

# 2014 Economic Impact Study



*Locally funded, financially sound.*



# How IMRF helps Illinois

IMRF benefit payments have positive economic effects throughout the state. The pension payments that retirees spend go on to support their local communities.

IMRF serves approximately 3,000 units of local government and about 400,000 active, inactive, and retired municipal employees. IMRF members provide vital community services including educational support, road maintenance, and public safety.

But the economic impact of IMRF reaches far beyond just those municipal workers who are earning or have earned retirement benefits in the system. After all, IMRF retirees are also consumers and taxpayers.

In 2014, IMRF paid \$1.37 billion to retirees in Illinois. Those benefit payments ripple through the economy as retirees spend those payments in their local communities, creating income for other households, firms, and even various levels of government.

The income received by these households, firms, and governments is, in turn, spent, thus creating additional income effects for other households and firms. Each successive “round” of spending creates additional economic impacts which can be estimated.

This study measures the economic “footprint” of pension benefits paid by IMRF in the state’s economy. Using an input-output model, it analyzes how pension payments made by IMRF to retirees ripple throughout the state.

Statewide, in 2014 IMRF pension payments supported the generation of approximately:

- \$2.01 billion in total economic output
- 14,444 jobs created
- \$553.4 million in additional earnings
- \$1.18 billion added to the Illinois GDP

# IMRF pension payments:

Positively impacting every county in Illinois

The secure income provided to IMRF retirees is recycled in local economies as a stable source of revenue for local businesses and various levels of government.

In 2014, IMRF paid \$1.37 billion to retirees in Illinois. Statewide, IMRF pension benefits supported over 14,444 jobs and over \$553.4 million in additional salaries in 2014. These pension benefits further supported the generation of approximately \$2.01 billion in total output.

Public pension plans like IMRF must be recognized for the important role they play in the state's financial health. Retired workers avoid becoming dependent on public assistance, and as those retired workers spend their benefit payments in their local communities, those payments ripple through the economy creating income for other households, firms, and even various levels of government.

## Quick Facts:

 **85%**  
**OF IMRF RETIREES  
LIVE IN ILLINOIS**

 **\$1.37  
BILLION**  
**OF PENSION IS PAID  
TO RETIREES IN 2014**

 **RETIREES  
SPEND MONEY**  
**GENERATING JOBS AND INCOME**

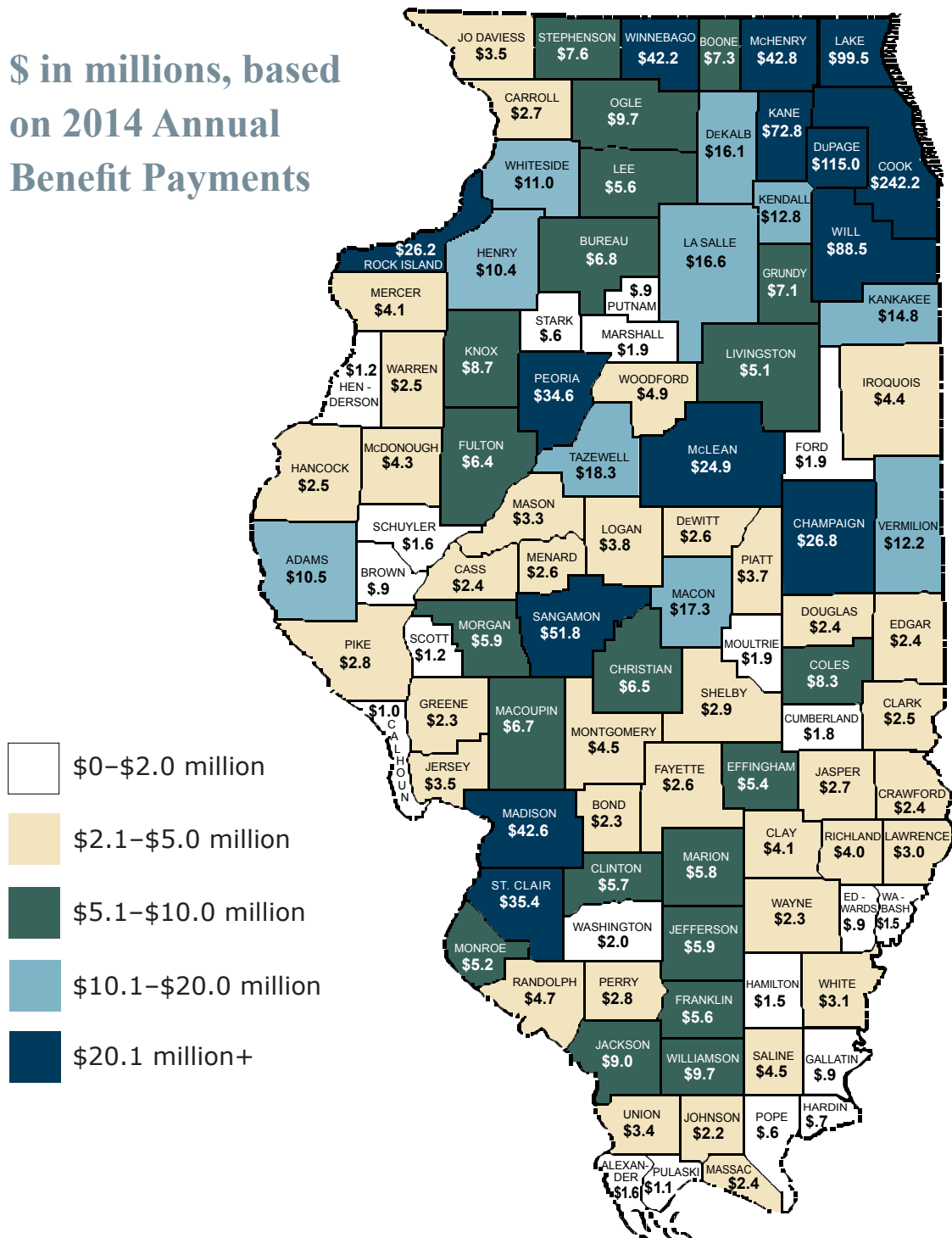
 **\$2.01 BILLION**  
**IN TOTAL ECONOMIC OUTPUT**

