

# AARP IN THE STATES

## OVERVIEW: South Dakota Retirement System



The **South Dakota Retirement System (SDRS)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the **33,281** retired public employees helps support:



**\$919 million**

in economic output in South Dakota.



**5,165 jobs**

paying \$298 million in wages supported by retirees' spending from public pensions in South Dakota.



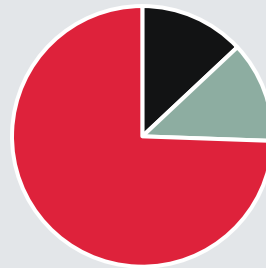
**\$117 million**

in federal, state, and local tax revenues based on spending of pension benefits in South Dakota.

### Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New SDRS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 13.0% of the cost of pension benefits in South Dakota.

**74.4%**  
Investment Earnings



**13.0%**  
Employer Contributions

**12.5%**  
Employee Contributions

### Key facts about the plan and its benefits:



**42,504**

Total active members of South Dakota Retirement System.



**54%**

After a 30-year career, a pension benefit from SDRS will replace 54% of an employees' pre-retirement income.



**\$1,812**

Average pension benefit paid to retired SDRS members each month.

### Pension benefits are a good deal for the economy too:

Each dollar "invested" by South Dakota taxpayers (employers) in these plans supported **\$10.08** in total economic activity in the state.



**\$1.00**



**\$10.08**

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



NATIONAL INSTITUTE ON Retirement Security  
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## PRIMER: South Dakota Retirement System

The South Dakota Retirement System (SDRS) provides benefits to qualified state employees and public school educators.

### The SDRS Pension Works for South Dakota Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



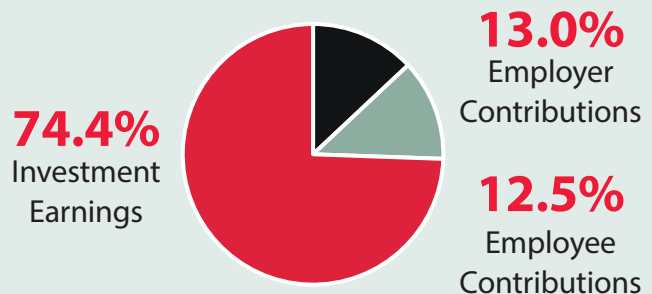
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

### Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New SDRS employees contribute 6% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 13.0% of the cost of benefits in South Dakota.



### Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



### Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

## SDRS Key Facts



SDRS serves 42,504 active employees and 33,281 retired members and survivor beneficiaries.



New employees contribute 6% of pay to SDRS.



Employers contribute 6% to the fund.



The average monthly retirement benefit for members is \$1,812.



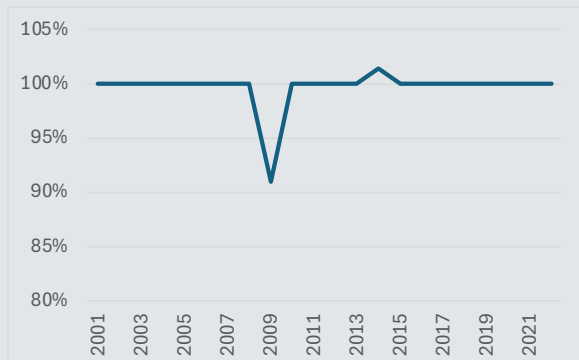
After a 30-year career, a pension benefit from SDRS will replace 54% of an employee's final average salary.

## Historical SDRS Funding Experience

South Dakota established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2023 year, SDRS had \$14.5 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

### South Dakota Paid 100% of Weighted Average Percent of ADC from FY2001-FY2022 for SDRS



## South Dakota Made Plan Changes to SDRS in Recent Years

Following the global stock market crash in 2008-2009, South Dakota policymakers proactively made changes to SDRS to ensure long-term sustainability. These included:

- In 2017, the COLA formula was modified for retirees.
- For current active members: Excluded any employer-funded benefit, allowance, or reimbursement from the definition of pensionable compensation for current active members. Limited pensionable compensation for each year, and for the last quarter of the final average salary period, to 105% of the highest compensation considered in any prior year, or quarter, during the final 10 years of employment. Lengthened the period used to determine final average salary, from 3 years to 5 years, phased in.

