Congress of the United States

Washington, DC 20515

December 13, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 The Capitol
Washington, D.C. 20510

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
H-232 The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
S-230 The Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
H-204 The Capitol
Washington, D.C. 20515

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

We are writing to express our opposition to cuts for Social Security beneficiaries that would be included in a budget deal designed to avoid the fiscal cliff at the end of this year. Congress has the critical responsibility to develop a bipartisan budget plan that places the nation on a path to sustainable growth and addresses our federal deficit. However, cuts to Social Security, particularly the application of the chained Consumer Price Index (CPI) to the calculation of cost-of-living-adjustments (COLA) to Social Security benefits, would adversely impact the 56 million seniors, veterans, people with disabilities, and children who rely on the program's benefits.

Since 1935, our nation has been committed to ensuring that our nation's seniors retire with dignity. Today, Social Security keeps 20 million Americans out of poverty, including a million children, and provides 90 percent of the monthly income for more than one-third of seniors.[1] Although the program has been one of the most effective in our nation's history and is funded primarily by the insurance premiums of workers and their employers (generally referred to as payroll taxes), Social Security is often targeted falsely as a contributor to the nation's deficit.

We agree that Social Security has long-term challenges that must be addressed to extend and strengthen the program for current and future beneficiaries. However, proposals to apply the chained CPI to Social Security would have the reverse effect. Application of the chained CPI would reduce the annual COLAs for beneficiaries by 0.3 percent every year, on average. Such a reduction would compound over time, resulting in substantial cumulative losses over a lifetime.[2] An analysis by the National Women's Law Center estimates that those losses by age 95 for a

[1] SSA, *Income of the Population 55 or Older*, Table 9.A1. Data are for aged units, which consist of married couples living together at least one of whom is 65 or older, and unmarried people 65 or older.
[2] http://www.nwlc.org/sites/default/files/pdfs/cuttingsocseccola.pdf

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retiree with average earnings would be nearly $25,000, resulting in a 9.2 percent reduction in monthly benefits compared to current-law benefits. Cuts caused by the chained CPI would jeopardize significantly the economic security of many beneficiaries and impact disproportionately the most vulnerable communities.

The reality is that the chained CPI does not reflect the larger cost increases to seniors' expenses. Given that health care and housing costs increase with fewer opportunities for substitution, the cost of living for seniors rises much quicker than other populations. The experimental price index for the elderly (CPI-E) is an appropriate alternative to the chained CPI that would give greater weight to health care costs and housing. Annually, the CPI-E rises about 0.2 percent faster than the current CPI-W. From December 1982 to December 2011 the CPI-E has risen 142.8 percent compared to 126.7 percent for the CPI-W.[3]

In addition to adopting the CPI-E to reflect accurately cost of living increases for seniors, Congress could extend significantly the solvency of Social Security by lifting the current taxable earnings limit, scheduled to be $113,700 in 2013. According to the Congressional Budget Office, eliminating the taxable maximum would improve the solvency of the Social Security Trust Fund to 2083 and increase the program's total revenue by 0.9 percentage points of GDP.

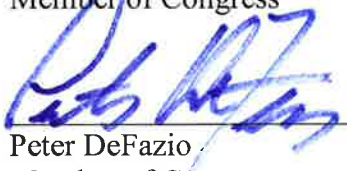
We must strengthen Social Security and address its long-term challenges. However, conflating the program with the need to reduce our nation's deficit and extending the chained CPI to Social Security would reduce the already modest benefits guaranteed by the program. We must instead work on sustainable solutions to protect the program for current and future beneficiaries.

Thank you for your consideration and we look forward to working with each of you on a budget deal that shields Americans from the looming fiscal cliff, and protects our nation's most vulnerable.

Sincerely,

Donna F. Edwards
Member of Congress

John Conyers, Jr.
Member of Congress



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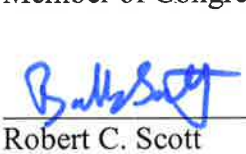
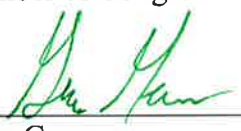


Robert C. Scott
Member of Congress



Gene Green
Member of Congress

[3] http://www.bls.gov/opub/ted/2012/ted_20120302.htm

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