

SOCIAL SECURITY

FACT SHEET

Switching to the Chained CPI Means Painful Cuts to Social Security Benefits - Especially for Women

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The chained CPI is not more accurate – it's just a benefit cut.

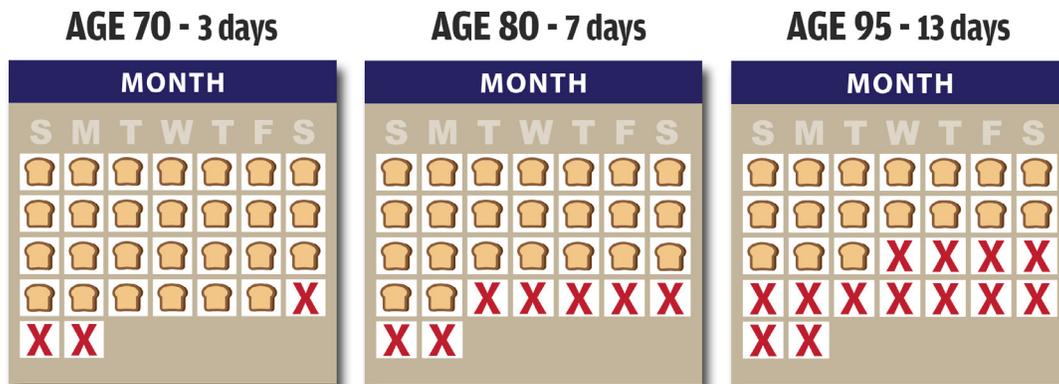
- The Bowles-Simpson report and some other deficit reduction plans propose switching to the chained Consumer Price Index (CPI) to calculate the annual cost-of-living adjustment (COLA) for Social Security and other benefits. This would result in a smaller COLA compared to Social Security's current inflation index, the CPI-W. It would reduce the value of Social Security benefits by about 0.3 percent each year.¹
- The CPI-W already underestimates inflation for the elderly and people with disabilities because it doesn't account for their higher health care spending. On average, the CPI-W understated inflation from 1983-2011 by more than 0.2 percentage points per year compared to the CPI-E, a CPI for the elderly developed by the Bureau of Labor Statistics.² The chained CPI would make this underestimation worse.

The cuts from the chained CPI get deeper every year.

- The cuts from the chained CPI are cumulative: the longer an individual receives benefits, the deeper the percentage reduction. By age 70, the value of monthly benefits would be 2.3 percent lower than under current law; by age 80, 5.1 percent lower; by age 95, 9.2 percent lower.³
- The oldest beneficiaries and individuals who are disabled at an early age would experience the deepest cuts from switching to the chained CPI.

Cuts from the chained CPI mean less money for food and other basic needs.

- The median Social Security benefit for single women 65 and older is just \$1,100 per month (\$13,200 annually). For an individual who receives a monthly



benefit of \$1,100 per month at age 65, the chained CPI would reduce benefits by \$56 per month (\$672 annually) at age 80 and \$101 per month (\$1,212 annually) at age 95.⁴

- The average weekly cost of food for a single elderly person is about \$56. Thus, a benefit cut of \$56 per month is equivalent to the loss of one week's worth of food each month by age 80. By age 95, the loss would be equivalent to almost 13 days' worth of food each month.⁵

The chained CPI would cut benefits for today's beneficiaries.

- The benefits of all beneficiaries are adjusted every year inflation increases. Switching to a new index for calculating the COLA will affect everyone receiving Social Security benefits as soon as it goes into effect, including current retirees and those close to retirement; children, widows, and widowers; people with disabilities, and veterans.
- Switching to the chained CPI would also cut Supplemental Security Income benefits for individuals who are poor and elderly or living with disabilities. SSI beneficiaries would get a double reduction from the chained CPI because the SSI COLA is applied to the Federal Benefit Rate which serves as the basis for

calculating both initial and subsequent benefits. Thus someone who receives her first SSI check ten years after adoption of the chained CPI would experience the impact of ten years of an inadequate COLA in her very first check, as well as a reduction every year thereafter.

Switching to the chained CPI would be especially painful for women.

- Women live longer than men, so are more likely to experience larger percentage reductions in benefits from the chained CPI. At age 65, women are 1.6 times as likely as men to live to 90 and twice as likely to live to 95.⁶
- Women rely more on Social Security, especially as they age, so the same percentage cut to Social Security represents a larger share of their total income. Social Security is virtually the only source of income for about 38 percent of women age 80 and older compared to 28 percent of men age 80 and older.⁷
- Elderly women are far more likely to be poor than their male counterparts. The poverty rate for single female beneficiaries 80 and older is 16.2 percent, compared to 9.4 percent for single male beneficiaries 80 and older.⁸
- Women are more than two-thirds of those who receive Supplemental Security Income (SSI) because they are over age 65 and poor.⁹

1 Social Security Administration, Office of the Chief Actuary, Letter to Representative Jason Chaffetz (November 2011), available at http://www.ssa.gov/oact/solvency/JChaffetz_20111109.pdf.

2 NWLC calculations of Bureau of Labor Statistics, Consumer Price Index Databases, available at <http://stats.bls.gov/cpi/data.htm>, (last visited Oct. 5, 2012) and unpublished Bureau of Labor Statistics data. Figure calculated by taking the average of the difference between the annual average CPI-W and CPI-E.

3 These examples assume the chained CPI was in effect from the time the individual first became eligible for benefits.

4 Joan Entmacher and Kate Gallagher Robbins, National Women's Law Center, *Cutting the Social Security COLA by Changing the Way Inflation Is Calculated Would Especially Hurt Women* (June 2011), available at <http://www.nwlc.org/resource/cutting-social-security-cola-changing-way-inflation-calculated-would-especially-hurt-women>. Figures are in 2010 dollars.

5 NWLC calculations based on Wider Opportunities for Women, The Elder Economic Security Initiative (March 2012), available at <http://www.wowonline.org/documents/EESINationalFactSheetJuly2012FINAL.pdf>.

6 Elizabeth Arias, *United States Life Tables, 2008*, 61 National Vital Statistics Reports 3, (Sept. 2012), available at http://www.cdc.gov/nchs/data/nvsr/nvsr61/nvsr61_03.pdf.

7 U.S. Social Security Administration, *Income of the Population 55 or Older, 2010* (March 2012), available at http://www.ssa.gov/policy/docs/statcomps/income_pop55/ at Table 9.B2: Percentage distribution of persons in beneficiary families, by income source, sex and age, 2010.

8 NWLC calculations based on Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010 for Current Population Survey, 2012.

9 Social Security Administration, *SSI Annual Statistical Report, 2011* (Sept. 2012), available at http://www.socialsecurity.gov/policy/docs/statcomps/ssi_asr/. Federally Administered Payments, Table 5: By type of payment, sex, eligibility category, and age, December 2011.