## The Economic Impact of South Dakota Pensions:



**\$919 million**

in economic output generated by retirees' spending from public pensions in South Dakota.



**5,165 jobs**

paying \$298 million in wages supported by retirees spending from public pensions in South Dakota.



**\$117 million**

in federal, state, and local tax revenues generated by retiree benefits and spending in South Dakota.

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



### Pensions Help Deliver Quality Education in South Dakota

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.<sup>1</sup>

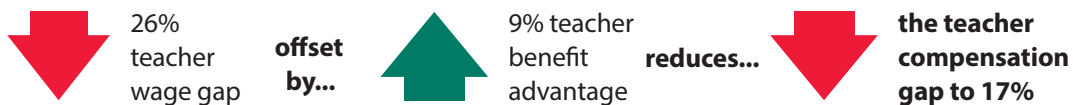
Because pensions help attract and retain workers, South Dakota can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting South Dakota, as enrollment in traditional teacher preparation programs has *declined by 36%* between 2009-2010 and 2021-2022.

### Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

### Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 26 percent pay gap relative to comparable private sector workers in 2022. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 17 percent. In South Dakota, teachers experience a 17.3% wage gap when compared to other college graduates in the workforce.<sup>2</sup>



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



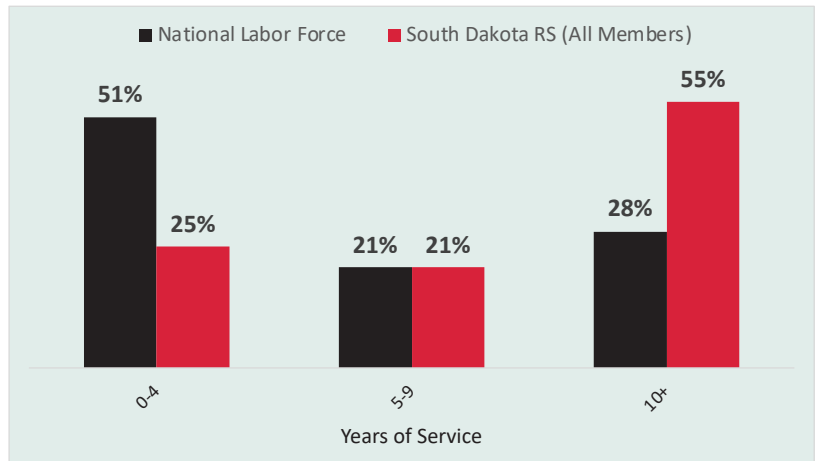
82 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



78 percent of Americans agree that teachers deserve pensions to compensate for lower pay.<sup>3</sup>

# Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are more effective teachers. DB pensions help to retain highly productive teachers longer, as compared with individual DC accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.<sup>4</sup>



## SDRS Key Facts



SDRS serves 42,504 active employees and 33,281 retired members and survivor beneficiaries.



New employees contribute 6% to the fund.



Employers contribute 6% to the fund.



The average monthly retirement benefit for members is \$1,812.



SDRS has \$14.5 billion in assets and no unfunded actuarial accrued liability.<sup>5</sup>

## The Economic Impact of South Dakota Pensions

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<sup>1</sup> Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

<sup>2</sup> Allegretto, S. 2023. "Teacher pay penalty still looms large." Washington, DC. Economic Policy Institute.

<sup>3</sup> Doonan, D. and Kenneally, K. 2024. "Retirement Insecurity 2024: Americans' Views of Retirement." Washington, DC. NIRS.

<sup>4</sup> Copeland, C. 2023. "Trends in Employee Tenure, 1983–2022." Washington, DC. Employee Benefit Research Institute.

<sup>5</sup> All data, unless otherwise noted, as of fiscal year ended 2023.

<sup>6</sup> Boivie, I. 2025. "Pensionomics 2025: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.