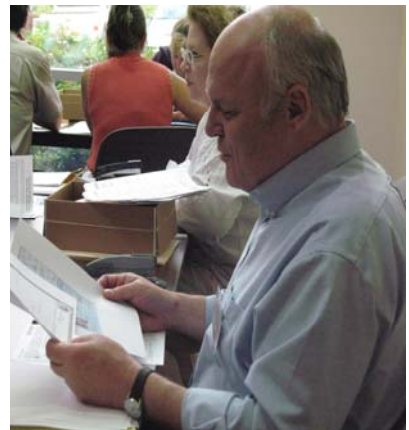


# **Economic Impact Study Oregon Public Employees Retirement System (PERS)**

**January 2009**



Oregon PERS covers approximately 95 percent of public workers in Oregon including all state and school district employees and most local government employees.

## ECONOMIC BENEFITS OF PERS

**PERS benefit payments have a significant, positive impact on Oregon's economy.**

**\$2.4 billion in annual benefit payments to PERS retirees living in Oregon provides \$3.2 billion in total value to Oregon's economy.**

**PERS benefit payments support an estimated 30,000 Oregon jobs.**

**Of the jobs supported, PERS benefit payments add approximately \$885 million\*\* in wages to Oregon's economy.**

**The state of Oregon collects an estimated \$105 million annually in taxes from PERS retiree benefit payments.**

### Purpose of Study

Oregon PERS paid nearly \$2.4 billion\* in benefits to PERS retirees living in Oregon in 2007.

Funding for these benefits came mostly from investment earnings on contributions previously paid by members and public employers. These retirees spent a significant portion of this money on goods and services in Oregon, which helped support local businesses. These businesses then purchased goods, in part, from other local vendors adding to the Oregon workforce and economy.

This study quantifies the total effect of these benefit payments on Oregon's economy based on the following measures:

- Economic value of PERS benefits to Oregon,
- Jobs created and related wages, and
- Tax receipts.

### Study Findings

PERS benefits paid to Oregon retirees have a significant impact on Oregon's economy. The \$2.4 billion in annual benefit payments multiply to \$3.2 billion in economic value to Oregon when the full financial impact of these dollars spent in local communities is considered.

These benefit payments sustain an estimated 30,000 Oregon jobs, and add approximately \$885 million\*\* in wages to Oregon's economy.

Additionally, the state of Oregon collected an estimated \$105 million in income taxes on PERS retiree benefits during 2007.

Investment income has provided 73 percent of total pension revenues since 1970. Member contributions equaled 7 percent, with employer contributions providing 20 percent of pension revenues over the past 38 years.

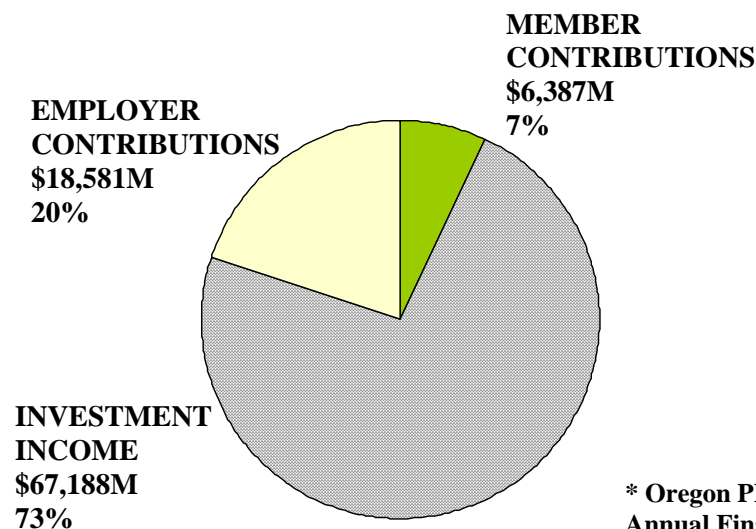
\* Additional benefit payments of \$46 million from the Individual Account Program (IAP) were not used in this study.

\*\* The \$885 million in wages is included as a component of the \$3.2 billion in economic activity.

