

SOUTH DAKOTA

Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of South Dakota.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

In 2018, expenditures stemming from state and local pensions supported...

- 6,393 jobs that paid \$312.6 million in wages and salaries
- \$1.1 billion in total economic output
- \$125.8 million in federal, state, and local tax revenues

... in the state of South Dakota.

Each dollar paid out in pension benefits supported \$1.51 in total economic activity in South Dakota.

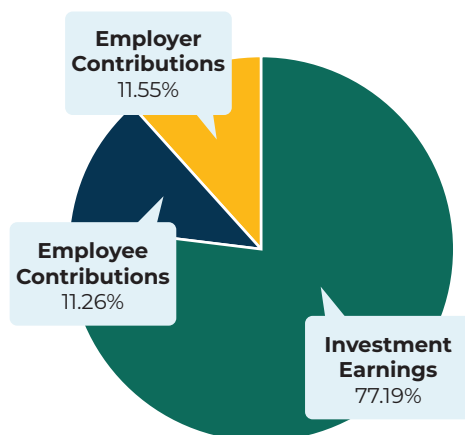
Each dollar "invested" by South Dakota taxpayers in these pension plans supported \$13.11 in total economic activity in the state.

Pensionomics 2021:

Measuring the Economic Impact of DB Pension Expenditures

Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to South Dakota communities and the state economy. In 2018, 32,893 residents of South Dakota received a total of \$709.0 million in pension benefits from state and local pension plans.



The average pension benefit received was \$1,796 per month or \$21,556 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2018, 11.55% of South Dakota's pension fund receipts came from employer contributions, 11.26% from employee contributions, and 77.19% from investment earnings.* Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 6,393 jobs in the state. The total income to state residents supported by pension expenditures was \$312.6 million.

To put these employment impacts in perspective, in 2018 South Dakota's unemployment rate was 3.1%. The fact that DB pension expenditures supported 6,393 jobs is significant, as it represents 1.46 percentage points in South Dakota's labor force.

Economic Impact

State and local pension funds in South Dakota and other states paid a total of \$709.0 million in benefits to South Dakota residents in 2018. Retirees' expenditures from these benefits supported a total of \$1.1 billion in total economic output in the state, and \$564.3 million in value added in the state.

\$478.7 million in direct economic impacts were supported by retirees' initial expenditures. An additional \$347.1 million in indirect impact resulted when these businesses purchased additional goods and services. \$247.7 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

Total Economic Impact **\$1.1 billion**

DIRECT IMPACT
\$478.7 million

INDIRECT IMPACT
\$347.1 million

INDUCED IMPACT
\$247.7 million

Economic Multipliers

Taxpayer Contribution Factor*



\$1.00

contributed by taxpayers to South Dakota pensions over 30 years



\$13.11
total output



Each \$1 in taxpayer contributions to South Dakota's state and local pension plans supported \$13.11 in total output in the state. This reflects the fact that taxpayer contributions are a minor source of financing for retirement benefits—investment earnings and employee contributions finance the lion's share.

Pension Benefit Multiplier



\$1.00

pension benefits paid to retirees in South Dakota



\$1.51
total output



Each \$1 in state and local pension benefits paid to South Dakota residents ultimately supported \$1.51 in total output in the state. This "multiplier" incorporates the direct, indirect, and induced impacts of retiree spending, as it ripples through the state economy.

*Caution should be used in interpreting these numbers. See the Technical Appendix of the full *Pensionomics* report for details.

Impact on Tax Revenues

State and local pension payments made to South Dakota residents supported a total of \$125.8 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$22.0 million. Taxes attributable to direct, indirect, and induced impacts accounted for \$103.8 million in tax revenue.

| | |
|-----------------|------------------------|
| Federal Tax | \$85.2 million |
| State/Local Tax | \$40.6 million |
| Total | \$125.8 million |

Economic Impacts by Industry Sector

The economic impact of state and local pension benefits was broadly felt across various industry sectors in South Dakota. The ten industry sectors with the largest employment impacts are presented in the table below.

| Industry | Employment Impact (# Jobs) | Labor Income Impact | Value Added Impact | Output Impact |
|---------------------------------------|----------------------------|---------------------|--------------------|---------------|
| Hospitals | 482.40 | \$36,890,652 | \$41,693,026 | \$82,136,488 |
| Limited-service restaurants | 310.60 | \$6,168,966 | \$9,986,775 | \$22,972,756 |
| Full-service restaurants | 242.50 | \$5,039,098 | \$7,529,372 | \$14,587,076 |
| Offices of physicians | 199.70 | \$28,102,103 | \$31,775,275 | \$43,645,873 |
| Nursing and community care facilities | 191.10 | \$7,511,690 | \$7,647,909 | \$14,175,749 |
| Retail - General merchandise stores | 178.10 | \$5,505,269 | \$6,546,704 | \$11,435,328 |
| Retail - Food and beverage stores | 169.90 | \$4,540,232 | \$6,767,568 | \$11,697,455 |
| All other food and drinking places | 140.20 | \$2,955,905 | \$4,310,706 | \$7,382,273 |
| Retail - Nonstore retailers | 133.90 | \$2,315,436 | \$6,682,348 | \$16,487,977 |
| Other real estate | 133.20 | \$3,035,791 | \$6,399,296 | \$22,043,844 |

Industry totals include the first round of impacts from pension payments to state residents, and do not account for recaptured "leakage" to or from other states.