



OPPOSE THE CHAINED CPI: A Benefit Cut that Hurts Women

Women, especially, are at a disadvantage because of a lifetime of pay discrimination which reduces their ability to save for retirement and they usually have less income from pensions, assets and earnings. Social Security is the largest source of income for most older women – for a substantial number of senior women it is their only source of income. The chained CPI would cut thousands of dollars from their already modest Social Security retirement and disability benefits.

Truly Harmful Proposal - A change to the Cost of Living Allowance (COLA) formula used in benefit calculations under Social Security and for other government benefits has been heavily promoted in recent years. Corporate interests, conservative politicians and budget hawks in the White House have pushed use of the chained Consumer Price Index in order – they say – to reduce federal outlays under so-called entitlement programs. The chained CPI relies on a different method for calculating the cost of living as affected by inflation and produces a smaller COLA; applying the chained CPI to Social Security and other government benefits would result in deeper cuts over time. The **National Organization for Women** opposes this change because it will harm the most vulnerable in society: elderly women, persons with disabilities, veterans who also receive disability benefits and lifetime low-income earners, many of whom are from communities of color.

Hitting the Oldest Hardest - Briefly, the 'chained' Consumer Price Index (CPI) would reduce the COLA by about 0.3 percentage points per year. This doesn't seem like a big cut, but it grows over time. The cumulative effect of such a change would mean \$672 less annually at age 80 and \$1,212 less each year at age 95 and older for women at the median benefit level of \$1,100 monthly. Translated to a typical senior woman's benefit: the benefit cut for a woman at age 80 would mean losing one week's worth of food per month and for women aged 95 and older, the loss would be nearly 13 days' worth of food per month! Read more at: <http://www.nwlc.org/chained-cpi-what-it-and-what-it-means-women>

Social Security Income is Critically Important – Even though benefits are comparatively modest, Social Security is the largest source of income for women aged 65 and older, with women receiving \$10, 418 on average from Social Security in 2011. As women age (75 and over), their total income from savings, pensions, assets and earnings dramatically declines, with Social Security accounting for 58 percent, according to a study by the Institute for Women's Policy Research (IWPR). Overall, Social Security provides 100 percent of income for 26 percent of White women, 40 percent of Black women, and 45 percent of Hispanic women. More details are at: <http://www.iwpr.org/publications/pubs/the-importance-of-social-security-in-the-incomes-of-older-americans-differences-by-gender-age-race-ethnicity-and-marital-status>

Caregiving Means Less Income in Retirement - The vast majority of women have taken time out of the paid workforce to raise children or care for a dependent relative, foregoing income during critical years to provide this valuable service to society. Due to a lagging economy, many workers have retired early and therefore had to take lower Social Security benefits so they will now have less in retirement. For women workers, less Social Security income if the chained CPI is adopted may mean living out their "golden years" in near poverty.

Chained CPI Not More Accurate - Contrary to some claims, the chained CPI is not a more accurate measure of inflation as it fails to take into account the rising costs of health care which especially impacts seniors. Because women on average live longer than men, are poorer and have higher health care costs, the result of less income over time will be very harsh, reaching as high as 9.2 percent less in Social Security benefits. Adoption of the chained CPI would mean the difference for many seniors between having sufficient food or paying for medication and other essential items each month.

Retirement Insecurity – Why some politicians are considering this ill-advised change that would hurt the most vulnerable in society is a question worth asking. The nation is facing an historic retirement funding crisis with a looming \$6.6 trillion gap. Some 76 million baby boomers are retiring and only one in ten say they are financially prepared. Low- and middle-income families were hit hard by the recession, losing home values and seeing retirement savings eroded. Defined contribution plans, like 401ks, which many workers are relying on are not accumulating amounts sufficient for an economically secure retirement.

Greed and Deception at Play - Corporate CEOs want the benefit reductions because their companies will have to pay less in Social Security payroll taxes, 6.2 percent matched with employees' 6.2 percent. This is a modest tax – which polling finds that most taxpayers across the political spectrum support and say that they would pay more in order to receive improved benefits. With corporate earnings at an all-time high, the greed factor here is obvious. Conservatives and some moderate lawmakers advocate for benefit cuts claiming that the federal deficit has to be cut. The truth is that Social Security has *nothing* to do with the federal deficit; all Social Security benefit payments come from a *separate* Social Security Trust Fund. Also, lower Social Security benefits would undermine public faith in the program and likely open to the door to privatization – which would be disastrous.

NOW Recommends CPI-E - The National Organization for Women opposes the switch to a chained CPI and endorses an improved measure of inflation -- the CPI-E -- that takes into account the effects on seniors' living expenses, including ever rising health care costs. There is no valid reason to be cutting Social Security benefits as funding is drawn from the Social Security Trust Fund – not the General Fund. The Trust Fund has enough finances to pay all benefits through 2033 and by lifting the cap on taxable income (\$117,000 in 2014) the long-term funding problem is solved.

Enhance Benefits Instead of Cutting - We further advocate that lawmakers seriously consider the need to improve Social Security benefits. The National Organization for Women Foundation, with the National Committee to Preserve Social Security and Medicare and the Institute for Women's Policy Research, released a report to both strengthen those benefits and address the system's long-term solvency needs through a modest increase over time in the payroll tax rate and lifting the cap on taxable income – changes that polls show are supported by a majority of the public. Our recommendations in **Breaking the Social Security Glass Ceiling: A Proposal to Modernize Women's Benefits** can be found at <http://now.org/wp-content/uploads/2014/08/Breaking-the-Social-Security-Glass-Ceiling-A-Proposal-to-Modernize-Womens-Benefits.pdf>

Better Benefits for Caregivers, Same-sex Couples, Low-Income Workers – More recently another report that addresses the need for improving benefits for economically-vulnerable groups was produced by the Older Women's Economic Security Task Force of the National Council of Women's Organizations which NOW co-chairs with the Institute for Women's Policy Research (IWPR) and the Center for Community Change. The report, **Improving Social Security to Enhance Economic Security for Vulnerable Populations**, outlines five proposals that would especially help women, low-income persons, and same-sex couples—three significant groups that are at risk for economic insecurity as they age. Chief among the proposals is a new “caregiver credit” that would assure that persons who take an extended time off to care for a loved one do not lose Social Security benefits. Other great ideas include raising Social Security benefits across-the-board to more accurately reflect the cost of living and increasing the minimum benefit to 125 percent of the poverty line to workers earning the lowest wages. More information is at: <http://www.iwpr.org/initiatives/retirement-social-security/>