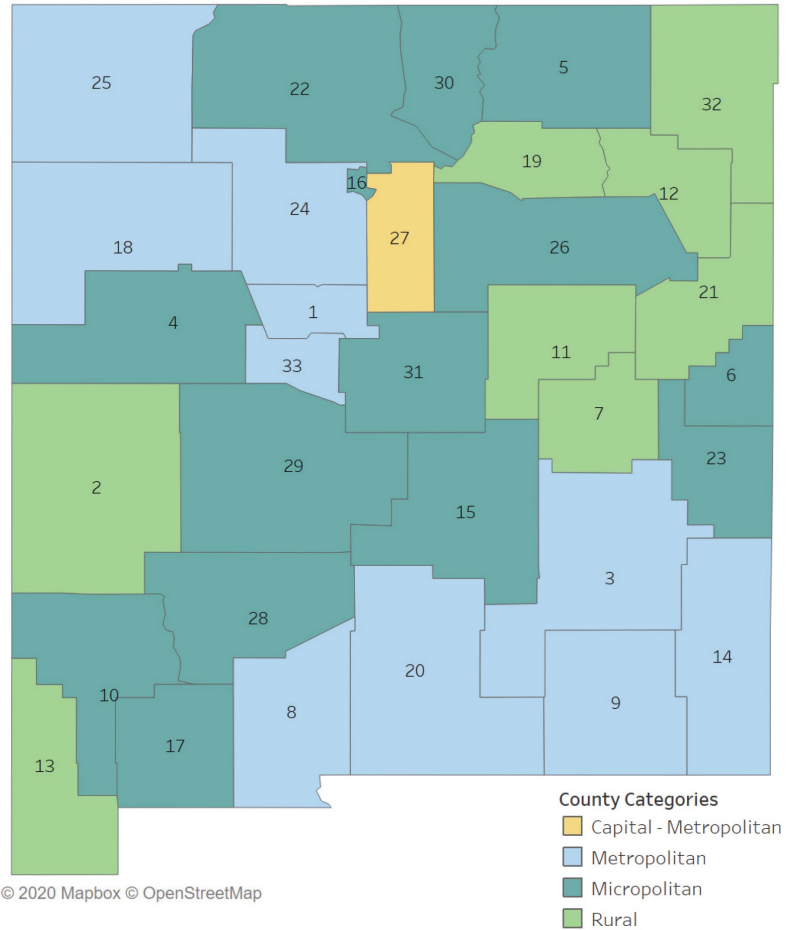
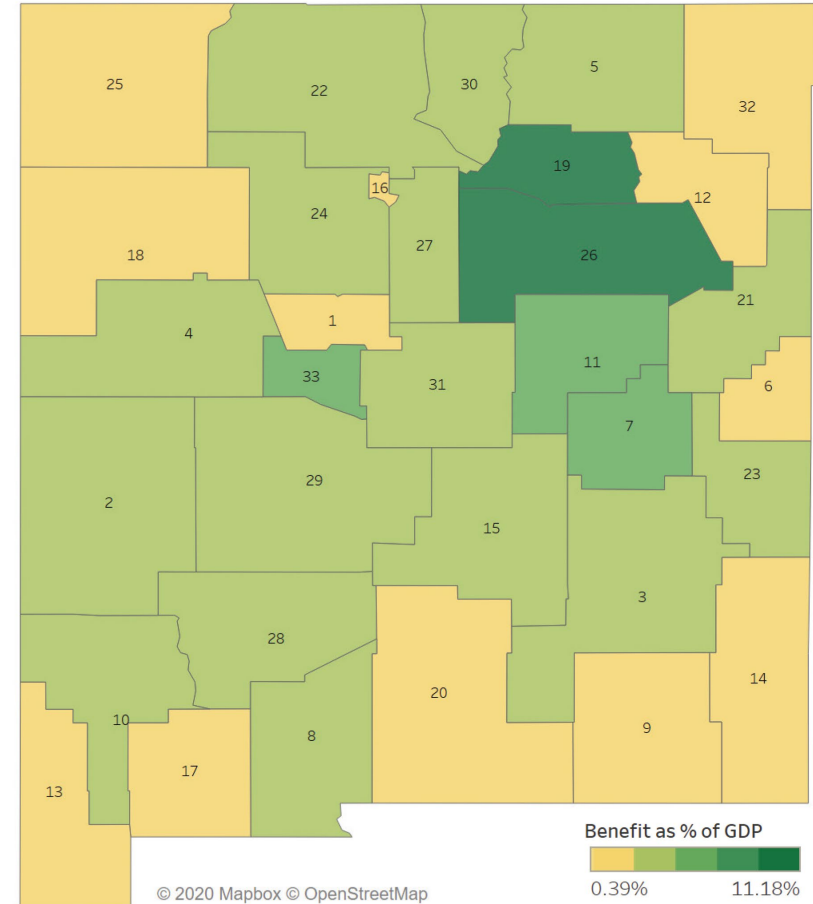


