

December 18, 2012

Dear Senator:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I am writing to urge you to oppose any deficit reduction deal that would calculate Social Security, military and federal civilian retirement and veterans' benefits cost-of-living adjustments (COLA) using the "chained" Consumer Price Index (CPI). This cut would reduce projected benefits for the oldest and most vulnerable Americans who would be least able to afford it.

All beneficiaries would feel the impact of this change, but the impact would be greatest on those who draw benefits at earlier ages (e.g., military and disabled) and who live 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. This reduced COLA would result in a decrease of about \$130 per year (0.9 percent) in 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 the one month's benefit for the average retiree. The cumulative effect of these reductions means that the disproportionate impact will be felt by Social Security's oldest beneficiaries. These are often women who have outlived their other sources of income, depleted their assets and rely on Social Security as their only lifeline to financial stability.

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 to reduce the nation's debt, then the CPI-Experimental 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.

Social Security does not face an immediate crisis and is not driving either the short-term deficit or long-term debt. Most importantly, initiatives to improve and strengthen Social Security must be made based only on what is good for Social Security - not on achieving arbitrary deficit reduction goals or paying for tax cuts for the wealthy.

That's why it is wrong to cut the earned Social Security, military and federal civilian retirement and veterans' benefit COLAs by basing them on the chained CPI. For that reason, if the budget agreement to avoid the fiscal cliff includes the chained CPI proposal, the National Committee plans to include the vote in our congressional scorecard. We urge you to ensure that this measure is not included in the final agreement.

Sincerely,

A handwritten signature in black ink that reads "Max Richtman". The signature is written in a cursive, flowing style.

Max Richtman
President and CEO