



William (Larry) Minnix, Jr., Chair

August 1, 2011

The Honorable Barack Obama
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the Leadership Council of Aging Organizations (LCAO), a coalition of national not-for-profit organizations representing over 60 million older Americans, we urge you to protect low- and middle-income older Americans by rejecting a move to adopt the chained CPI-U for benefits adjustments to Social Security and Supplemental Security Income (SSI), as well as millions more retired military personnel, disabled veterans, first responders and other federal civilian retirees and survivors benefits. Applying the chained CPI-U to Social Security, SSI benefits and other public sources of retirement income will lead to immediate cuts for today's beneficiaries and future generations.

The chained CPI-U is touted as a more accurate way of measuring inflation when calculating cost-of-living adjustments (COLA) in Social Security and other federal benefits formulas. The chained CPI-U purports to capture the changes average consumers make in the basket of goods they purchase in response to changes in prices. The measure assumes that when the price of a particular item increases, consumers will respond by substituting it with a less expensive item. This substitution theory may hold true for higher priced items or a trip to a restaurant versus eating at home, but for people who are already stretching every dollar to its fullest capacity, often on mandatory purchases like health care, there are no such substitutions.

Neither the chained CPI-U nor the currently used Consumer Price Index (CPI-W) adequately reflect what it costs for elders and persons with disabilities to make ends meet and how those costs change with inflation. Neither index takes into account that these populations spend a disproportionate share of income on health care costs. According to the 2011 Medicare Trustees Report, out-of-pocket Medicare Part B and D costs (premiums and cost-sharing) consume 27% of the average Social Security check. Unlike discretionary expenditures, these health care costs cannot be substituted. The chained CPI-U is not the accurate measure of inflation needed to adjust benefits for Social Security and SSI recipients, veterans or federal civilian retirees and survivors.

Social Security:

While Social Security played no role in creating the nation's debt, breaking this promise to America's workers is being marketed as a deficit reduction strategy. According to the 2011 Social Security Trustees Report, Social Security will be able to pay all promised benefits through 2036. Moreover, even if Congress did nothing to address the long-term shortfall, Social Security could still pay 77 percent of benefits through 2084. Additionally, the program continues to run an annual surplus, which is projected to be \$69.3 billion in 2011.

Despite this relatively positive forecast, Social Security is being targeted for cuts in the debt negotiations through use of the chained CPI-U to calculate the COLA for beneficiaries. Adoption of the chained CPI-U would result in an across-the-board benefit cut and will disproportionately affect those who rely most on Social Security. Based on analysis done by the Strengthen Social Security Campaign on the impact of implementing the chained CPI-U, "the average earner retiring at age 65 would get a \$560 cut each year at age 75, and an almost \$1,000 cut by age 85. By age 95, when Social Security benefits are probably needed the most, that person faces a staggering 9.2 percent cut." Elders can ill afford any shrinkage of their Social Security benefits, which today averages only \$12,924 a year. Social Security provides more than 90% of income for 3 in 10 older Americans.

With the decline of employer-sponsored pensions and the effect of the Great Recession on personal retirement plans, older adults increasingly depend on Social Security benefits for their livelihood. The chained CPI-U would be an inaccurate measure and have a detrimental effect on these vulnerable populations who can ill afford such a mistake.

Supplemental Security Income (SSI):

The recent deficit reduction plan released by the Senate's "Gang of Six" is among the first to name SSI as a target for use of the chained CPI-U. SSI offers a meager income floor to older adults, persons with disabilities and blind individuals with limited ability to work or very low incomes. By definition, anyone eligible for SSI is living under the federal poverty line – \$10,890 per year for an individual in 2011.

SSI offers a Federal Benefit Rate of \$674 per month to provide a basic income floor for our nation's most vulnerable. In most states, this is the only income benefit provided to those on SSI. Application of the chained CPI-U to woefully inadequate SSI benefits would result in compounding cuts that would threaten the ability of SSI recipients to stay in their homes and communities.

Both Social Security and SSI are an income promise to older Americans and persons with disabilities. While we recognize the importance of solving the nation's debt crisis, the solution

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should not increase economic vulnerability among those least able to bear the burden of spending cuts, including those seniors and persons with disabilities who rely on Social Security and SSI.

Military, Disabled Veterans, First Responders, Federal Civilian Retirees and Survivors:
Over 2.3 million federal civilian retirees and survivors, many who receive no other source of retirement income or inflation protection (because they are not eligible to receive Social Security), would also have their COLAs lowered by the chained CPI-U.

Among those who would suffer the most significant consequences of the chained CPI-U, ironically, are those who already have sacrificed most to protect America: retired military personnel, disabled veterans, federal civilian police and firefighters. Because they begin receiving inflation-protected annuities at relatively younger ages, they may suffer the adverse compounding effects of the chained CPI-U over the course of many decades.

Once again, the undersigned members of the Leadership Council of Aging Organizations urge you to reject proposals to cut Social Security, SSI and military, veterans', first responders' and federal civilian retiree and survivor benefits by imposing the chained CPI-U on annual cost-of-living adjustments. These unjust cuts would have a devastating impact on retirees living on fixed incomes.

Sincerely,

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Wider Opportunities for Women



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August 1, 2011

The Honorable Joseph Biden
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William (Larry) Minnix, Jr., Chair

August 1, 2011

United States Senate
Washington, DC 20510

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William (Larry) Minnix, Jr., Chair

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U. S. House of Representatives
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