Highlights of the Economic and Fiscal Impacts of Colorado PERA

Metro Denver Region

November 2011

This fact sheet provides highlights of research addressing the economic and fiscal impacts of Colorado PERA on the State of Colorado and the Metro Denver region. A number of additional analyses and more detailed explanation are in the report titled, *Economic and Fiscal Impacts of Colorado PERA* (November 2011), produced by Pacey & McNulty. Colorado PERA payments are a critical source of reliable, predictable income and provide an "automatic stabilizing effect" on state, regional, and local economies, especially in economic downturns.

This fact sheet provides highlights of the research for the Metro Denver region, which includes the following counties: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson.

When a household receives PERA benefit payments, it represents an infusion of income into the local economy that creates a chain of economic activities whose total impact is greater than the initial benefit payment. That is, these payments have substantial "ripple" or "multiplier" effects where one recipient's spending becomes someone else's income.

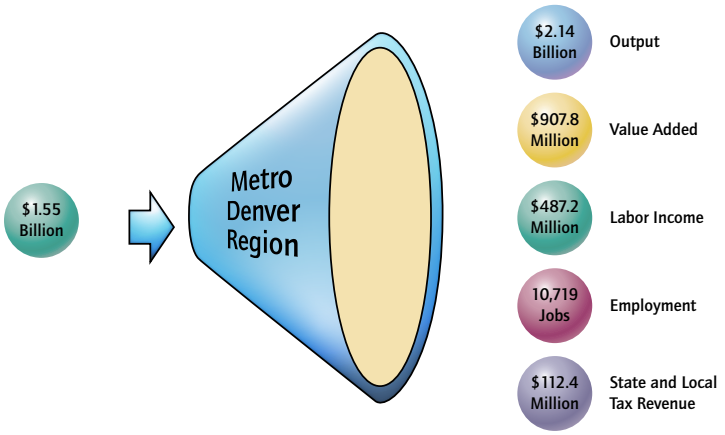
PERA Benefits

- PERA provides $3.16 billion in annual benefit payments to 91,412 PERA benefit recipients (including in-state/out-of-state) with $3.03 billion to Colorado residents and $1.5 billion to Metro Denver region residents.
- PERA recipients receive an average benefit payment of $2,905 per month while Metro Denver region recipients receive a slightly higher average benefit payment of $3,195 per month.
- Benefits are pre-funded by both employee and employer contributions while a member is working. Currently, there are 201,095 Coloradans actively contributing and over 450,000 people comprise PERA's total membership, touching directly over 9 percent of Colorado's citizens and many more indirectly. Over the past 25 years, 64 percent of every dollar within the PERA Trust Fund comes from investment returns, while 18 percent has come from employees and 18 percent from employers.

PERA Economic and Fiscal Impacts

- The Metro Denver region's annual PERA benefit payments of $1.55 billion results in $2.14 billion in total output, of which $907.8 million is value-added above the benefit payments, including $487.2 million in labor income, which helps sustain 10,719 jobs. In addition, the benefit payments help produce $112.4 million in state and local tax revenue. This multiplier effect is explained in more detail on the reverse side.

Total Economic Benefit to the Metro Denver Region



Colorado Public Employees' Retirement Association
1301 Pennsylvania Street • Denver, Colorado 80203 • 303-832-9550 • 1-800-759-PERA (7372) • www.copera.org

