

FOR IMMEDIATE RELEASE
December 9, 2022

LACERA Pension Spending Boosts L.A. County Economy by More Than \$2 Billion

Defined Benefit Plans Result in Retirement Security and Substantial Local Economic Activity

Pasadena, Calif.—The Los Angeles County Employee Retirement Association ([LACERA](#)) provides pension benefits to 73,385 pensioners nationwide, with more than 60,000 residing in California and more than 42,000 residing in Los Angeles County. The benefits those pensioners receive ripple throughout the economy, affecting various industries and job sectors. In 2021, these pensioners generated a total economic output of \$2.7 billion and supported thousands of jobs in Los Angeles County, according to a report just released by [Beacon Economics](#) titled “[Economic, Fiscal and Social Impacts of LACERA Pensioners](#).”

With retirement security becoming a pressing national issue, the report that LACERA commissioned found that defined benefit plans, such as those offered by LACERA, are more efficient, secure, and provide more value than defined contribution plans like 401(k)s in delivering sustainable retirement benefits. The pooled assets of a defined benefit plan offer superior financial protection compared to defined contribution plans, as they remove longevity risk, offer inflation protection, and provide death benefits while delivering a secure and steady income to the beneficiaries. The United States Census Bureau found that the nation’s rapidly aging population has seen a 31 percent increase in those aged 65 and older from 2011 to 2021.

Other key findings from the report include the following:

Most LACERA Pensioners Live in Los Angeles County

A consistent, steady income stream not only benefits pensioners but also positively impacts the communities in which pensioners reside. Beacon Economics’ report noted that roughly 42,300 LACERA pensioners reside in [Los Angeles County](#), with most pensioners residing in District 5 (25 percent), followed by District 4 (21.8 percent), District 1 (21.6 percent) and District 2 (21.0 percent). The pension benefits paid to these pensioners in 2021 was more than \$2.3 billion.

LACERA Pensioners’ Steady Income Resulted in Increased Economic Activity in Los Angeles County

The pension benefits resulted in multiple levels of positive economic activity, from direct impacts through the pensioners spending their money to indirect impacts, induced impacts, and societal impacts. For example, a pensioner spending money at a

restaurant (direct impact) would cause the restaurant to restock supplies (indirect impact) and a restaurant employee to use their paycheck to buy groceries (induced impact). Further, the pensioner receives a steady and guaranteed income, allowing them to continue to spend and providing a steady income stream in the community even during economic downturns (societal impact).

Impacts By Sector: Top 4

The Beacon Economics report quantified the direct economic impact of LACERA pensioner spending in Los Angeles County across multiple categories, finding that it generated more than \$1.2 billion in direct economic activity. The report showed that housing and real estate spending accounted for \$713.3 million; finance, banking, and insurance contributed \$316.8 million; retail added \$10.9 million; and leisure and hospitality generated \$96.1 million.

The secondary impact of the LACERA pensioner spending in Los Angeles County is also substantial. The Beacon Economics report found that \$487.3 million, or more than 59 percent of total secondary economic output, was generated from LACERA pensioner spending in four sector categories. These categories include the housing and real estate sector, which registered \$86.3 million in total secondary impact output; finance, banking, and insurance, \$357.9 million in secondary impact; retail, \$12.5 million in secondary impact output; and leisure and hospitality, \$20.7 million in secondary impact output.

LACERA Pensioner Spending Had a Positive Effect Statewide

On a statewide basis, the pensioners residing in Los Angeles County generated substantial economic activity. In total, more than \$2.9 billion in economic activity was produced statewide because of pension benefits provided by LACERA to those retirees. This activity included more than 24,000 jobs and over \$900 million in labor income.

\$339.7 Million in Tax Revenue Generated

On the fiscal front, LACERA pensioners accounted for \$154.3 million in state and local taxes and an additional \$185.3 million in federal taxes. In Los Angeles County, the fiscal impact of the state and local taxes was spread across all five supervisorial districts, with each district showing a fiscal impact of at least \$23 million. Whether in property taxes, sales tax, or income tax, these fiscal payments support the local schools, parks, roads, public safety, and other services that enrich the Los Angeles County community.

Positive Social Impact

The social impacts of LACERA pensioner spending are widespread. As noted above, the consistent fixed monthly income helps to boost local economies during economic downturns by stimulating economic growth and providing secondary impacts that support jobs. In addition, that income allows retirees to volunteer in the community

rather than seeking employment to pay their bills. In the United States, it is estimated that those over 65 volunteer 94 hours per year in their communities.

A Positive, Ongoing Impact for LACERA Pensioners and Their Community

Beacon Economics' findings clearly illustrate how the economic, fiscal, and social impacts of LACERA pensioners in Los Angeles County and statewide have benefitted taxpayers, employees, and employers. The report quantifiably demonstrates that LACERA pension spending has resulted in billions of dollars in economic activity and generated substantial employment. LACERA has provided lifetime financial security for tens of thousands of members, allowed those members to impact their local communities positively, and provided the assurance needed for that activity to continue regardless of the current economic climate.

A link to Beacon Economics' December 9th presentation to LACERA's Board trustees can be [found here](#).

About LACERA

[LACERA](#) is a public retirement plan created and operating under the County Employees Retirement Law of 1937 (CERL) and is subject to the California Constitution, CERL, and the Public Employees' Pensions Reform Act of 2013 (PEPRA). Two boards govern LACERA. Both boards are composed of elected and appointed members and one ex-officio member. The [Board of Retirement](#) is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program. The [Board of Investments](#) is responsible for establishing LACERA's investment policies, strategies, and objectives, as well as exercising authority and control over the fund's investment management and actuarial matters relating to setting contributions and estimating fund liabilities.

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