



Leadership Council of Aging Organizations

James P. Firman, Chair

December 27, 2012

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

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

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

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

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 are writing to express our strong opposition to any deficit reduction deal that would calculate Social Security, Supplemental Security Income (SSI), military and federal civilian retirement and veterans' benefits cost-of-living adjustments (COLA) using the "chained" Consumer Price Index (CPI).

The chained CPI is touted as a more accurate COLA because it purportedly takes into account changes average consumers make in their purchases in response to changes in prices. While these substitutions may hold true for higher priced items or a trip to a restaurant versus eating at home, America's seniors are already stretching every dollar to its fullest capacity, often on mandatory purchases like rent, utilities, health care, for which there are no substitutions.

All beneficiaries would feel the impact of this change in the calculation of the COLA, but the effect would be greatest on those who draw benefits at earlier ages, such as military and civilian disabled beneficiaries because they are more likely to receive benefits the longest. The Chief Actuary of the Social Security Administration estimates that application of the chained CPI would result in a yearly 0.3 percentage point reduction compared to the current COLA increase.

Social Security:

Over time the reduction in Social Security benefits are substantial. For example, the lower COLA stemming from the chained CPI would result in a decrease of about \$130 per year (0.9 percent) in the Social Security benefits for a typical 65-year old. By the time that senior reaches age 95, the annual benefit cut will be almost \$1,400, a 9.2 percent reduction from currently-scheduled benefits. Remarkably, this is a benefit reduction that slightly exceeds one month's benefit for the average retiree (\$1,261 in 2013). The cumulative effect of these reductions means that a disproportionate impact will be felt by America's oldest seniors. These are often women who have outlived their other sources of income, depleted their assets, and rely on Social Security as their sole lifeline to financial stability.

Supplemental Security Income:

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--\$11,170 per year for an individual in 2012.

In 2013, the SSI program will offer our nation's most vulnerable citizens a maximum federal benefit rate of \$710 per month. In most states, this is the only income benefit provided to these beneficiaries. Application of the chained CPI to these woefully inadequate benefits would result in compounding cuts that would threaten the ability of SSI beneficiaries to stay in their homes and communities. While we acknowledge the importance of addressing the nation's long-term fiscal obligations, the solution 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 of whom receive no other source of income, would also have their COLAs lowered by the chained CPI.

Among those who would suffer most significant consequences of the chained CPI, 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 over the course of many decades.

A Better Approach for Improving the CPI:

If the true reason for a change in the COLA calculation is to more accurately reflect changes in the cost of living, and not simply reduce the nation's debt, then the experimental consumer price index for the elderly (CPI-E) would be a better alternative, since it factors in the disproportionate amount seniors spend on health care and the more limited opportunities their patterns of consumption allow for making purchasing substitutions.

Almost half of the nation's workers have less than \$10,000 in savings and 30 percent have less than \$1,000. Barely half of all workers have access to retirement plans through their employment, and millions retire without enough private savings to provide an adequate income. Instead of protecting the American people against these growing retirement, disability and survivorship risks, the chained CPI would do the opposite by weakening the inflation protection of current and future beneficiaries.

For these reasons, the undersigned members of the Leadership Council on Aging Organizations once again 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 on annual cost-of-living adjustments. These unjust cuts would have a devastating impact on retirees living on fixed incomes.

Sincerely,

ALLIANCE FOR RETIRED AMERICANS

AMERICAN POSTAL WORKERS UNION RETIREES (APWU)

AMERICAN SOCIETY ON AGING (ASA)

ASOCIACION NACIONAL PRO PERSONAS MAYORES (ANPPM)
(NATIONAL ASSOCIATION for HISPANIC ELDERLY)

ASSOCIATION OF BELLTEL RETIREES, INC.

ASSOCIATION FOR GERONTOLOGY AND HUMAN DEVELOPMENT IN HISTORICALLY
BLACK COLLEGES AND UNIVERSITIES (AGHDHBCU)

ASSOCIATION OF JEWISH AGING SERVICES OF NORTH AMERICA (AJAS)

B'NAI B'RITH INTERNATIONAL

CENTER FOR MEDICARE ADVOCACY (CMA)

EASTER SEALS

LEADINGAGE

MEDICARE RIGHTS CENTER

NATIONAL ACADEMY OF ELDER LAW ATTORNEYS (NAELA)

NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES ASSOCIATION (NARFE)

NATIONAL ASIAN PACIFIC CENTER ON AGING (NAPCA)

NATIONAL ASSOCIATION FOR HOME CARE AND HOSPICE (NAHC)

NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING (n4a)

NATIONAL ASSOCIATION OF PROFESSIONAL GERIATRIC CARE MANAGERS
(NAPGCM)

NATIONAL ASSOCIATION OF SOCIAL WORKERS (NASW)

NATIONAL ASSOCIATION OF STATES UNITED FOR AGING AND DISABILITIES
(NASUAD)

NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE (NCPSSM)

NATIONAL COUNCIL ON AGING (NCOA)

NATIONAL HISPANIC COUNCIL ON AGING (NHCOA)

NATIONAL SENIOR CITIZENS LAW CENTER (NSCLC)

OWL, THE VOICE OF MIDLIFE AND OLDER WOMEN

PENSION RIGHTS CENTER

PHI-QUALITY CARE *THROUGH* QUALITY JOBS

SERVICES AND ADVOCACY FOR GAY, LESBIAN, BISEXUAL
& TRANSGENDER ELDERS (SAGE)

WIDER OPPORTUNITIES FOR WOMEN (WOW)