STRENGTHEN SOCIAL SECURITY
...don't cut it.

October 16, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

The Honorable John Boehner
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Leader Reid, Leader McConnell, Speaker Boehner, and Leader Pelosi:

We write to express our strong opposition to substituting the so-called "chained CPI" as a measure for cost-of-living adjustments to Social Security and other benefits received by veterans, seniors, retirees, people with disabilities, surviving spouses, and others.

The purpose of an inflation adjustment is to ensure that the value of Social Security and other modest but vital benefits does not erode over time. The proposal to switch to the chained CPI would, over time, slash the benefits of both current and future beneficiaries. Specifically, it would cut the basic benefit – currently averaging a modest $13,500 for all beneficiaries – and break the bipartisan promise not to cut the benefits of current seniors.

The current index, the CPI-W, understates inflation because it does not adequately take into account health care costs, which are a larger part of the spending of seniors and people with disabilities, on average, than the rest of the population. The so-called chained CPI is even less accurate and appropriate as an inflation measure for these populations. The attached graph shows a comparison of current law, the even less accurate chained CPI, and the more accurate CPI-E.

One of the most problematic aspects of the chained CPI is that the cuts are larger the longer you receive benefits – meaning that the chained CPI would disproportionally hurt many women, veterans, people with disabilities, and others. For example, veterans wounded in combat and others disabled at young ages would be disproportionately hurt. Seniors, especially women, who live long lives would also be hurt disproportionately. The chained CPI would decimate the Supplemental Security Income (SSI) program, because it applies to the maximum federal benefit the program pays, and thus has a greater cumulative effect.

The cuts that Social Security beneficiaries and others would face as a result of implementing the chained CPI may seem to some like a relatively small sacrifice, but the cuts quickly snowball as they compound, growing deeper every year. By age 85, the individual who began to receive benefits at 65 would be losing $984 in benefits that year; by age 95, the annual cut would be $1,392. Many individuals reaching this age have little to no retirement savings to rely on to make up the difference. Additionally, since elderly individuals living on modest fixed incomes spend, on average, $56 on groceries for a week, cuts of that size may mean foregoing food or needed medicine.

For some beneficiaries, the increase in the Social Security benefit will be completely consumed by the increase in the Medicare premiums, leaving current Social Security beneficiaries effectively with no COLA at all. No matter how it is presented, the use of the chained CPI as the basis of the Social Security COLA will be understood for what it is – a benefit cut.

While some view the chained CPI as an attractive choice as part of a so-called "balanced" package, the vast majority of benefit cuts – and tax revenue – that would result from implementing the chained CPI government-wide would be exacted from low- and middle-income individuals. We strongly urge you to stand up for the many individuals and families who count on Social Security and other federal benefits and reject the chained CPI.

Sincerely,

American Federation of State, County & Municipal Employees

Action NC

AFL-CIO

Alliance for Retired Americans

American Association of University Women (AAUW)

American Federation of Government Employees (AFGE)

American Federation of Government Employees (AFGE), Council 220, AFGE National Council of SSA Field Operations Locals

American Federation of Government Employees (AFGE), Local 3937

American Federation of Teachers

Americans for Democratic Action

APWU Retirees Department

Asociacion Nacional Pro Personas Mayores

Association of Jewish Aging Services

B'nai B'rith International

Blinded Veterans Association

Brain Injury Association of America

California Alliance for Retired Americans

Campaign for America's Future

Campaign for Community Change

Champaign County Health Care Consumers

Coalition of Labor Union Women

Coalition on Human Needs

Communications Workers of America

CREDO Action

CWA Retired Members' Council

Democratic Socialists of America

Department for Professional Employees, AFL-CIO

Disability Rights Education & Defense Fund

Easter Seals

Economic Opportunity Institute

Frances Perkins Center

Granite State Organizing Project

Gray Panthers

International Brotherhood of Teamsters

International Longshore and Warehouse Union

International Union, United Automobile, Aerospace and Agricultural Implement Workers of America - UAW

Iowa Citizens for Community Improvement Action Fund

Latinos for a Secure Retirement Coalition

League of Rural Voters

Maryland NOW

MoveOn.org

NAACP

National Academy of Elder Law Attorneys

National Active and Retired Federal Employees Association

National Asian Pacific Center on Aging

National Association of Nutrition and Aging Services Programs

National Caucus and Center on Black Aged, Inc.

National Committee to Preserve Social Security and Medicare

National Council of Women's Organizations

National Council on Independent Living

National Education Association

National Gay and Lesbian Task Force

National Hispanic Council on Aging

National Indian Council on Aging

National Military Family Association

National Nurses United

National Organization for Women

National Partnership for Women & Families

National Senior Citizens Law Center

National Women's Law Center

Nebraska State Education Association-Retired

New York State Alliance for Retired Americans

North Carolina A. Philip Randolph Institute

Older Women's League, Seattle/King County

Omaha Education Association-Retired

OWES Older Women's Economic Security Task Force of the National Council of Women's Organizations

OWL-The Voice of Midlife and Older Women

Pacific Coast Pensioners Association – ILWU

Paralyzed Veterans of America

Pennsylvania State Education Association

Physicians for a National Health Program, Western Washington

Progressive Democrats of America

Puget Sound Advocates for Retirement Action

Seattle Chapter of NOW [National Organization for Women]

Seattle Community Law Center

Service Employees International Union

Services and Advocacy for GLBT Elders (SAGE)

Social Security Works

Southeast Asia Resource Action Center

Steelworkers Organization of Active Retirees

Tacoma Area Retirees Association

The Arc of the United States

UFCW 21

United Steelworkers

VetsFirst, a program of United Spinal Association

Vietnam Veterans of America

Virginia Organizing

Voices for America's Children

VoteVets.org

Washington Community Action Network

Washington State Labor Council, AFL-CIO

Wider Opportunities for Women

Working Families Win Iowa

Working Families Win New Hampshire

WV Citizen Action Group

YWCA USA