



# NRLN Focus



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## ***The NRLN Clarion Call ... The Risk in Changing Social Security's Cost-of-Living Adjustment*** By Bill Kadereit, NRLN President



When President Obama submitted his 2014 fiscal year budget to Congress in early April it included a proposal known as "chained CPI" (Consumer Price Index) that would reduce future Cost-of-Living Adjustments (COLAs) for Social Security and a number of other programs. The proposal is supported in Congress by a number of Republicans, but a number of Democrats oppose it.

Since the introduction of the chained CPI proposal in the President's budget, numerous articles and editorials—both pro and con—have been published on the subject. The NRLN, in its position paper on Social Security originally written in 2012 and updated in January 2013, opposed changing the CPI when some politicians first began talking about a switch to the chained CPI.

### **A Number of CPIs**

With all of the news reports and op-ed pieces about the CPI proposals before Congress, the subject can become confusing. The U.S. Bureau of Labor Statistics (BLS) computes several different consumer price indexes. These include the CPI-U (for all urban consumers), CPI-W (for urban wage earners and clerical workers), CPI-E (for the elderly), and C-CPI-U (chained CPI for all urban consumers).

Currently, Social Security COLAs are based on the CPI-W, which tracks the typical purchases of a sample of urban wage and clerical workers, but does not include retirees. Social Security uses this index because it was the only one that existed when the benefits were first adjusted for inflation. The chained CPI-U includes some retirees.

The theory of the chained CPI is that as prices rise, consumers will switch to less expensive products and services. The fallacy of this theory for the 58 million Americans on Social Security—70% of which are retired—is that ever-increasing health care costs are a big part of retirees' expenditures. For example, during the past ten years, Medicare Part B premiums have risen by an average of 7.2%; the chained CPI is up by an average of just 2.25%. Health care is eating away a growing portion of seniors' COLAs.

### **Chained CPI's Pocketbook Impact**

Over the next 10 years alone, the chained CPI would take \$112 billion directly out of the pockets of Social Security beneficiaries. Cuts would grow larger each year and push many of the oldest Americans into poverty. The COLA cut would reduce benefits by 3.7% after 10 years; 6.5% after 20 years, and 9.2% after 30 years. For typical seniors who retire at age 65, their Social Security benefits would be \$1,000 less by

*(Continued on page 2)*



(Continued from page 1) ***The NRLN Clarion Call ...***

the time they are 85, based on a benefit of just \$16,000 a year.

If the chained CPI is enacted and fully phased in, Social Security benefits for a typical middle-income 65-year-old would be about \$136 less a year, according to an analysis of Social Security data. At age 75, annual benefits under the new index would be \$560 less. The administration's proposal includes two small benefit "bump-ups" of larger-than-scheduled benefit increases by 0.5 percentage points, or about \$800 annually, phased in over 10 years, beginning at ages 76 and 95.

### **Chained CPI's Higher Taxes**

On the tax side, the chained CPI proposal also would result in higher taxes for millions of older Americans because tax brackets would be adjusted for inflation more slowly, with much of the effect felt by middle class taxpayers. The provision would raise about \$100 billion in taxes over 10 years.

The Social Security Administration has reported that if no changes are made to Social Security there are sufficient revenues to cover 100% of benefits through 2033. Thereafter, the payroll taxes collected would be enough to pay about 75% of benefits through 2086.

### **Proposed Fix for Social Security**

The NRLN believes a small increase in the combination of tax rate (possibly between 0.5% and 1.0%) and the maximum earnings subject to the payroll tax would maintain Social Security's solvency. Currently, employers and employees each pay a 6.2 percent tax on workers' earnings up to \$113,700 a year.

Social Security has become embroiled in the debate between Congress and the Administration, but Social Security, which is self-financed through payroll taxes, does not contribute to the deficit. The NRLN believes that Congress and the Administration should not be looking at Social Security as a source of funds to cut the deficit.

According to a recent ABC News/Washington Post poll, 51% of respondents opposed changing the way Social Security benefits are calculated so that benefits increase at a slower rate, while 37% supported such a change and 11% had no opinion. The survey found there were no partisan differences, but among people 65 and older opposition was 64 percent.

