



American Foreign Service Association

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December 18, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20050

Dear President Obama:

On behalf of the American Foreign Service Association (AFSA) and the 31,000 active-duty and retiree members of the Foreign Service that we represent, I ask you to protect the current method of calculating the annual cost-of-living adjustment for federal civilian and military retirees and Social Security beneficiaries.

Substitution of a “Chained CPI” calculation for the current index would not be a technical adjustment. Rather it would substantially reduce current and future benefits. While all retirees and beneficiaries would be adversely affected by the Chained CPI, those who retire at younger ages (Foreign Service, military and law enforcement retirees and the disabled), the poor and those who live the longest would be most affected.

The Chained CPI would reduce COLA increases by about 0.3 percent a year. While this may seem a small adjustment, it would compound significantly over time. The reduced COLA would cost a typical 65 year-old about \$130 a year. But by the time that senior reaches age 95, his or her benefit would be reduced by almost \$1,400 annually, 9.2 percent less that they would have received under the current COLA index.

About 40 million Americans are kept out of poverty by Social Security. Reducing their benefits would impose real hardship, particularly for the oldest and poorest. Contrary to the claims of the Chained CPI proponents, these beneficiaries would not be able to make purchasing adjustments or “substitutions.” Their choices are not between beef and chicken, but between adequate food, medical care and a decent place to live.

Because the Chained CPI would also reduce yearly tax adjustments for personal exemptions, the standard deduction, and income tax brackets, it would increase taxes, mainly for lower and middle-income taxpayers. A Joint Committee on Taxation report prepared for Congress concluded that the tax liability would increase by 14.5 percent for incomes between \$10,000 and \$20,000, 3.5 percent for incomes between \$20,000 and \$30,000 and 0.1 percent for incomes of \$1 million and above.

We urge you to protect the hard-earned benefits of federal civilian and military retirees and Social Security beneficiaries by opposing the Chained CPI. If any change were to be made in the cost-of-living calculation, it should be to develop a more realistic measurement for the elderly, one which takes into account the disproportionate amount seniors spend on health care.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan R. Johnson". The signature is fluid and cursive, with a large initial "S" and "J".

Susan R. Johnson
President