

STRENGTHEN SOCIAL SECURITY

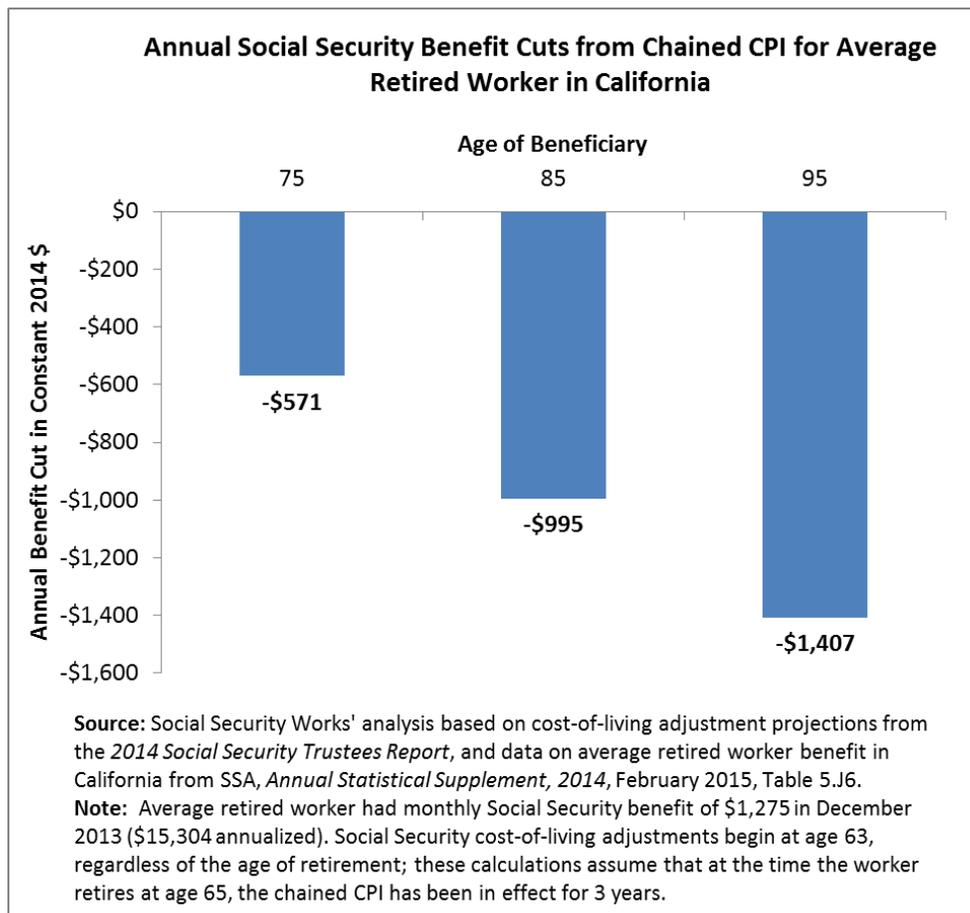
...don't cut it.

