### **SOUTH DAKOTA**

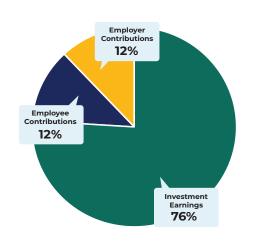




Measuring the Economic Impact of DB Pension Expenditures

# Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to South Dakota communities and the state economy. In 2020, 31,026 residents of South Dakota received a total of \$635.9 million in pension benefits from state and local pension plans.



The average pension benefit received was \$1,708 per month or \$20,495 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 2020, 12% of South Dakota's pension fund receipts came from employer contributions, 12% from employee contributions, and 76% from investment earnings.\*Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

## **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 2020, expenditures stemming from state and local pensions supported...

5,087 jobs that paid \$268.4 million in wages and salaries

\$827.8 million in total economic output

\$88.4 million in federal, state, and local tax revenues

... in the state of South Dakota.

Each dollar paid out in pension benefits supported \$1.30 in total economic activity in South Dakota.

Each dollar "invested" by South Dakota taxpayers in these pension plans supported \$10.62 in total economic activity in the state.

#### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 5,087 jobs in the state. The total income to state residents supported by pension expenditures was \$268.4 million.

To put these employment impacts in perspective, in 2020 South Dakota's unemployment rate was 4.3%. The fact that DB pension expenditures supported 5,087 jobs is significant, as it represents 1.1 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 \$635.9 million in benefits to South Dakota residents in 2020. Retirees' expenditures from these benefits supported a total of \$827.8 million in total economic output in the state, and \$470.0 million in value added in the state.

#### **Impact on Tax Revenues**

State and local pension payments made to South Dakota residents supported a total of \$88.4 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$7.0 million. Taxes attributable to pension expenditures in the local economy accounted for \$81.4 million in tax revenue.

Federal Tax	\$24.7 million	
State/Local Tax	\$63.7 million	
Total	\$88.4 million	

#### **Economic Multipliers**



Each \$1 in state and local pension benefits paid to South Dakota residents ultimately supported \$1.30 in total output in the state. This "multiplier" incorporates multiple rounds of impacts of retiree spending, as each purchase ripples through the state economy.

Each \$1 in taxpayer contributions to South Dakota's state and local pension plans supported \$10.62 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.

# \$1.00 contributed by taxpayers to South Dakota pensions over 30 years \$1.00

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

#### **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 five industry sectors with the largest employment impacts are presented in the table to the side.

Industry	Employment Impact (# Jobs)
Hospitals	516
Limited-service restaurants	302
Full-service restaurants	191
Offices of physicians	183
Tenant-occupied housing	167

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.

#### **Economic Impacts by Occupation Category**

The pension benefits in South Dakota supported jobs in every civilian job category, as shown in the table below.

Occupation Category	Wage and Salary Employment	Wage and Salary Income	Supplements to Wages and Salaries	Employee Compensation
Food Preparation and Serving Related Occupations	573	\$10,746,993	\$1,930,647	\$12,677,640
Sales and Related Occupations	493	\$16,966,193	\$3,200,353	\$20,166,547
Healthcare Practitioners and Technical Occupations	488	\$46,741,094	\$10,174,082	\$56,915,177
Office and Administrative Support Occupations	477	\$20,284,180	\$4,166,937	\$24,451,118
Transportation and Material Moving Occupations	278	\$10,043,296	\$2,030,993	\$12,074,290