SHELDON WHITEHOUSE

★ ★ ★ ★ United States Senator for Rhode Island

"I made a promise to the people of Rhode Island that I would always oppose cuts to Social Security, and I'm going to keep that promise. The so-called 'chained CPI' proposal included in President Obama's budget is nothing more than a benefit cut disguised behind technical jargon."

-Senator Sheldon Whitehouse

BACKGROUND

On April 10, President Obama unveiled his budget proposal for fiscal year 2014. While the budget contained many good measures, such as investing in infrastructure, implementing the Buffett Rule for tax fairness, and replacing the harmful sequester cuts, it also included a proposal that would cut Social Security benefits over time. Referred to as "chained CPI," the plan would change the formula the government uses to calculate annual cost-of-living adjustments (COLAs), making an already-inadequate formula even less generous.

WHAT IS CHAINED CPI?

Under current law, Social Security benefits automatically increase to keep up with inflation. These annual COLAs are calculated using the "consumer price index," or CPI. Senator Whitehouse and others have argued that the current CPI shortchanges seniors by placing too much emphasis on products that seniors are less likely to buy, like smartphones and computers. Indeed, in 2010 and 2011, seniors did not receive a COLA at all, even though prices rose on the basic necessities they buy, including:

Item	Percent Increase 12/2009-12/2010	Percent Increase 12/2010-12/2011	COLA for Seniors 2010 & 2011
Food and Beverages	1.5%	4.5%	0.0%
Medical Care	3.3%	3.5%	0.0%
Gasoline	13.8%	9.9%	0.0%
Fuel Oil (household use)	13.5%	14.3%	0.0%

[Bureau of Labor Statistics, 12/2010 & 12/2011].

"Chained CPI" uses a different way to calculate price changes, assuming consumers will alter the types of goods they buy as prices rise. Seniors on fixed incomes have little ability to shift their buying habits, and the lower COLAs that "chained CPI" would produce would cut into already-tight budgets.

EFFECT ON SENIORS

While effects of chained CPI would be small each year, they would compound and become significant over time. For seniors retiring over the next few years, chained CPI would cut benefits by:

Age of Senior	Percent Benefit Cut Under Chained CPI	Total Annual Benefit Cut Under Chained CPI
75	3.7%	$658
85	6.5%	$1,147
95	9.2%	$1,622

[Social Security Chief Actuary, 6/21/11; Social Security Works, 2/2013].