



# South Dakota

**SOUTH DAKOTA IS A NATIONAL LEADER** when it comes to public sector pensions—it has one of the best-funded and most stable pension systems in the country. The state has done an excellent job of meeting its annual required contributions, the amount its own actuaries have identified as necessary to maintain a healthy system. South Dakota’s non-pension benefits are extremely modest. The state does not provide cash support for retiree health premiums, but only an “implicit subsidy” that comes from including retired and current employees in the same health plan.

## PENSIONS

TOTAL BILL COMING DUE: **\$5.9 billion**<sup>1</sup>

FUNDS SET ASIDE: **\$5.7 billion**

PORTION UNFUNDED: **\$200 million**

PERCENT FUNDED: **97 as of 2006**<sup>2</sup>

TEN YEAR FUNDING HIGH: **98% in 2004**

TEN YEAR FUNDING LOW: **95% in 1997**

HOW IS THE STATE DOING IN  
PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** South Dakota assumed a 7.75% rate of interest in its major state employee fund as of 2006, slightly below the 50-state median of 8%. The amortization period conforms to accounting standards.

<sup>1</sup> South Dakota Retirement System and South Dakota Cement Pension Trust Fund.

<sup>2</sup> 50-state mean was 82%.

## OTHER BENEFITS

TOTAL BILL COMING DUE: **\$127 million**<sup>1</sup>

FUNDS SET ASIDE: **\$0**

PORTION UNFUNDED: **\$127 million**<sup>2</sup>

PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN  
MANAGING THIS BILL? 

<sup>1</sup> For state employees.

<sup>2</sup> 10% of covered payroll, compared to a national median of 135%.

**REFORMS:** In 2006, South Dakota’s legislature created a “level payment option” for employees who retire early, before they are eligible for Social Security. This allows for a steady income that provides more state money in the early years and less once Social Security kicks in. The legislature also established reasons for the state to terminate disability pensions—for example, if the person returns to employment in a similar position as the one prior to the disability. In previous years, the legislature has acted to limit employees’ ability to inflate final salaries used in benefit calculations and to improve financial reporting about the retirement system.

KEY:  Top Performer

 Needs Improvement

 Below Par

 Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states’ retiree benefit obligations by Pew’s Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



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