

## Retirement Board

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## **FREQUENTLY ASKED QUESTIONS: *The Economic Impact of Nevada PERS***

### ***Why was this economic impact study commissioned?***

*The Economic Impact of Nevada PERS* was commissioned to analyze how pension payments made by the retirement system impact the state economy. For the first time, we can quantify the economic impact of Nevada PERS and how it touches each county and industry in the state.

### ***What are the economic impacts of the Nevada Public Employee Retirement System?***

*The Economic Impact of Nevada PERS* finds that the retirement system does more than provide fiscally responsible retirement benefits to some 220,000 Nevada workers and retirees. The pension payments create an economic “multiplier effect” that stimulates Nevada’s economy and supports job creation. More specifically, the report finds that:

- More than **5,700 jobs statewide** can be attributed to Nevada PERS.
- Nevada PERS retirement checks supported more than **\$1 billion in total economic output** in the state.
- Payments made to Nevada PERS retirees supported more than **\$196 million in federal, state, and local tax revenue**.
- Each dollar in taxpayer contributions to Nevada PERS supported **\$6.21 in total economic output** in Nevada.
- Each dollar paid out in pension benefits to Nevada PERS retirees residing in the state supports **\$1.28 in total economic output** in Nevada.
- Expenditures from Nevada PERS pension payments supported more than **\$390 million in income for state residents** other than PERS retirees.

### ***How does Nevada PERS support job creation and stimulate the economy?***

Each month, Nevada PERS sends benefit payments to retirees. These Nevadans spend their retirement income across the state – to buy everything from food to clothing to cars to medicine. This purchase of goods and services from Nevada businesses by retirees ripples through the economy to support economic growth and job creation.

For example, a Nevada restaurant will experience an increase in their revenue and income when a retiree buys a meal. The restaurant then can spend this income on supplies and hire more employees. These suppliers and employees receive additional income to purchase more goods and services in the community, creating yet another cycle of economic activity. Each successive “round” of spending creates additional economic impacts, or what is known as a “multiplier effect.”

This economic and job stimulus is particularly important today as Nevada and the nation face a severe economic downturn. Nevada’s retired public servants know they have a stable monthly income and

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therefore can continue spending on basic needs during these tough times. In the end, this benefits all Nevadans in both good and bad times.

### *Are there particular regions of the state that realized the most job support from PERS?*

The report finds that every county was touched by Nevada PERS. Of the **5,721 jobs** supported by Nevada PERS, **2,845 were in Clark County**. This is not surprising given that this county is home to Las Vegas and has the largest economy of the 17 counties in the state. **Washoe County** had the second largest employment impact with **1,341 jobs**. Third in line was **Carson City County**, with **449 positions**. More details are available on page three of the report.

### *Were there particular industries that realized the most job support from PERS?*

Virtually every industry in the state benefited from the job support provided by PERS. **Retail Trade** had the largest employment impact with **1,264 positions**. **Health Care and Social Assistance** also had a large employment impact with **913 jobs**, as did **Accommodation and Food Services** with **697 jobs**. More information is available on page four of the report.

### *What is the total economic stimulus or “output impact” created by PERS as described in the report?*

Total output refers to the value of all goods and services produced in the economy. Using the input-output model IMPLAN, the analysis calculates the value of total output supported by PERS pension payments across the state and for each county.

The model finds that the \$794.5 million of PERS benefits paid within the state last year supported more than **\$1.017 billion in overall economic output** for the Nevada economy. This is only slightly less than the total Gross State Product contributed by the nondurable goods manufacturing industry. See page seven of the report for more information.

### *What regions and industries realized the most economic stimulus, or “output impact”?*

Again, virtually every industry and county realized economic stimulus from Nevada PERS. **Clark County** again showed the highest output impact with a total stimulus of some **\$513 million**. This is more than was contributed by both the Educational Services and Agricultural, Forestry, Fishing and Hunting industries.

By industry, again **Retail Trade** and **Health Care and Social Assistance** showed the highest economic impact with **\$93.5 million** and **\$93.4 million**, respectively.

The **Finance and Insurance** industry also was supported greatly by PERS with **\$54.6 million** in total output attributable to Nevada PERS. More information is available on page eight of the report.

### *How was the study conducted?*

The analysis was conducted by the National Institute on Retirement Security using two data sources. First, Nevada PERS provided aggregated data on benefit payments and tax withholdings, as well as data on employer contributions, employee contributions, and investment earnings for the pension fund. The second source is IMPLAN, an input-output modeling software widely used by industry and government analysts to assess the economic impacts of local community development projects.

Initially developed by the U.S. Department of Agriculture in the 1970s, IMPLAN deploys a matrix to estimate the effect of events occurring in a single industry or institution on all other industries, consumers,

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government, and foreign suppliers. IMPLAN has been utilized to conduct economic impact studies for pension systems in other states.

### ***How does Nevada PERS finance these benefits that stimulate the economy.***

Nevada PERS is a pre-funded retirement system. This means that contributions to the plan are made to the pension fund during the entire course of an employee's career. These contributions are invested along with contributions from taxpayers.

This model of shared responsibility and advanced funding means that investment earnings and employees do much of the work in terms of financing the benefits – rather than Nevada taxpayers. In 2007, investments and employee contributions accounted for more than 80% of system revenues.

A pre-funded system can be contrasted to a pay-as-you-go system like Social Security. In pay-as-you-go, current contributions pay benefits of retirees.

### ***What is Nevada PERS?***

In 1947, the Nevada Public Employees Retirement System was created by the state legislature to ensure Nevada can recruit, retain, and retire a qualified workforce to provide essential taxpayer services – policing the streets, fighting fires, and educating children. The system is sound and serves more than 220,000 Nevada workers and retirees.

The retirement system is particularly important in Nevada because public workers are not eligible for Social Security. Importantly, the system is pre-funded and employees regularly contribute a portion of their wages to save for retirement. This model of shared responsibility and advanced funding means that investment earnings and employees do much of the work in terms of financing the benefits – rather than Nevada taxpayers.

### ***What is the taxpayer contribution to Nevada PERS?***

Taxpayers reap the benefits of a pre-funded, well-managed Nevada PERS. Professionals invest contributions made by employees and government employers across the state. Because PERS is pre-funded, investments and employee contributions provided more than 80% of system revenues in 2007. Taxpayers contributions represented only 20%.