### **"Three-Legged Stool" Theory**

For many years a financially secure retirement was based on the theory of the "three-legged stool" that included employer-sponsored pensions, personal savings and Social Security. Many retirees have either lost their pensions or had them considerably reduced when the Pension Benefit Guaranty Corporation (PBGC) had to take over pension plans due to defaults or bankruptcies. Savings have been negatively impacted by higher living expenses, drops in the stock markets and low interest rate earnings. Social Security is providing most the support for many retirees.

The average Social Security benefit in 2012 was \$14,800. About 43% of single seniors and 22% of senior married couples rely on Social Security for more than 90% of their income. More than half of senior couples and 73% of single seniors draw more than half of their income from Social Security.

Given these statistics, the NRLN would be negligent in its mission if it did not continue to fight to protect Social Security benefits. Your support of the NRLN continues to be critical to protecting Social Security.



## Washington, DC Fly-In Will Be October 6 – 9, 2013

The National Retiree Legislative Network will hold its third Washington, DC Fly-In on October 6 – 9, 2013 for retirees to take NRLN legislative issues to U.S. Representatives and Senators and members of their staffs.

- Register for the Fly-In on the NRLN website at <http://www.nrln.org/flyin.html>.
- Make your room reservations at the Liaison Hotel, 415 New Jersey Avenue, NW, Washington, D.C. by either calling toll free 1-866-233-4642 or online at:



<https://gc.synxis.com/rez.aspx?Hotel=19828&Chain=5158&group=NRLN2>.

Notify the reservations staff member that the **Reservation ID is NRLN2**. The negotiated special room rate will be \$269 per night plus tax and fees.

The tentative agenda is:

### **Early Arrivals – Sunday, Oct. 6, 2013**

#### **Monday, Oct. 7, 2013**

2:00 - 5:30 p.m. Business Meeting

*(Please do not schedule Capitol Hill meetings on Monday afternoon)*

5:30 – 6:30 p.m. Hospitality in Hotel (cash bar)

6:30 – 8:00 p.m. Dinner in Hotel

#### **Tuesday, Oct. 8, 2013**

7:00 – 8:00 a.m. – NRLN Sponsored Continental Breakfast in Hotel

8:30 a.m. – 5:30 p.m. – Appointments on Capitol Hill

#### **Wednesday, Oct. 9, 2013**

7:00 – 8:00 a.m. – NRLN Sponsored Continental Breakfast in Hotel

8:30 – Until – Appointments on Capitol Hill and Flight Departures *(except for those staying over)*

Questions about the Fly-In may be emailed to [contact@nrln.org](mailto:contact@nrln.org) or call toll free 1-866-360-7197

## A View From Washington

By Marta Bascom, NRLN Executive Director

### Current Events vs. Everyday Life



There are many distractions in Washington, D.C. these days, ranging from controversy involving horrifying events in Benghazi, Libya to disturbing allegations of nefarious actions by officials at the IRS. These are important issues that take up time on television, radio, the Internet, Twitter and, yes, the U.S. Capitol. While all Americans are waiting and watching with great interest how these issues will play out politically, these events don't change the realities of the problems and fears Americans – particularly retirees – face on a daily basis. A great many retirees wake up in the morning with concerns about their financial security and health care, extremely important issues to all of us even if it seems that the

*(Continued on page 4)*



(Continued from page 3) A View From Washington

media is only interested in how the latest scandal will affect the status quo.

So, here's what retirees need to tell Washington: Just because you don't see something jumping out at you from a screen doesn't mean it doesn't matter.

### **Retirees Aren't Distractible**

The last time seniors' issues, for example, Medicare and Social Security, made news of any significance in the national media was during the election campaign in 2012. That was 100 years ago by Washington standards. Politicians often believe that constituents care only about the last item they saw or read in the media. For some segments of the population that's true, but the NRLN knows that retirees are different. They aren't that distractible. A great many of America's seniors have worked hard for most of their lives, planned for retirement based on promises made by their former employers, and did their part to ensure that they were in good financial shape so as to not have to rely on others for their well-being.

