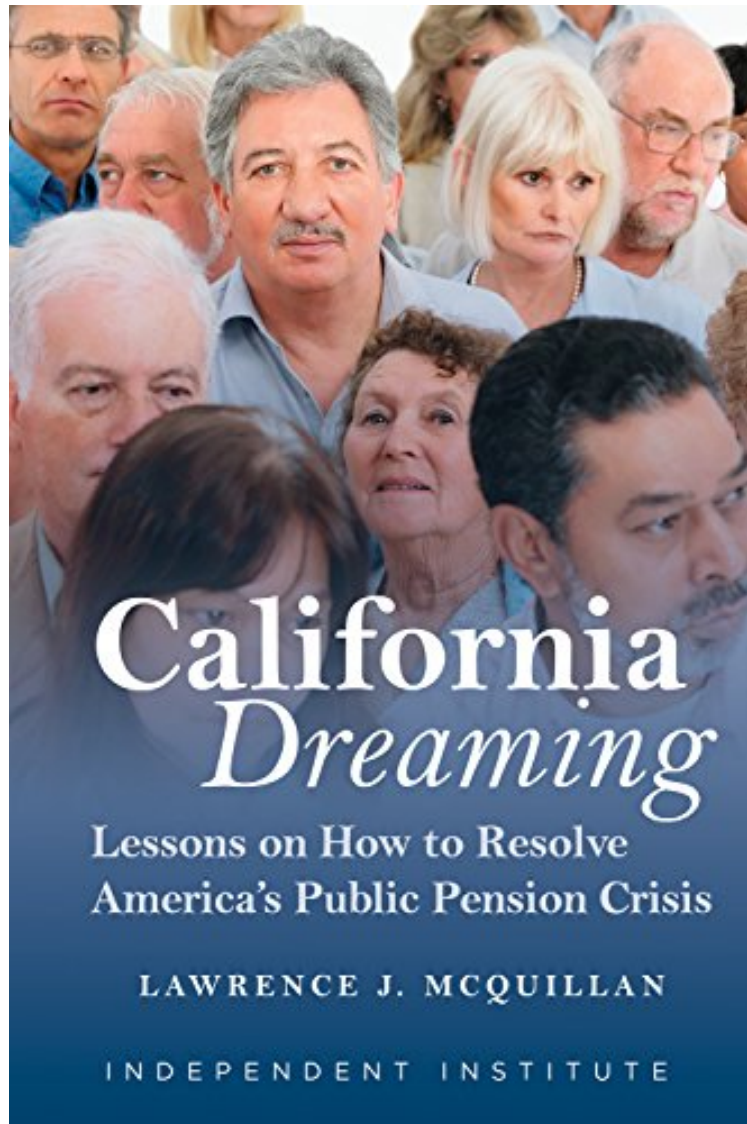


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California Dreaming: Lessons on How to Resolve America's Public Pension Crisis

Lawrence J. McQuillan

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review helpful. Easy to understand. By Robert E Fazo Well put together. Easy to understand. Every taxpayer in the State of California should read this. 0 of 1 people found the following review helpful. Good, easily understood look at the public pension crisis, but a major issue missed. By TDOMotFTP Politicians + Public Employee Labor Unions + Pensions = A toxic mixture for taxpayers. McQuillan does a good job of laying out the situation. Billions of unfunded pension liability. Foolish political decisions in the past to raise pension benefits to unaffordable levels. No incentive for politicians to deal with the issue. Likely outcome is either higher state taxes OR bankruptcy (OK, so California can't declare bankruptcy, but the equivalent could happen). Look at Stockton, Vallejo, Detroit, and ... Puerto Rico, by act of Congress. Easy, just tax the rich. What, the upper 20% already pay 90% of the state taxes, well tax them more! Sounds like a great solution, but there is just one itty bitty problem, the wealthy can move. What! Why isn't there a law against that? Plus there are a lot of hidden California taxes that these people no longer pay. Auto reg renewal in Florida is \$46 versus \$500+ in CA for an expensive car. FL Electricity is \$0.10/KWH versus \$0.40 in CA once you go over the minimum, etc., etc., etc. Everything in Florida works just fine. The roads are better; the FL DMV person was pleasant, etc. Don't like Florida, try Nevada, Washington, or Texas. So, what did McQuillan miss? First, when taxes get too high, the wealthy move. Second, once the wealthy move, they no longer support the California economy. Spending on home services, on restaurants, on entertainment, etc. etc. etc. also leaves. So, the tax base shrinks not only from their move, but also from the loss of their spending contribution that supports other California residents. Trust me, a lot of upper income Californians are leaving the state. Should the wealthy feel guilty about leaving? First, if pensions were done correctly, there would be no unfunded liability, so there would be no basis for guilt. Second, California pensions are far, far in excess of what the average taxpayer gets from his or her employer. Once California public pension recipients face the same retirement benefits that the rest of us face, then those leaving should feel guilty.

California's unfunded public pension liability, when measured correctly, is two to four times larger than official government estimates. In total, California's 86 defined-benefit public pension plans are underfunded by roughly \$430 billion, representing California's greatest financial challenge since the Great Depression. The failure to fully fund the pension promises has allowed the current generation to receive public services that they are not fully paying for, pushing the pension problem onto future generations. California Dreaming's Resolving the Public Pension Crisis explains how six reforms would solve the state's pension problem in an equitable, responsible, and moral way: preserving pension benefits already earned, providing competitive pensions going forward, and granting the flexibility needed so that future generations are not paying for deals they did not make.

Mayors, governors, and other policymakers around the country are struggling to maintain services while paying for the skyrocketing costs of public employee retirement benefits. California Dreaming explains why it is so difficult to solve this problem and identifies a key framework for solutions. — Chuck Reed, former Mayor, City of San Jose, California