Figure A32. New Mexico Pension Benefit Dollars as Share of County GDP



NM Pension Dollars as Percent of TPI

Figure A31. New Mexico County Type

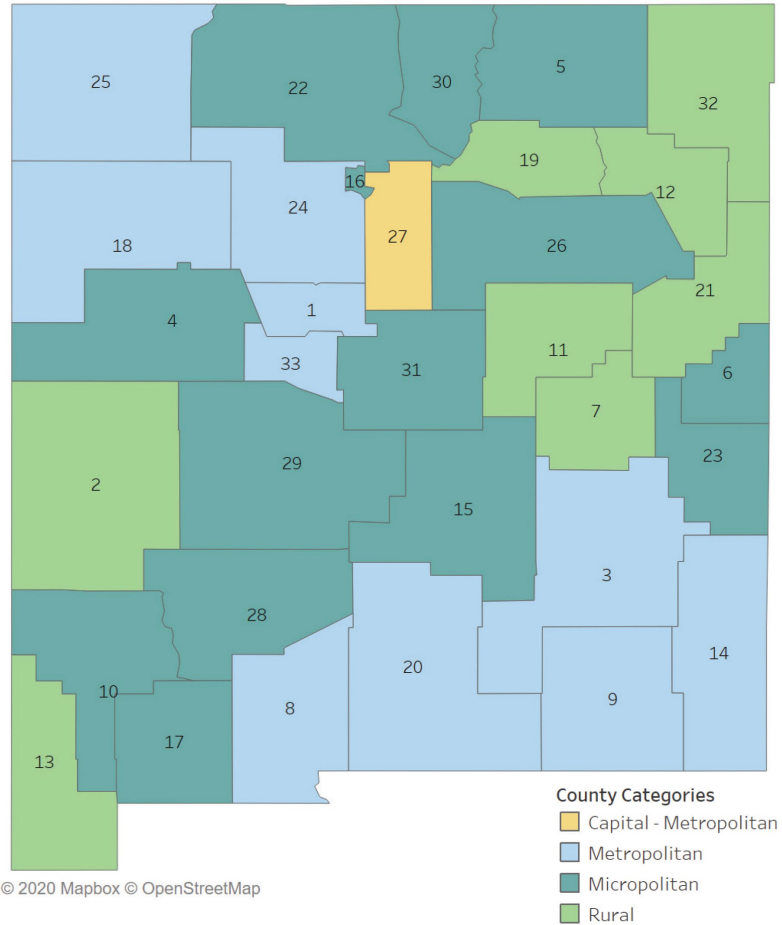
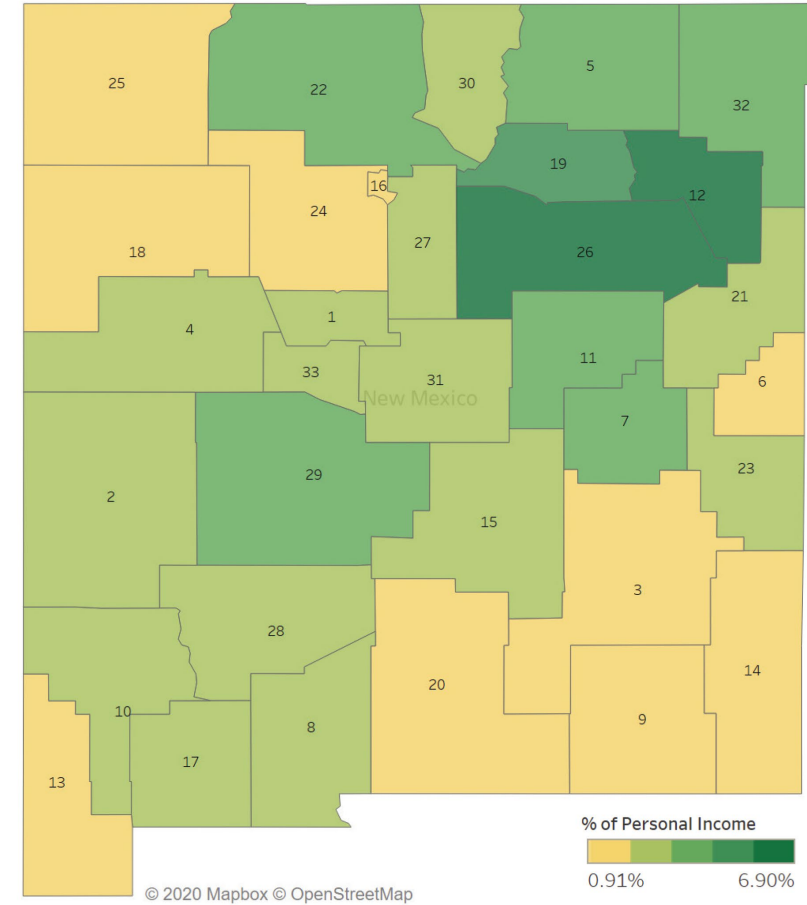


