



CHAINED CONSUMER PRICE INDEX

BACKGROUND: As a method to reduce the federal deficit, Congress is considering changing the way Cost of Living Allowances (COLAs) are calculated for all types of Social Security benefits: disability, retirement, and survivor benefits. COLAs are annual increases to monthly Social Security benefits that aim to offset the negative effect of inflation on fixed incomes.

COLAs are currently calculated using the Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers (CPI-W). Simply put, this index tracks the price of a constant sampling of goods over time. The Social Security Administration then uses the index to make a yearly adjustment to benefits.

A Chained CPI would change goods in the sampling based on price. For example, if an apple is in the sampling and the price of apples rises, the apple would be replaced with a lower-cost fruit. Chained CPI results in a lower index figure which results in lower COLAs.

THE HARMFUL IMPACT CHAINED CPI COULD HAVE ON SOCIAL SECURITY BENEFITS

- *Chained CPI is an inaccurate measure of inflation as it relates to the elderly population.* Most senior citizens have modest incomes and already choose lower-priced goods when they can.¹ However, seniors devote a substantial portion of their income to costs associated with medical care, housing, and utilities.² These costs do not have lower price alternatives. Using Chained CPI in place of CPI-W would result in lower yearly COLAs, resulting in reduced benefits over time.³
- *The Consumer Price Index for the Elderly (CPI-E) is the most accurate measure of inflation as it relates to the elderly population.* Although it is not currently used to calculate COLAs, the Department of Labor, Bureau of Labor Statistics has been calculating CPI-E since the early 1980s.⁴ Research by the AARP shows that CPI-E is on average at least 0.20% higher than CPI-W.⁵ COLAs are already not keeping pace with inflation specific to seniors. Therefore, if Chained CPI were used to calculate COLAs for Social Security Retirement Income, COLAs could be as much as 0.55% lower than they would be if CPI-E were used.

¹ See Chained CPI for Social Security Not More Accurate for Seniors, David Certner, AARP Blog, Feb. 21, 2013.

² See generally Consumer Price Index for the Elderly, Bureau of Labor Statistics, Mar. 2, 2012, available at: http://www.bls.gov/opub/ted/2012/ted_20120302.htm.

³ It is estimated COLAs would be reduced as much as 0.35% See generally Washington's Sneakiest Plan for Deficit Reduction, Matthew Yglesias, Slate.com, Dec. 30, 2012.

⁴ *Id.*

⁵ Chained CPI for Social Security Not More Accurate for Seniors, David Certner, AARP Blog, Feb. 21, 2013.



- *In addition to harming seniors, using Chained CPI to calculate COLAs would harm those receiving disability and survivors' benefits as well. The Social Security Administration provides benefits to qualified individuals who become disabled before they reach retirement age and family members of deceased individuals.⁶ This includes benefits for veterans and their families. These benefits receive yearly COLAs that would be reduced by the use of Chained CPI.*
- *If Chained CPI is used to calculate COLAs, Social Security benefit recipients would experience reductions in benefits over time. This means a beneficiary receiving \$20,000 a year in benefits would see their benefits reduced by \$2,000 over 10 years.⁸*

CONCLUSION: The IBEW opposes any proposal to use Chained CPI to reduce Social Security benefits. Social Security benefits are earned by IBEW members who pay into the Social Security system over the course of their working careers. While most IBEW members are fortunate and have a pension, many other Americans do not. Any decrease in Social Security benefits would have a negative impact on IBEW members, senior citizens, veterans, and the families of deceased individuals. Cutting Social Security benefits is no way to address the budget deficit.

⁶ See Social Security Administration, Benefits Planners, available at: <https://ssa.gov/planners>.

⁸ See Chained CPI for Social Security Not More Accurate for Seniors, David Certner, AARP Blog, Feb. 21, 2013.

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