

STRENGTHEN SOCIAL SECURITY

...don't cut it.

October 11, 2011

The Honorable Patty Murray, Co-chair
The Honorable Jeb Hensarling, Co-chair
Joint Select Committee on Deficit Reduction
824 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Murray and Representative Hensarling:

The Strengthen Social Security Campaign – a diverse coalition of over 320 national and state organizations representing over 50 million Americans – urges you not to consider any cuts to Social Security, as you decide what to include in a deficit-reduction package. This would include changes to the way cost-of-living adjustments (COLAs) would be calculated, which would result in benefit cuts to Social Security, SSI, Veterans and other federal programs.

As you know, Social Security has not added a penny to the deficit. It, by law, cannot because it is self-financed, can only pay benefits if it can fully cover the costs, and has no borrowing authority. Social Security's long-range funding shortfall should be closed, but this is best done outside the context of your committee's deficit negotiations. Including Social Security in deficit-reduction legislation – even if it is stated that the changes are done for solvency purposes and all savings will be held in Social Security's trusts – will reinforce the widespread perception that Social Security is being stolen to fund other government programs or to mask the true size of the deficit.

We are opposed to changing the formula used to calculate the Social Security COLA from the current CPI-W to the chained CPI because:

- It violates promises made by many members of Congress that changes made to Social Security would not affect the 55 million existing Social Security beneficiaries or those nearing retirement;
- The weight of evidence shows it is a less accurate measure of the impact of inflation on persons receiving disability, retirement and aged widow(er)s benefits;
- It would result in significant benefit cuts over a beneficiary's lifetime, which would undermine the economic security of tens of millions, many of whom can just get by on the program's already modest benefits; and
- It violates the principle of shared sacrifice, as the programs most affected serve middle- and lower-income Americans, and the increased tax revenue is regressive.

We believe the COLA should accurately reflect the impact of inflation so that benefits keep pace with rising costs. Benefits should not erode over time. Unfortunately, the weight of evidence is that for years the current COLA underestimates higher cost increases faced by seniors and people with disabilities. That is why we urge the adoption of the Bureau of Labor Statistics' CPI-E for calculating the COLA, which is designed to measure the inflation experienced by seniors.

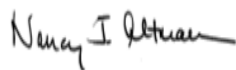
The chained CPI would be harmful to the well-being of older Americans, veterans and beneficiaries with disabilities. A typical worker who retired at age 65 would lose \$1,000 a year by age 85, according to data from the Social Security Chief Actuary. New disabled worker beneficiaries would face similar cuts within Social Security. A disabled veteran who started receiving VA disability benefits at age 30 would have his or her benefits reduced by nearly \$2,300 at age 65. Also, if applied to SSI, the percentage impact on benefits would be even greater due to the structure of the current SSI program.

Nor would use of the chained CPI amount to shared sacrifice. Over two-thirds of the revenue generated by adopting it government-wide comes from middle-class and low-income spending programs, with over half the total revenue coming from Social Security. Only about one-third comes from increased taxes, which are regressive coming disproportionately from lower- and middle-income taxpayers.

Voters do not support cutting Social Security to address the federal deficit, nor do they support a COLA cut. In an October 2011 bipartisan poll conducted by Lake Research Partners and American Viewpoint, by a margin of 77 percent to 17 percent likely voters opposed cutting Social Security benefits to reduce the deficit. By a margin of 66 percent to 22 percent, they opposed reducing COLA increases for beneficiaries now and in the future.

Again, we urge you to leave Social Security out of any deficit-reduction plan you develop. Social Security is projected to run a \$69 billion surplus in 2011, has an accumulated reserve of \$2.7 trillion, and it can pay all benefits in full and on time for the next quarter of a century. Social Security's projected long-term shortfall is manageable in size and still decades away. We urge Congress to address it after your committee has concluded its work. It should be done through the normal legislative process with full participation of the American people, as it has always been done.

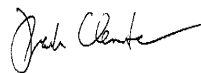
Sincerely,



Nancy Altman
Campaign Co-Chair



Eric Kingson
Campaign Co-Chair



Frank Clemente
Campaign Manager



Alex Lawson
Executive Director
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