Sample Questions You Can Expect to Receive from Members of Congress and/or their Staff

What is NARFE?

NARFE is the National Active and Retired Federal Employees Association. We represent over 5 million federal employees, retirees and their survivors, and defend the earned pay, health and retirement benefits of these middle-class Americans.

What did you do when you worked for the government?

The 2012 CBO Study showed that federal employees are over-compensated when compared to private-sector employees. Maybe a pay freeze or reduction in benefits is a good thing because it will even things out.

The CBO study showed that the most highly educated federal employees are paid 23 percent less than their private-sector counterparts. And when you look at complete compensation, they are earning 18 percent less. Across-the-board solutions will only harm recruitment and retention of the best and brightest employees – especially in highly educated and most sought-after fields. And it is not accurate to compare lower paid employees with their private-sector counterparts. The administrative assistant at the CIA has to go through a background check. The CBO study does not take into account level of job responsibility, specialized training and the length of tenure with an employer – all of which are taken into account by employers when setting pay.

Further, according to the Bureau of Labor Statistics (BLS), which looks at similar jobs and not individuals, the pay gap between private-sector workers and federal workers has increased 8.8 percent over the past four years – mainly because of the three-year pay freeze. Meanwhile, the cost of goods has gone up 8.7 percent in the United States. The pay gap, according to the BLS, is now over 35 percent

What is the Chained CPI?

The Chained CPI is a different way of calculating the annual cost-of-living adjustment (COLA) provided to Social Security recipients, federal retirees, military retirees, veterans' beneficiaries and recipients of disability benefits. COLAs allow for seniors and retirees to maintain their buying power.

The CPI, or consumer price index, is calculated by the Bureau of Labor Statistics every month. Currently, COLAs are determined based on the CPI-W, or Consumer Price Index for Urban Wage Earners and Clerical Workers.

The “chained” part of Chained CPI assumes that people will change their buying habits when the cost of goods rise and, therefore, inflation isn’t as high as measured by the BLS. For example, if the price of beef rises substantially, people might buy more chicken.

Why the suggested switch?

Supporters of the Chained CPI argue that it is a way for the government to save money, prolong the solvency of Social Security and reduce the deficit because it is a more accurate measure of the cost of living. They say it assumes that shoppers will buy less expensive substitutes for items.

However, most seniors and people on fixed incomes have already “substituted” all that they can. Additionally, Americans over age 62 pay, on average, 12 percent of their income on health care – verses 5 percent for those under age 62. If a medication rises in price, a senior on a fixed income cannot substitute for another medication – they will have to go without.

Why does NARFE oppose the switch to the Chained CPI?

NARFE opposes the Chained CPI because the *current* method doesn’t even account for how seniors spend their money, and the Chained CPI only exacerbates that problem. Since the CPI-W measures the spending habits of workers under age 62, the things seniors spend most of their money on aren’t accurately accounted for, such as medications and doctor bills. The Chained CPI would hurt seniors even more.

It is estimated that the switch to the Chained CPI will reduce COLAs by 0.3 percent every year, which at first seems like a small number. But it has a very real snowball effect. If my COLA is reduced this year, then next year and the year after, not only is the COLA itself lower because of the Chained CPI, but the compounding effect makes for an even smaller COLA. For example, a person living on a $15,000 annuity – or the average Social Security benefit – would lose $700 over the course of five years. But over 10 years, their annuity would be reduced by $3,000. Undoubtedly, this would mean they would have to make cuts to their spending.

Who would be impacted by the move to the Chained CPI?

Anybody who is receiving or will receive a Social Security check or an annuity from the government as a result of being a federal worker or having served in the military would be

affected. Disabled veterans' and Social Security Disability benefits are also tied to the CPI. These individuals tend to receive their benefits for a longer period of time, meaning that the compounding hits them the hardest.

There are also tax implications. The CPI is used to adjust tax brackets every year, and a switch to the Chained CPI would mean people would move between tax brackets faster. This would hit lower- and middle- income workers the hardest – making it harder to save money for retirement. According to the Joint Committee on Taxation, people with incomes between $20,000 and $30,000 a year would see their tax liability go up by 3.5 percent. Those with incomes above $1 million would only see an increase of 0.1 percent.

The President suggested the Chained CPI, so you should be reaching out to the White House or members of the President's party?

The Chained CPI has been around as an idea for years, but it really first gained traction as part of the recommendations by the Simpson-Bowles Commission. The President included it in his budget for FY14 but the change has to go thru the legislative process, which is why we are speaking with you now.

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