Chained CPI Would Harm Veterans and Social Security Beneficiaries in California

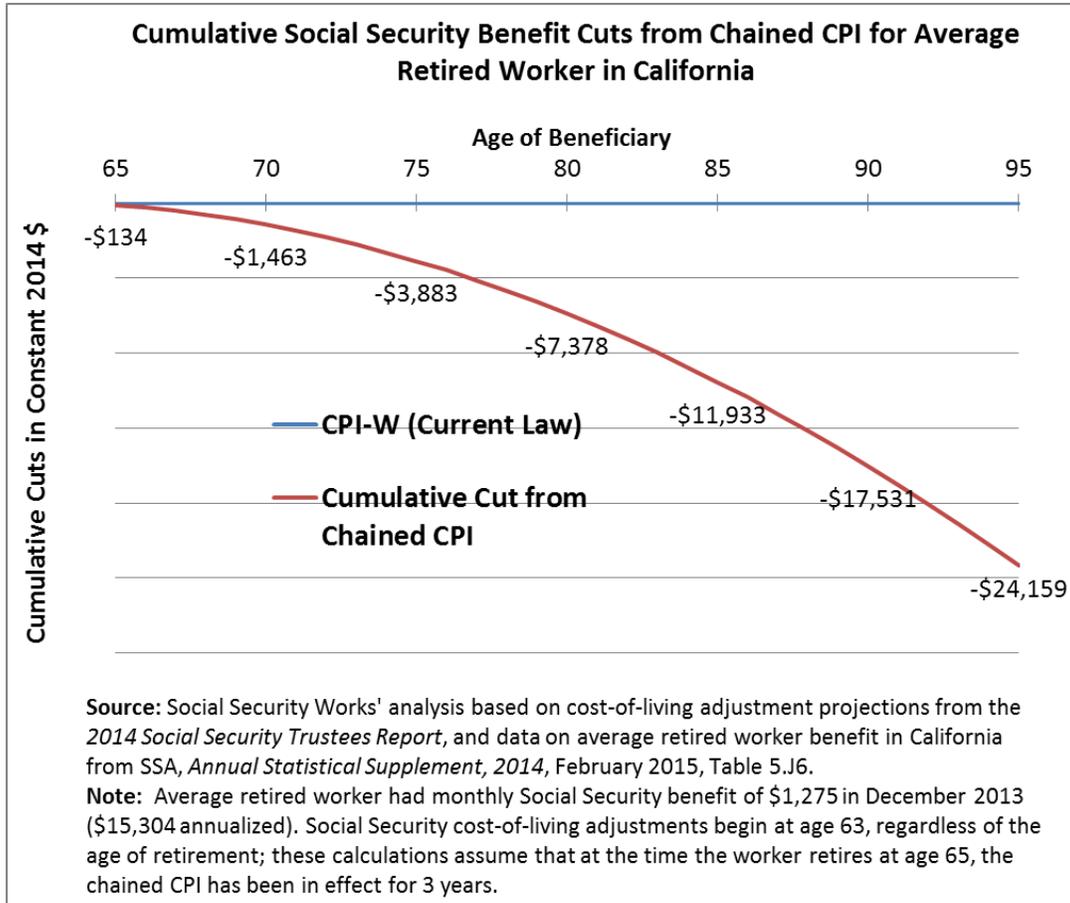
As we celebrate the 79th anniversary of our Social Security system, some politicians in Washington are proposing to cut benefits for veterans and Social Security beneficiaries in California by changing the formula used to calculate cost-of-living adjustments (COLAs). The stingier formula, known as the chained CPI, would significantly cut the benefits of all current and future Social Security beneficiaries, including retired and disabled veterans. Veterans would be hurt most of all, given that other benefits veterans receive – in addition to their Social Security benefits – would also be cut by the chained CPI.

Chained CPI's Social Security Cut Targets Oldest Old and Long-Term Disabled

If Congress cuts Social Security benefits with the chained CPI, Californians' hard-earned benefits would decline substantially over time. The average earner retiring at age 65 would get a \$571 annual cut at age 75, a \$995 cut at age 85, and a \$1,407 cut at age 95.¹



Cumulatively, the average California worker’s benefits would be cut by \$3,883 by age 75, \$11,933 by age 85, and \$24,159 by age 95. These proposed COLA cuts would have their biggest impact when benefits are needed the most, in very old age or when someone has been receiving disability benefits for many years.



Nearly 1 in 7 Californians (14.1 percent) – 5,414,499 residents – receive Social Security,² and about two-thirds of seniors rely on Social Security for half or more of their income.³ With an average Social Security benefit in the state of only \$13,887, Californians cannot afford to have their benefits cut.

Chained CPI Would Cut Veterans’ Benefits in California

Any cut to Social Security heavily impacts our nation’s veterans: four in ten rely on Social Security, and 35 percent of adult Social Security beneficiaries are veterans or their family members.⁴ Cutting Social Security harms California’s veterans just as it does other retired or disabled workers in California.⁵

There are 1.9 million veterans in California.⁶ In addition to receiving Social Security benefits,⁷ most veteran families also receive benefits from the Department of Veterans Affairs (VA). Many of these benefits are adjusted annually to keep pace with the cost of living. These include Veterans Disability Compensation benefits, Veterans Pension benefits, Military Retirement Pay,⁸ the Subsistence

Allowance for veterans participating in vocational rehabilitation and employment services programs, survivor annuities for deceased veterans’ family members (Dependency and Indemnity Compensation and Survivors Pension Benefits),⁹ educational allowances for veterans’ surviving family members,¹⁰ and Veterans’ Monetary Burial Benefits (a plot allowance). All of these veterans benefits would be cut if Congress were to adopt the chained CPI.

If we consider only the three largest of these benefits,

- 273,993 Californians received Veterans Disability Compensation,
- 162,678 received Military Retirement Pay, and
- 26,297 received Veterans Pension benefits in 2011.

The total value of these three benefits alone for veterans in California was \$7.3 billion in 2011. **The chained CPI would cut these benefits by about \$209.2 million over the next 10 years** – money taken out of the household budgets of those who have served our country, and money also taken out of California’s economy just as it is trying to recover from years of economic stagnation.¹¹

Chained CPI Would Harm California’s Economy

The chained CPI would harm not only California’s Social Security beneficiaries and veterans, but also its economy – on both the state and county levels. As noted above, veterans’ benefits bring over \$7.3 billion into the California economy every year, and the chained CPI’s cuts to veterans’ benefits would remove over \$209.2 million from its economy over the next 10 years, just as Californians are trying to recover from years of economic stagnation.