 **14,444**  
**JOBS CREATED**

 **\$553.4 MILLION**  
**IN ADDITIONAL EARNINGS**

 **\$1.18 BILLION**  
**ADDED TO ILLINOIS GDP**

**\$ in millions, based  
on 2014 Annual  
Benefit Payments**



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# The Multiplier Effect

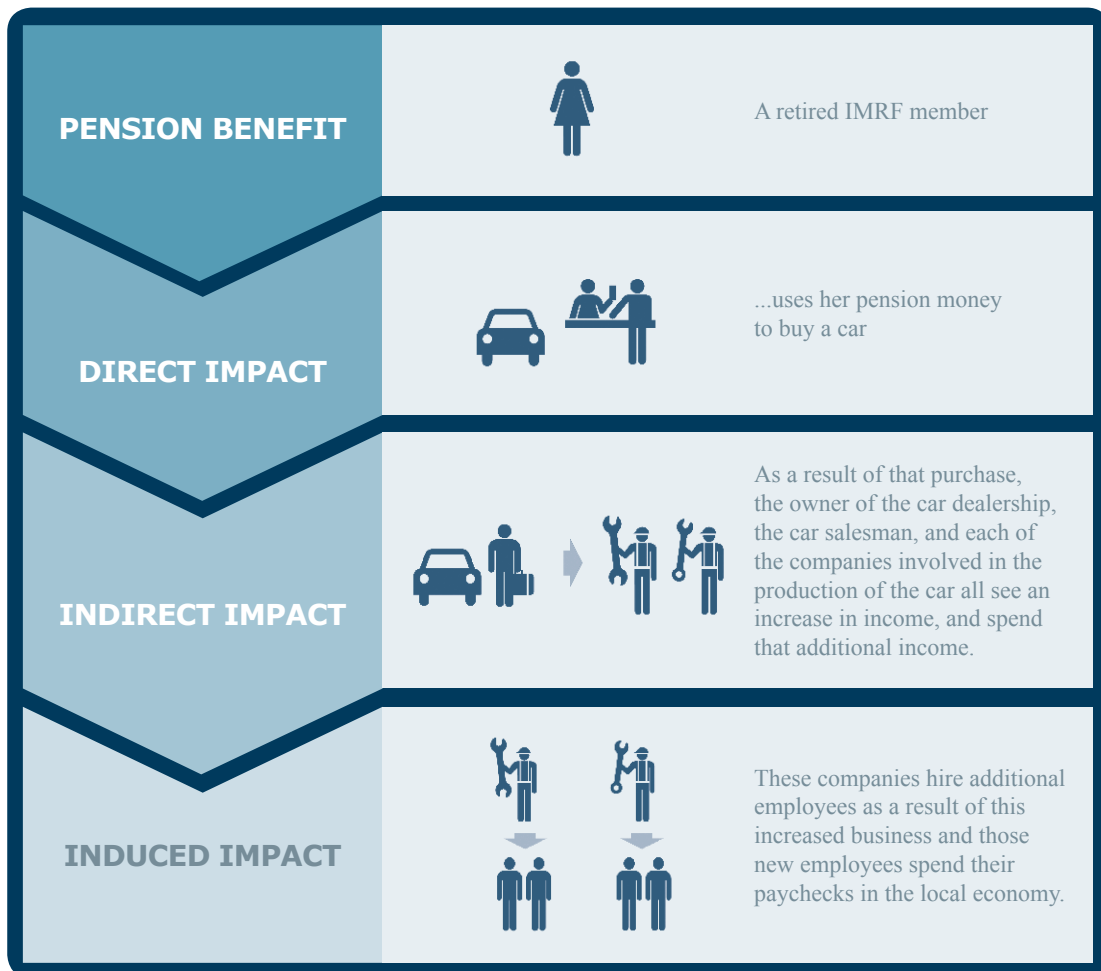
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How Spending Ripples Through the Economy,  
Supporting Jobs and Incomes in the Process

