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Washington State's Pension Lesson.

A new brief from the University of Washington's Center for Education Data & Research analyses the state's teacher pension system, which has offered new enrollees a choice between a traditional plan or a hybrid plan since 1996. As other states consider similar changes to traditional pension plans, the paper notes that Washington provides a look into what could happen.

The paper finds that the "state's financial exposure is significantly lower under the hybrid plan" as its per-teacher pension liability is approximately half as large as under the traditional plan. Interestingly, when given a choice, at least six in 10 teachers (statistics vary by year) choose the hybrid plan, the paper says. This runs counter to claims by traditional pension supporters that the defined benefit plans are more attractive and therefore better for recruiting talent.

Additionally, teachers may obtain more money under the state's hybrid-plan. "In calculating potential retirement wealth accumulations under [the hybrid plans]," the authors note,"we find that teachers enrolled in Washington's hybrid plan are likely to have a level of retirement security that is comparable or greater than that provided by the traditional plan." The paper concludes that Washington State's experience "suggests that teacher pension systems can be reformed in a way that is attractive to both teachers and states and ensures that significant resources are being set aside for teacher retirements."

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