### **Summary of Findings for 2007**

- PERS benefits paid to Oregonians: \$2,385 million
- Total increase in Oregon economic output: \$3,203 million
- Oregon jobs supported: 30,557
- Wages of Oregon jobs supported: \$885 million
- Taxes paid by PERS retirees in Oregon: \$105 million
- Benefit funding sources (since 1970)
  - Investment income: 73 percent
  - Member contributions: 7 percent
  - Employer (taxpayer) contributions: 20 percent

### **Oregon PERS Revenue by Source (1970-2007)\***



\* Oregon PERS Comprehensive Annual Financial Reports

## 2007 Benefit Payments by Oregon County

County	Benefit Recipients	2007 Benefit Payments	Average 2007 Payment	% of Total*
Baker	739	\$13,212,450	\$17,879	0.55%
Benton	3,454	\$94,531,640	\$27,369	3.96%
Clackamas	10,119	\$247,557,686	\$24,465	10.38%
Clatsop	1,184	\$25,720,441	\$21,723	1.08%
Columbia	1,647	\$39,053,170	\$23,712	1.64%
Coos	2,222	\$45,839,817	\$20,630	1.92%
Crook	694	\$15,285,732	\$22,026	0.64%
Curry	544	\$9,719,753	\$17,867	0.41%
Deschutes	4,118	\$95,846,628	\$23,275	4.02%
Douglas	3,165	\$64,427,236	\$20,356	2.70%
Gilliam	80	\$1,332,639	\$16,658	0.06%
Grant	312	\$6,874,035	\$22,032	0.29%
Harney	302	\$5,444,069	\$18,027	0.23%
Hood River	528	\$11,902,766	\$22,543	0.50%
Jackson	4,386	\$99,436,440	\$22,671	4.17%
Jefferson	466	\$9,748,055	\$20,919	0.41%
Josephine	1,762	\$33,911,439	\$19,246	1.42%
Klamath	1,629	\$31,303,734	\$19,217	1.31%
Lake	268	\$4,582,623	\$17,099	0.19%
Lane	10,854	\$263,254,249	\$24,254	11.04%
Lincoln	1,537	\$31,708,767	\$20,630	1.33%
Linn	3,800	\$77,421,070	\$20,374	3.25%
Malheur	833	\$16,916,133	\$20,307	0.71%
Marion	15,177	\$357,806,402	\$23,576	15.00%
Morrow	224	\$4,895,116	\$21,853	0.21%
Multnomah	14,354	\$343,583,437	\$23,936	14.41%
Polk	1,971	\$44,461,168	\$22,558	1.86%
Sherman	65	\$1,003,838	\$15,444	0.04%
Tillamook	954	\$22,949,074	\$24,056	0.96%
Umatilla	2,130	\$44,425,808	\$20,857	1.86%
Union	900	\$19,765,184	\$21,961	0.83%
Wallowa	317	\$7,329,831	\$23,122	0.31%
Wasco	833	\$16,858,910	\$20,239	0.71%
Washington	9,435	\$227,242,181	\$24,085	9.53%
Wheeler	71	\$1,226,440	\$17,274	0.05%
Yamhill	2,234	\$48,567,718	\$21,740	2.04%
<b>Total</b>	<b>103,308</b>	<b>\$2,385,145,681</b>	<b>\$23,088</b>	<b>100.00%</b>

\*Percent of total 2007 benefits paid per county.

## Methods

- This study is based upon economic multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). The multipliers come from BEA's Regional Input-Output Modeling System.
  - Region: Oregon
  - Industry: Households
- The BEA's multipliers are designed so they can be multiplied by the annual benefit payments made to PERS retirees living in the state of Oregon. The values for total change in economic output, jobs supported, and related wages is based upon each county's proportion of benefit payments to the total.

The Oregon Department of Revenue provided the average tax rate paid on retiree benefits for the most recent year available (2005).

Pension revenues were summarized from Oregon PERS' audited annual financial statements.

## Calculation Detail

Multiplier	Impact on Oregon's Economy
<b>Total output</b> Measure of the overall estimated increase in economic activity resulting from PERS benefit payments. - Multiplier: 1.3429 per benefit dollar	Total benefit payments x total output multiplier $\$2,385,180,485 \times 1.3429 = \mathbf{\$3,203,058,873}$
<b>Jobs Supported</b> Estimated number of Oregon jobs supported by PERS benefit payments. - Multiplier: 12.8121 jobs per \$1 million in benefit payments	(Total benefit payments /1 million) x jobs created multiplier $\$2,385,180,485 / 1,000,000 \sim 2,385$ $2,385 \times 12.8121 = \mathbf{30,557 \text{ jobs}}$
<b>Supported Job Wages</b> Estimated wages earned by workers in jobs supported by PERS benefit payments. - Multiplier: 0.3712 per benefit dollar	Total benefit payments x additional earnings multiplier $\$2,385,180,485 \times 0.3712 = \mathbf{\$885,378,996}$
<b>Oregon taxes paid</b> Oregon income tax revenue from PERS benefits paid to state residents. Average rate: 0.044 (4.40 percent) per benefit dollar	Total benefit payments x percent of average retirement benefit income tax rate $\$2,385,180,485 \times 0.044 = \mathbf{\$104,947,941}$

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