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For Immediate Release

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Proposal To Slow COLAs Not Accurate For Adjusting Social Security Benefits Warns Senior Citizens League

(Washington, DC) – A budget proposal to switch to an alternate consumer price index, for calculating the annual Social Security cost – of - living - adjustment (COLA) is a bad deal for older and disabled Americans, says [The Senior Citizens League \(TSCL\)](#). The proposed “chained” consumer price index (CPI) would grow even more slowly than the conventional one that is currently used to determine the annual COLA.

“Switching to the chained CPI would have a long-term impact on the ability of Social Security COLAs to prevent an erosion in the buying power of benefits,” states TSCL Social Security policy analyst Mary Johnson. “The index, known as the Chained Consumer Price Index for all urban consumers (C-CPI-U), would reduce benefits by roughly 7 percent over a 30 - year retirement,” Johnson stated in an analysis prepared for TSCL.

The Social Security COLA is provided to help protect the buying power of benefits when costs rise due to inflation. Yet even under the current method of adjusting benefits, Social Security benefits have lost 30 percent of buying power since 2000, according to a [recent report](#) released by TSCL. “Switching to the chained CPI would mean the erosion in the buying power of Social Security benefits would occur at faster rates than is already occurring today,” says Johnson. “That puts retirees at higher risk of depleting retirement savings more quickly than expected, going into debt, and going without.” According to Johnson’s analysis, if the proposal were to take effect this year, average benefits would be about \$35 per month lower by 2026, and about \$92 per month lower in 20 years.

Some policy analysts argue that the “chained” CPI is more accurate, but the Congressional Budget Office has stated that using that index has limitations. Unlike the conventional consumer price index in which final data from one month to the next is available in about two weeks, final data for the chained CPI isn’t available until well over a year and a half. “That means preliminary estimates that are subject to error would have to be used for indexing,” Johnson explains.

“Let’s have some discussion about what the government would actually be measuring,” Johnson says. “It would not be direct measurement of the growth in the

costs of specific goods and services as is the case under the conventional CPI,” she says. “Yet that’s what most people think of when we talk about inflation,” she says. According to the Congressional Budget Office, the chained CPI measures the amount of additional resources that an individual would need to maintain the same standard of living this year as last year. “That’s not the same thing, especially for people dependent on fixed incomes,” Johnson notes.

“A COLA that reflects real cost changes is essential, and of far greater value for protecting income in retirement than a measure that reflects how people are forced to reduce their standard of living when costs rise,” Johnson says. “One gives a modest boost, the other would tend cap the growth in Social Security benefits over time.”

The proposal to switch to the chained CPI has come up numerous times during past budget negotiations over lifting the federal debt limit. Most recently the proposal appeared last December in a 2016 House bill that would reform Social Security, and in an alternate fiscal year 2017 budget proposed by the Republican Study Committee. The proposal remains a key provision of debt reduction plans, because so many federal benefit programs and the tax code are adjusted using the CPI. The CPI-U has recently been proposed to index Medicaid payments in the Senate health bill. Economists have estimated that adopting the chained CPI would cut Social Security by [\\$420 billion](#) over ten years.

The Congressional Budget Office recently issued [a report](#) stating that the federal budget will hit the debt limit and run out of cash early to mid-October. Some Congressional leaders have said they would like to vote on the budget and upcoming debt limit negotiations prior to the August recess. TSCL is fighting the proposal through national efforts from grass roots activists. To learn more, visit www.SeniorsLeague.org.

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