Perspective on the Magnitude of PERA Payments in the Metro Denver Region

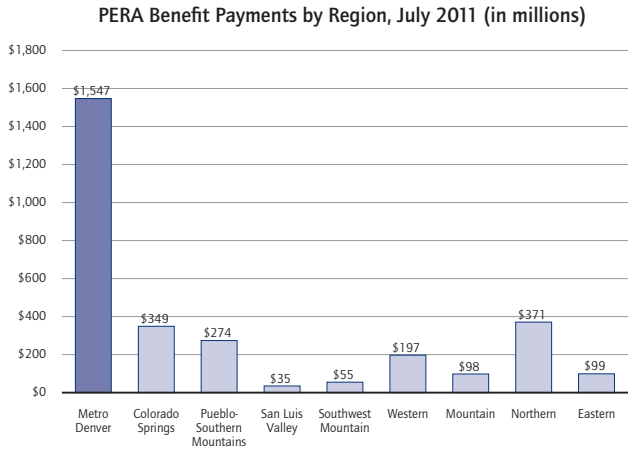
- PERA benefits paid to Colorado recipients amounted to $3.03 billion (annualized) as of July 2011, which represents 3.3 percent of Colorado's total payroll. The $1.5 billion paid to the 40,342 Metro Denver recipients represents 2.6 percent of the region's payroll.

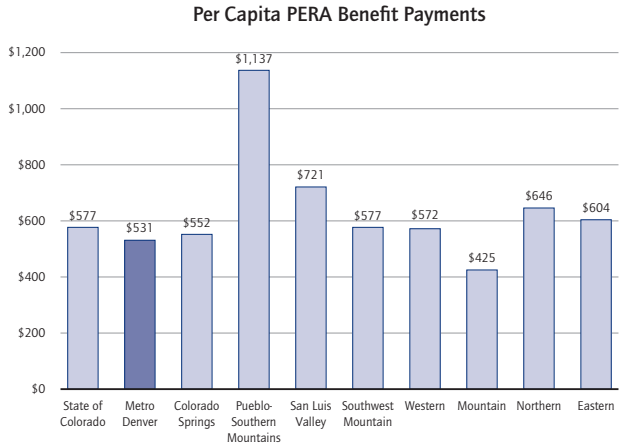
- The distribution of PERA benefits is illustrated in the "PERA Benefit Payments by Region" graph. Not surprisingly, total benefit payments are concentrated in the Metro Denver region.

- For perspective, benefits are shown on a per capita basis (measured by all persons in the region, not only PERA recipients) as shown in the "Per Capita PERA Benefit Payments" graph.

- In the Metro Denver region this amounts to $531 per year per person representing a substantial contribution to the regional economy. Particularly stimulating the retail trade, health care, finance and real estate industries.

- The per capita measure demonstrates that the PERA payments are generally as important to the Metro Denver region as others, with the exception of the Pueblo-Southern Mountain, Northern, and San Luis Valley regions where they are of even greater importance.





Measuring Economic and Fiscal Impacts

Key terms and commonly recognized measures when assessing the multiplier effect of any economic activity include output, value-added, labor income, and employment. Output and value-added are measures of economic impact that include all types of economic activity.

A classic example is presented to assist in understanding these measures:

- Farmer sells wheat to mill for $0.50 using supplies costing $0.25
- Mill makes flour and sells to bakery for $1.00
- Bakery makes bread and sells to customer for $1.75

Output

This broad measure includes the total sales or revenues generated by firms, government, and households, from initial stimulus (the PERA benefit payment) and subsequent expenditures.

Total Output = $0.50 + $1.00 + $1.75 = $3.25

Value-Added

A key economic performance measure that includes only "additions" in the economy, or newly created goods and services resulting from the PERA payment; not the sum of sales at each transaction, but rather, the component of sales that represents the additional production of goods and services; commonly referred to as Gross Domestic Product (GDP).

Value-Added = ($0.50 - $0.25) + ($1.00 - $0.50) + ($1.75 - $1.00) = $1.50

Labor Income

A component of Value-Added, Labor Income measures the portion of newly created value that is employee compensation and self-employment income required to produce or sell the additional goods and services.

Employment

Employment is the level of full-time and part-time jobs generated by the PERA payments; in other words, ongoing PERA payments support this level of jobs. The employment component of the economic impact on workers from a stimulus to the economy, such as the PERA benefit payments, is of particular interest and is measured by Labor Income (which measures worker impact in wages) and Employment (which measures worker impact in number of jobs).