

Social Security's cost-of-living adjustments (COLA) to monthly benefits are designed to help retirees keep up with the rising living standards and costs. COLAs currently are tied to the Consumer Price Index for Urban Wage Earners (CPI-W), which surveys price changes in the average set of goods purchased by urban wage earners and clerical workers. **There has been no COLA in the past two years.**

The CPI-W formula does not protect seniors' purchasing power because it fails to account for the fact that seniors spend two to three times as much of their budget on medical care than younger households. Yet, many in **Congress are seriously considering cutting your Social Security benefits by now tying the COLA to the Chained CPI (C-CPI-U)**, a smaller measure of inflation. While many will describe this change as simply technical, **it is a change that would result in big, lifetime losses in benefits for the average Social Security beneficiary.**

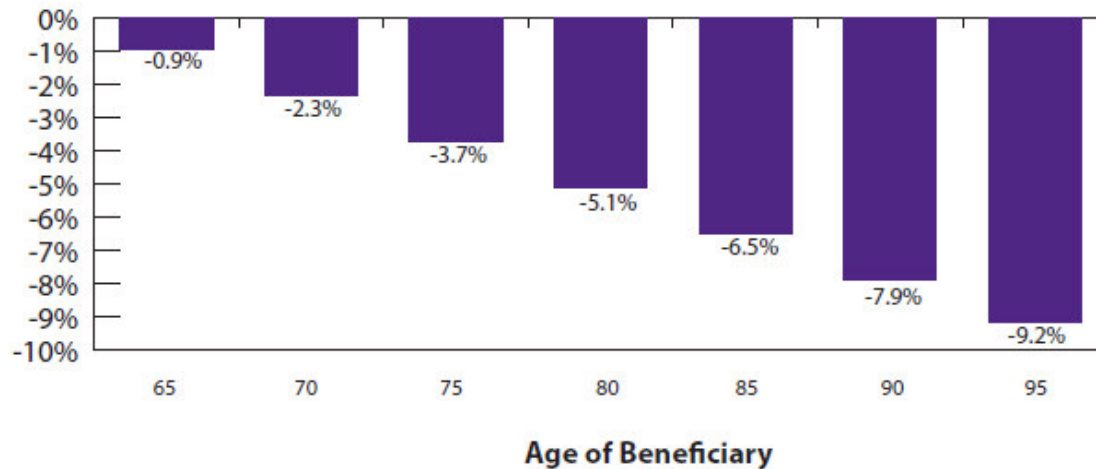
Why is the Chained CPI bad for seniors?

According to the Social Security Actuary, **moving to a chained CPI would mean an immediate benefit cut.** In fact, according to Social Security Works, an average earner retiring in 2011 at age 65 would lose over \$6,000 over 15 years if the chained CPI were adopted. The chained CPI assumes that a lower COLA is acceptable because consumers can substitute cheaper products when prices go up. The problem is that health care costs, which consume a large amount of seniors' income, cannot simply be substituted with a cheaper version. A senior cannot just substitute triple bypass surgery with a double because it's cheaper. Nor can knee surgery be substituted with crutches. **The chained CPI ignores this reality and instead tries to balance the budget on the backs of our nation's seniors.**

Is there a better alternative?

Yes! The COLA should be tied to the Experimental Consumer Price Index for the Elderly (CPI-E), a measure of inflation that more accurately reflects the spending of seniors, giving greater weight to medical care and housing costs. The Bureau of Labor Statistics developed this index and it is available for use today.

Figure 1. Percent cut in monthly benefits from chained CPI, compared to current-law benefits



Source: NWLC calculations based on Office of the Chief Actuary's Memo, Dec. 1, 2010.

What Should I Tell My Friends about the Chained CPI?

The chained CPI is a back door way of trying to balance the budget on the backs of America's seniors!

- **It's an immediate Social Security benefit cut!** It's not just a simple technical change without any impact – it's a real cut to the benefits you have earned every year into the future.
- **It hits today's Social Security beneficiaries!** Politicians like to say their cuts to Social Security will not affect those getting benefits today. Wrong! Switching to the chained CPI would hit all current beneficiaries now!
- **We need a higher COLA – not a lower one!** The current COLA is not enough – it does not accurately account for large health care cost increase faced by seniors and people with disabilities.

Where can I find out more?

- United States House of Representatives, Committee on Ways & Means: [Http://Democrats.waysandmeans.house.gov](http://Democrats.waysandmeans.house.gov)
- National Academy of Social Insurance: <http://www.nasi.org>
- Social Security Works: <http://strengthensocialsecurity.org>
- National Women's Law Center: <http://www.nwlc.org>
 - <http://www.nwlc.org/sites/default/files/pdfs/cuttingsocseccolafinalreportjune2011.pdf>
- Economic Policy Institute: <http://www.epi.org>
 - <http://w3.epi-data.org/temp2011/BriefingPaper320.pdf>

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