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from the National Institute on Retirement Security Study: *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans*

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# Economic Impact

Using economic multipliers, this report measures the direct and indirect effects that payments made to IMRF benefit recipients have on the Illinois economy.

Multipliers used in this report come from the Bureau of Economic Analysis, U.S. Department of Commerce.

- Region: Illinois
- Industry: Households

It is important to remember that such benefit payments have a “ripple” effect throughout the Illinois economy. The Illinois economy benefits when IMRF retirees spend their pension dollars on goods and services.

The IMRF data used in this study:

- 2014 benefits paid to 105,918 benefit recipients residing in Illinois (85% of all benefit recipients)
- Annual benefits of \$1.37 billion paid to Illinois residents (87% of total benefits paid)

## Economic Impact Study

(\$ in millions, based on 2014 monthly benefits)

Measurement	Impact on Illinois economy
Total output (total economic activity)	\$2.01 billion
Jobs created	14,444
Additional earnings (due to jobs created)	\$553.4 million
Value added (effect on Illinois GDP)	\$1.18 billion



**Total output:**  
**\$2.01 Billion**

The definition of “economic activity” includes:

- IMRF benefit payments
- All additional economic activity in Illinois generated by those payments

Total output is based on IMRF benefit payments, times the U.S. Bureau of Economic Analysis Total Output Multiplier of 1.4628.

IMRF’s total output exceeds the value of coal mined in Illinois (almost \$1 billion).

(Source: Illinois Department of Commerce and Economic Opportunity)



**Jobs created:**  
**14,444**

The definition of “jobs created” means additional Illinois jobs that are due to IMRF benefit payments.

The “jobs created” figure is based on IMRF benefit payments in millions of dollars times the U.S. Bureau of Economic Analysis Jobs Multiplier of 10.5272.

The number of jobs created is greater than the number of persons employed by:

- McDonalds: 9,000 (in IL)
- Allstate Insurance Company: 10,000 (in IL)

(Source: Illinois Department of Employment Security, Dun & Bradstreet)



**Earnings:**  
**\$553.4 Million**

The definition of “earnings” includes additional salaries earned by persons employed in Illinois jobs that are due to IMRF benefit payments.

Earnings are also based on IMRF benefit payments, times the U.S. Bureau of Economic Analysis Earnings Multiplier of 0.4033.

The average annual salary for new jobs equals \$34,865 (full-time).



**Value added:**  
**\$1.18 Billion**

The definition of “value added” equals the amount added to the Illinois Gross Domestic Product (total value of new goods and services produced within Illinois borders) which is due to IMRF benefit payments.

The “value added” amount is based on IMRF benefit payments times the Value Added Multiplier of 0.8611.

**Oak Brook Office**

2211 York Road  
Suite 500  
Oak Brook, IL 60523-2337

**Springfield Regional  
Counseling Center**

3000 Professional Drive  
Suite 101  
Springfield, IL 62703

**1-800-ASK-IMRF (1-800-275-4673)**

[www.imrf.org](http://www.imrf.org)