Figure A33. New Mexico Pension Benefit Dollars as Share of County Total Personal Income



The Impact of Pension Dollars Varies Among Different Counties

In San Miguel County, pension benefit dollars represented nearly seven percent of total personal income and more than eleven percent of GDP.

The county touts itself as a place to retire:

Roosevelt in 1898. San Miguel County is one of the most beautiful counties in New Mexico ranging from mountains to meadows. It has two colleges and boasts tourism and retirement as a major contributor to the economic value.

In Los Alamos County, pension benefit dollars represented less than one percent of total personal income and less than one percent of GDP.

High incomes from employees at Los Alamos National Laboratory suppress the impact of pension benefit dollars in the county.

Pensionomics 2021

- NIRS updates every two years its *Pensionomics* analysis that measures the economic “ripple effect” of payments from defined benefit (DB) pension plans.
- Retirees with a reliable pension can maintain spending throughout their retirement years, regardless of economic ups and downs, acting as an economic stabilizer.
- This report quantifies the economic impact of pension spending on the U.S. economy that will be constrained as the population ages.

PENSIONOMICS 2021

MEASURING THE
ECONOMIC IMPACT OF DB
PENSION EXPENDITURES

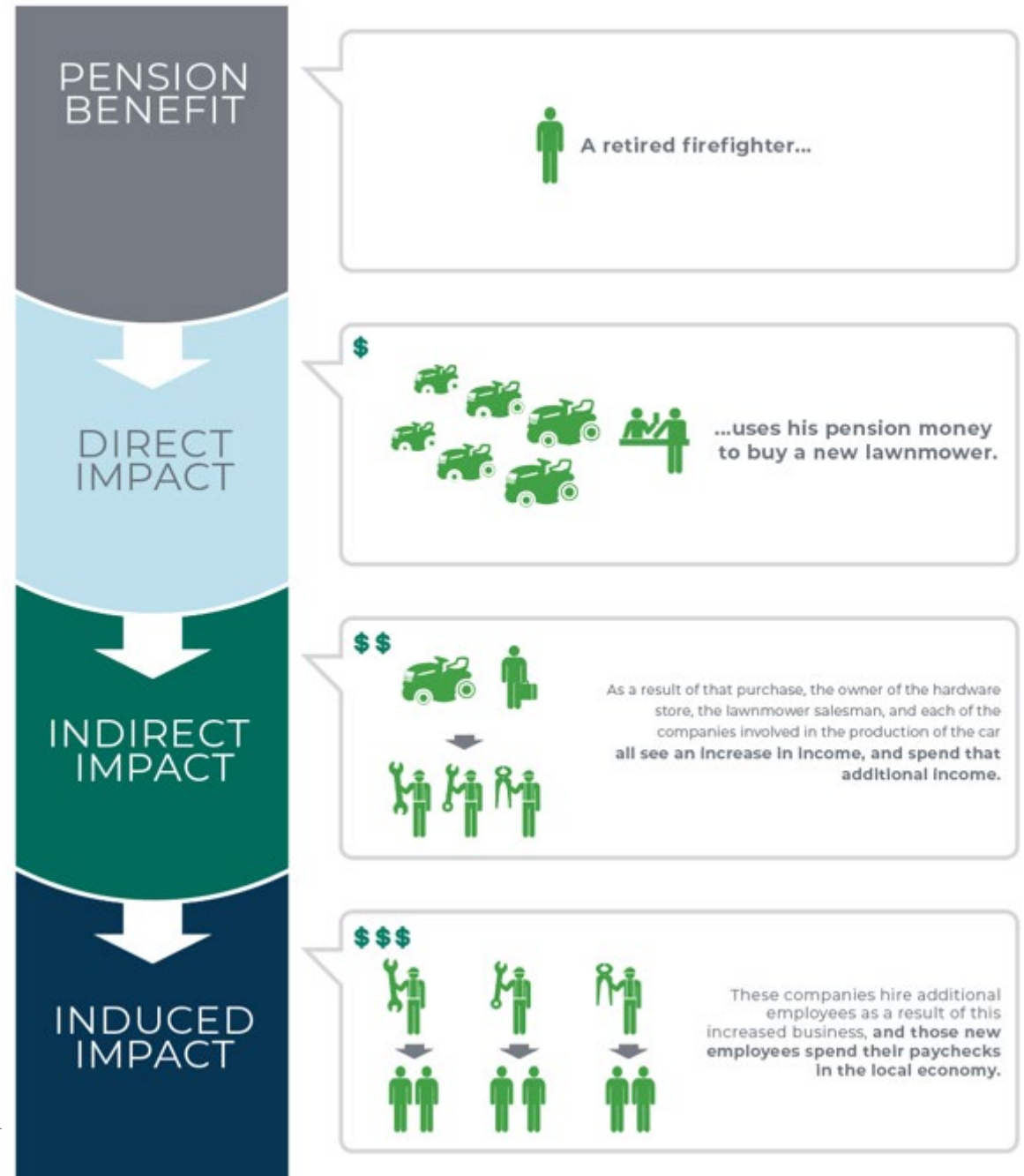


By Ilana Bolvie

January 2021

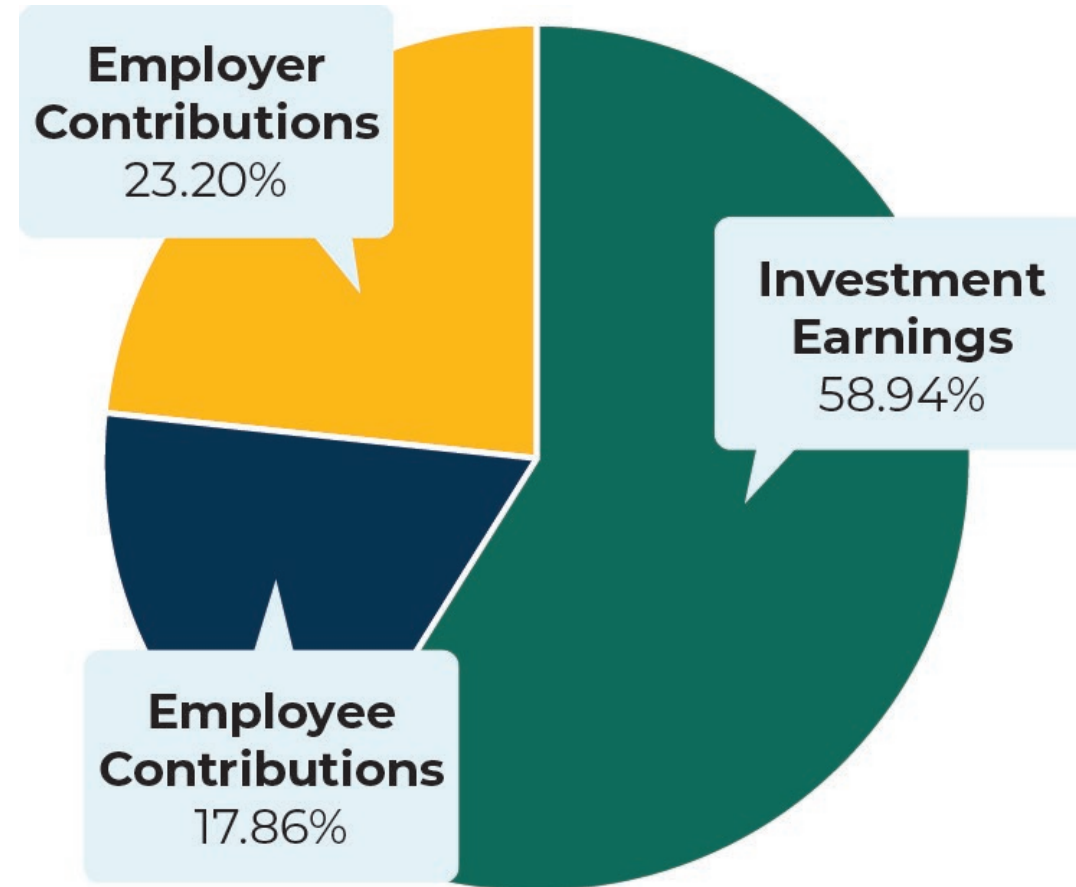
The Multiplier Effect:

How spending ripples through the economy, supporting jobs and incomes in the process



The Spending of Pension Benefits Has a Real Economic Impact in New Mexico

- In 2018, 98,985 residents of New Mexico received a total of \$2.5 billion in pension benefits from state and local pension plans.
- The average pension benefit received was \$2,107 per month or \$25,283 per year.
- Spending from pensions supported 18,236 jobs that paid \$776.1 million in wages and salaries in New Mexico.
- Spending from pensions generated \$2.8 billion in total economic output in New Mexico.



Data from 1993 - 2018

Pension Benefits Deliver a Positive Return on Investment for New Mexico

Taxpayer Contribution Factor*



\$1.00

contributed by taxpayers to New Mexico pensions over 30 years



\$4.82
total output

Each \$1 in taxpayer contributions to New Mexico's state and local pension plans supported \$4.82 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 New Mexico



\$1.12
total output

Each \$1 in state and local pension benefits paid to New Mexico residents ultimately supported \$1.12 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.

CONNECT WITH US

Tyler Bond, Research Manager

tyler@nirsonline.org

Office: 202-457-8190

 www.nirsonline.org

 [@NIRSONline](https://twitter.com/NIRSONline)

 [/NIRSResearch](https://www.facebook.com/NIRSResearch)