Social Security brought \$75.2 billion into the California economy in 2013, an amount equivalent to 4.1 percent of the state’s personal income.¹² These benefits contribute directly to economic growth and demand throughout the state, particular in rural and non-metropolitan communities, where an even larger share (24.2 percent) of the population receives Social Security.¹³ The chained CPI would reduce this income, much of which gets spent in small businesses throughout the state.¹⁴ The following table shows how much the chained CPI would cut total Social Security benefits, by county, over the next 10 years:¹⁵

Total Cuts from Chained CPI to Income in California’s Counties, 2014-23 (cumulative)

California Total (58 Counties)	\$8,309,640,846				
Alameda	\$323,099,590	Marin	\$90,453,987	San Mateo	\$190,496,294
Alpine	\$317,529	Mariposa	\$7,445,003	Santa Barbara	\$108,592,153
Amador	\$16,882,367	Mendocino	\$29,699,328	Santa Clara	\$375,443,647
Butte	\$72,280,684	Merced	\$47,348,188	Santa Cruz	\$65,105,060

Calaveras	\$20,657,573	Modoc	\$3,611,236	Shasta	\$69,596,006
Colusa	\$4,975,047	Mono	\$2,142,016	Sierra	\$1,341,688
Contra Costa	\$291,747,552	Monterey	\$86,493,990	Siskiyou	\$17,820,638
Del Norte	\$8,065,745	Napa	\$41,562,402	Solano	\$105,273,720
El Dorado	\$62,731,404	Nevada	\$42,144,104	Sonoma	\$150,436,947
Fresno	\$178,384,663	Orange	\$684,964,989	Stanislaus	\$120,362,832
Glenn	\$7,905,679	Placer	\$119,360,795	Sutter	\$22,737,125
Humboldt	\$39,449,015	Plumas	\$8,592,790	Tehama	\$22,003,165
Imperial	\$32,836,874	Riverside	\$517,428,349	Trinity	\$5,513,805
Inyo	\$6,446,870	Sacramento	\$336,486,541	Tulare	\$80,671,766
Kern	\$158,559,952	San Benito	\$12,053,071	Tuolumne	\$24,031,964
Kings	\$22,282,955	San Bernardino	\$386,944,947	Ventura	\$205,827,456
Lake	\$25,973,573	San Diego	\$693,628,052	Yolo	\$40,270,165
Lassen	\$6,707,139	San Francisco	\$177,784,742	Yuba	\$16,698,877
Los Angeles	\$1,849,166,412	San Joaquin	\$150,053,050		
Madera	\$34,548,145	San Luis Obispo	\$86,201,187		

Social Security and veterans' benefits bolster consumer demand in California's economy; cuts to these programs would weaken it.

Social Security and Veterans' Benefits Should Have the Most Accurate COLA Possible

Today's COLA already fails to keep up with living costs experienced by seniors and people with disabilities, because it under-measures the inflation experienced by these groups, by failing to account for their higher health-care expenditures. The chained CPI would lower Social Security's COLA even further, leaving many seniors and people with disabilities unable to make ends meet, particularly in their eighties and nineties, when other sources of income have been exhausted. A

better measure than current law – and certainly more accurate than the chained-CPI – is the so-called CPI-E for the elderly.

Social Security Should Be Expanded, Not Cut

In a world of stagnant wages, disappearing defined benefit pensions, and risky or inadequate 401(k) plans, Social Security is a fortress of security and reliability. With a majority of Americans facing a retirement income crisis, Congress should be taking steps to expand Social Security benefits, not cut them.

¹ These calculations assume the chained CPI has been in effect for 3 years. Percent benefit reduction under chained CPI from SSA Chief Actuary, “Effects on Social Security Financial Status and on Benefit Levels of Two Potential Modifications to the Automatic Annual Cost of Living Adjustment (COLA) Requested by Representative Xavier Becerra,” June 21, 2011. http://ssa.gov/oact/solvency/XBecerra_20110621.pdf. Average California retired worker benefit under current law from SSA, *Annual Statistical Supplement, 2014*, “Table 5.J6— Percentage distribution of monthly benefit for retired workers, by state or other area and monthly benefit, December 2013,” February 2015.

<http://www.ssa.gov/policy/docs/statcomps/supplement/2014/5j.html#table5.j6>.

