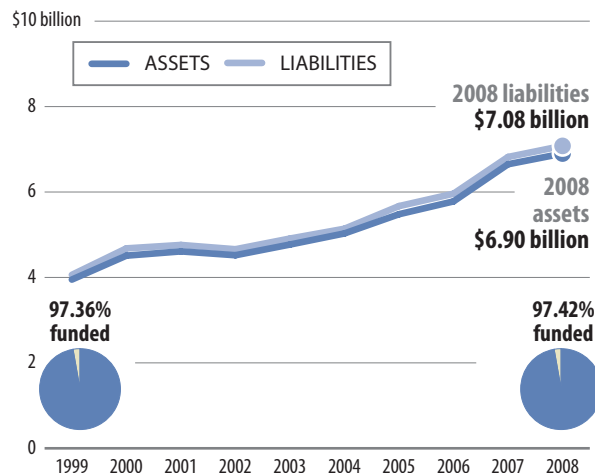


SOUTH DAKOTA is managing its long-term pension liability well, but needs to improve how it handles the bill coming due for retiree health care and other benefits. In fiscal year 2008, the Mount Rushmore State had the sixth-best funded pension system in the country: 97 percent of its liabilities were matched by assets, well beyond the 80 percent benchmark that the U.S. Government Accountability Office says is preferred by experts. Part of the reason is that the state has consistently met its actuarially required contribution levels. In 2006, South Dakota's legislature created a "level payment option" for employees who retire 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. Meanwhile, South Dakota has very limited long-term liabilities for retiree health care and other benefits—\$76.4 million. Still, it has set aside no assets to cover these costs.

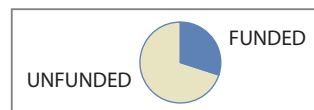
PENSIONS, 1999 – 2008

South Dakota's pension liabilities grew 74 percent between 1999 and 2008, equaling assets, which grew 74 percent in that period.

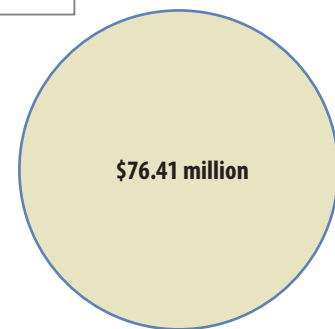


HEALTH CARE & OTHER BENEFITS, 2008

Retiree health care and other benefits are 1 percent of South Dakota's total retirement bill but are 29 percent of the state's retirement funding shortfall.



South Dakota's health care and other post-employment benefit programs are **unfunded**.



Total Bill Coming Due:	\$7,078,007
Portion Unfunded:	\$182,870
Annual Required Contribution (ARC):	\$95,766
Percentage ARC Funded:	100.00%

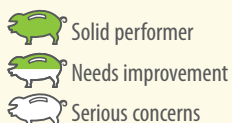
Note: In thousands

 **PENSIONS: SOLID PERFORMER**

Total Bill Coming Due:	\$76,406
Portion Unfunded:	\$76,406
Annual Required Contribution (ARC):	\$9,429
Percentage ARC Funded:	37.17%

Note: In thousands

 **HEALTH CARE & OTHER BENEFITS: NEEDS IMPROVEMENT**



Our grades assess states on how well they manage their retirement obligations. Each state can earn up to four points for its pension plans: two points for a funding ratio of at least 80 percent; one for an unfunded liability below covered payroll; and one for paying an average of at least 90 percent of the ARC during the past five years. Solid Performer = 4 points. Needs Improvement = 2–3 points. Serious Concerns = 0–1 points. Grading for health care and other benefits is simpler because most states have only recently begun to fund and collect data on these liabilities. States are solid performers if they have set aside assets equal to at least 7.1 percent of their liabilities (the 50-state average), or they need improvement if they have contributed less.

For more details, read the full report at www.pewcenteronthestates.org/TrillionDollarGap.