

January 31, 2023

Representative John Garamendi
2004 Rayburn HOB
Washington, DC 20515

Dear Representative Garamendi,

On behalf of the National Active and Retired Federal Employees Association (NARFE), which is dedicated to advancing the interests of the more than 5 million federal employees and retirees, as well as their spouses and survivors, I write to provide NARFE's endorsement of the Fair COLA for Seniors Act. NARFE thanks Rep. John Garamendi, D-CA, for introducing this legislation, championing the effort to provide our nation's retirees with fair and accurate cost-of-living adjustments (COLAs).

The premise of the Fair COLA for Seniors Act is simple: Retirees should receive annual cost-of-living adjustments that accurately account for their spending habits. This legislation does so by requiring the use of the Consumer Price Index for the Elderly (CPI-E) to calculate COLAs, a price index specifically made for Americans age 62 and older. Currently, COLAs for Social Security beneficiaries, federal annuitants, military retirees and certain veterans' benefits are calculated using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). However, this index fails to account for seniors' spending habits, notably that of health care.

Seniors spend more on health care – nearly double the average spending of the general population. While health care accounts for about 12 percent of spending for those aged 62 and older, it accounts for only 8 percent of spending for the general population.¹ Meanwhile, health care costs have been rising faster than other goods. Since 2000, medical care prices have increased by 120 percent, while overall prices have increased by just 76 percent.² It only makes sense that more weight should be given to the cost of health care when determining COLAs for our nation's seniors, and that is exactly how CPI-E operates. That is why NARFE supports making a change to CPI-E, as it would more accurately track the spending habits of seniors in comparison to the broad category of urban wage earners.

NARFE would also like to highlight the Fair COLA for Seniors Act's inclusion of federal annuities in its proposed change to CPI-E, as they are often forgotten during debates regarding Social Security. Federal retirees in the Civil Service Retirement System (CSRS) retirees receive annuities outside of Social Security, and Federal Employees Retirement System (FERS) receive smaller annuities separate from their Social Security

¹ Government Accountability Office, "RETIREMENT SECURITY: Alternate Price Indexes for Cost-of-Living Adjustments Present Tradeoffs," www.gao.gov/assets/700/696617.pdf, p. 13.

² These percentage increases reflect the change in the CPI-W index for medical care and the CPI-W index for all items, respectively, in the U.S. city average from January 2000 to December 2022.

benefits. This bill treats federal retirees fairly by ensuring they are not left out from more accurate COLAs.

For these reasons, NARFE proudly endorses the Fair COLA for Seniors Act. If you have any questions or concerns, please contact NARFE Staff Vice President for Policy and Programs John Hatton at jhatton@narfe.org.

Sincerely,

A handwritten signature in black ink, appearing to read "William Shackelford". The signature is fluid and cursive, with the first name "William" being more legible than the last name "Shackelford".

William Shackelford
NARFE National President