

Joseph A. Beaudoin
National President

Paul H. Carew
National Vice President



Elaine C. Hughes
National Secretary

Richard G. Thissen
National Treasurer

December 17, 2012

United States Congress
Washington, DC 20515

Dear Member of Congress,

On behalf of the five million federal employees and annuitants represented by the National Active and Retired Federal Employees Association (NARFE), I respectfully urge you to oppose a switch to the “chained CPI” to determine annual cost-of-living adjustments (COLA) to federal civilian and military retirement annuities, veterans’ benefits, disability insurance benefits and Social Security benefits. Proposals to substitute a chained CPI calculation for the current index (CPI-W) are unfair and will reduce significantly earned retirement benefits.

Proponents of the chained CPI often obscure the reductions in benefits by characterizing the chained CPI as a more accurate measure of inflation than the current index, referring to the move to the chained CPI as a “technical adjustment.” But both the current index and the chained CPI fail to accurately reflect the costs most seniors face. Notably, they do not account for how much more seniors spend on health care, the cost of which continues to outpace inflation of other consumer goods. But measures that do this, notably the CPI-E, which monitors average consumer prices for Americans 62 years of age or older, would result in higher cost-of-living adjustments – perhaps a sign that moving to the chained CPI is going in the wrong direction.

While the short-term reduction in benefits may be modest, the long-term reduction will be substantial. In 30 years, when many current beneficiaries will still be alive, retirement income from these sources will be 9.2 percent lower. For example, the average 65-year-old retiree, receiving about \$15,000 in Social Security benefits after earning an average income of about \$43,000, would need to have saved an additional \$28,000 to account for the lost future income.

In addition to lowering retirement income, using the chained CPI to measure inflation would increase taxes on lower- and middle-income taxpayers. According to a Joint Committee on Taxation report, by 2021, the tax liability for those with incomes between \$10,000 and \$20,000 would increase by 14.5 percent, and by 3.5 percent for incomes between \$20,000 and \$30,000, while those with incomes of \$1 million and above would see an increase of only 0.1 percent. In short, the chained CPI hits our nation’s most vulnerable twice.

National Active and Retired Federal Employees Association

www.NARFE.org | 606 N. Washington Street, Alexandria, VA 22314 | **phone** 703-838-7760 | **fax** 703-838-7785

Federal Workers Protect America’s Heartbeat



Show your support at www.PROTECTAmericasHeartbeat.org

Joseph A. Beaudoin
National President

Paul H. Carew
National Vice President



Elaine C. Hughes
National Secretary

Richard G. Thissen
National Treasurer

The impact of these combined changes would fall hardest on those who live the longest, as their savings dwindle, and on those whose sole source of retirement income is from their government benefit, including many receiving civilian or military retirement annuities.

For these reasons, I urge you to oppose proposals to base COLAs for federal civilian retirement annuities and Social Security benefits on the chained CPI. If you have any questions or concerns, please contact Jessica Klement on my staff via e-mail at jklement@narfe.org or phone at 571-483-1264.

Sincerely,

A handwritten signature in black ink that reads 'Joseph A. Beaudoin'.

Joseph A. Beaudoin
National President

National Active and Retired Federal Employees Association

www.NARFE.org | 606 N. Washington Street, Alexandria, VA 22314 | **phone** 703-838-7760 | **fax** 703-838-7785

Federal Workers Protect America's Heartbeat



Show your support at www.PROTECTAmericasHeartbeat.org