² Social Security Works, “Social Security Works for California 2014,” August 2014. <http://www.socialsecurityworks.org/wp-content/uploads/2014/08/CA2014.pdf>

³ SSA, “Income of the Population 55 or Older, 2012,” Table 9A.1, April 2014.

http://www.ssa.gov/policy/docs/statcomps/income_pop55/2012/sect09.html

⁴ Anya Olsen and Samantha O’Leary, “Military Veterans and Social Security: 2010 Update,” in *Social Security Bulletin*, Vol. 71, No. 2. 2011, Social Security Administration, Office of Retirement and Disability Policy, pp. 1-2.

<http://www.ssa.gov/policy/docs/ssb/v71n2/v71n2p1.pdf>

⁵ The average benefit nationwide for a veteran receiving Social Security was about \$15,500 in 2010. Anya Olsen and Samantha O’Leary, *Ibid.*, p. 5. Calculated from average monthly benefit of \$1,289 for veterans of all ages. Benefit is in constant 2009 dollars, the most current data available. A veteran who retires at age 65 would see their benefits cut by \$577 at age 75, \$1,006 at age 85, and \$1,422 – 9.2 percent – by age 95. Analysis of data from the Social Security Administration Chief Actuary, “Effects on Social Security Financial Status and on Benefit Levels of Two Potential Modifications to the Automatic Annual Cost of Living Adjustment (COLA) Requested by Representative Xavier Becerra,” June 21, 2011. http://ssa.gov/oact/solvency/XBecerra_20110621.pdf

⁶ U.S. Census Bureau, *2009-2011 American Community Survey 3-Year Estimates*, “Selected Social Characteristics in the United States,” 2012. <http://factfinder2.census.gov/>

⁷ Many military members and their families receive monthly benefits indexed to the CPI from Social Security. As full participants in the Social Security system, military personnel are in general entitled to the same benefits and are subject to the same eligibility criteria and rules as other employees. For more see DOD Office of the Actuary, “Statistical Report on the Military Retirement System. Fiscal Year 2011,” May 2012, p. 13.

<http://actuary.defense.gov/Portals/15/Documents/statbook11.pdf>

⁸ For information on the interaction and offsets between military retired pay and VA disability payments, and on the relationship between military members and Social Security, see DOD Office of the Actuary, “Statistical Report on the Military Retirement System. Fiscal Year 2011,” May 2012, pp. 11-13.

<http://actuary.defense.gov/Portals/15/Documents/statbook11.pdf>

⁹ Dependency and Indemnity Compensation (DIC) is an annuity paid to spouses, children, and parents of service members and veterans who are deceased or totally and permanently disabled by a service-connected disability. The basic monthly rate of DIC, effective December 1, 2012, is \$1,215 for an eligible surviving spouse. The rate is increased for each dependent child, and also if the surviving spouse is housebound or in need of aid and attendance. In 2011, 355,474 surviving family members of veterans received DIC, with benefits averaging \$14,529. Nationwide, \$5.2 billion were spent on DIC benefits in 2011. Survivors Pension is a needs-based benefit paid to surviving spouses and children of wartime veterans, who meet certain age, disability, and marriage requirements. Nationwide in 2011, 201,955 surviving family members received Survivors Pension, for benefits totaling \$1.2 billion.

<http://benefits.va.gov/BENEFITS/factsheets/survivors/dic.pdf>

¹⁰ The Educational Assistance Allowance is provided under the Survivors' and Dependents' Educational Assistance Program.

¹¹ Projected cuts are based on the assumption of constant levels of total benefits paid. If the amount of benefits paid increases or decreases, the size of these cuts will be correspondingly larger or smaller.

¹² Social Security Works, "Social Security Works for California 2014," August 2014.

<http://www.socialsecurityworks.org/wp-content/uploads/2014/08/CA2014.pdf>

¹³ Social Security Works, "Social Security Works for California 2014," August 2014.

<http://www.socialsecurityworks.org/wp-content/uploads/2014/08/CA2014.pdf>

¹⁴ Social Security Works and the Main Street Alliance, "Business is (Baby) Booming. Investments in Social Security, Medicare Strengthen Retirement Security and Consumer Demand for California's Small Businesses" March 2013.

http://mainstreetalliance.org/wp-content/uploads/2013/03/CA_Business-Is-Baby-Booming-Report.pdf

¹⁵ Calculations based on CBO estimates of chained CPI cuts and SSA data on benefits by state and county. CBO, "Proposal in the President's Budget Request for Fiscal Year 2014 to Use the Chained CPI for Certain Mandatory Programs and the Tax Code Starting in 2015," May 2013.

http://www.cbo.gov/sites/default/files/cbofiles/attachments/44231_ChainedCPI_0.pdf, SSA, "OASDI Beneficiaries by State and County, 2013," July 2014. http://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2013/index.html.