Many of the NRLN's members – and many retirees at large – now know that even the best laid plans haven't turned out as intended because some employers haven't held up their end of the bargain either in their role as pension plan administrators or in providing promised retiree health care benefits. There are several ways Washington can resolve some of these issues, but they won't unless they are forced to face some hard facts and then make hard decisions. If there are scandals to discuss in town hall meetings, all the better for the politician who doesn't want to respond to hard questions – many of them technical – about pensions, health care, Social Security.

### **Get Politician's Attention**

The challenge for retirees then becomes getting these issues back on the front page or the screen, or putting the bridle on "Mr. Ed" and leading him in the right direction. One of the best ways to get a politician's attention is to get the issue back out on the local level, and NRLN members have experienced first-hand how Letters-to-the-Editor in the local paper, for example, can get representatives' attention. It's a matter of getting the conversation back to the financial security which is at the root of so many retirees' concerns.

Political scandals will get the attention they deserve in order to get the answers and resolution necessary to move forward – and nobody is suggesting that questions and investigations aren't in order - but resolution is achievable without shoving retirees' issues off of the table. Seniors' financial security may not be as provocative as the latest political controversy, but it is real, everyday life, regardless of whether it makes daily appearances on TV or the Internet. We need to make sure that Washington and the media focus again on real life really soon. Retirees can't wait until the next election campaign cycle for their representatives to take notice again.



# Report on Key NRLN 2013 Survey Results

During a four-week period in April and May, there were 9,402 NRLN Grassroots Network Members who participated in all or parts of the 2013 NRLN Future Directions Survey, a significant response rate of more than 53% of those who opened the email invitation to access the survey.

"We gather the information via the survey to help the NRLN and its retiree associations and chapters gain a better understanding of members' views on important retirement issues," NRLN President Bill Kadereit said. "The survey data presents a pretty good indication on whether our priorities are in line with the members we are dedicated to serving."

## Survey Demographics

Participants in the 2013 survey are retired from 117 companies and public entities with nearly 2% of those responding still employed. Among the survey participants 81% were salaried retirees. Formerly union represented retirees composed 14% of the survey participants. The balance of those responding included vested former employees with future pensions, spouses or surviving spouses of retirees and active employees.

The NRLN requested the age ranges of the survey participants since certain age milestones are significant. For example, at age 70 ½ retirees are required to begin taking annual distributions from their 401K savings plans and I.R.A's. The 70 ½ and older age group represented 51% of the survey participants.

At age 62, retirees are eligible for Social Security and at age 65, they become eligible for Medicare. The survey participants between age 65 and 70 ½ accounted for 29%. Those ages 55 to 64 represented 19% of the survey participants. Combined, those age 50 to 54 and younger than 50 accounted for 1% of the participants.

The following demographics demonstrate the importance of the NRLN's mission to protect retirees' pensions, Social Security and Medicare:

- 78% receive a defined benefit pension.
- 26% receive half or more of their income from Social Security.
- 42% receive 25% to 49% of their income from Social Security.
- 20% stated they could not make it financially if their Social Security payment was reduced.
- 80% are on Medicare.

## Highest Agreements

The highest levels of agreement—more than 85%--among survey participants included:

- 99% agreed the NRLN should advocate legislation that stops corporations from taking pension assets to use for non-pension expenses.
- 99% agreed the NRLN should advocate legislation that protects retirees' pensions and benefits in corporate mergers, acquisitions and spin-offs.
- 98% agreed the NRLN should advocate bankruptcy reform that place retirees' pensions and benefits on a list of obligations that companies can't shed.
- 97% agreed the NRLN should advocate that the Pension Benefits Guaranty Corporation be required to ensure equitable calculations of benefit payments.

*(Continued on page 6)*



(Continued from page 5) **Report on Key NRLN 2013 Survey Results**

- 96% agreed the NRLN should advocate legislation that prevents drug companies from colluding to control pricing or subvert free markets.
- 95% agreed the NRLN places a high priority on gaining federal legislation to assure that companies are able to pay pensions.
- 94% agreed the NRLN should continue to exist.
- 93% agreed the NRLN should advocate legislation to require Medicare to take competitive bids for prescription drugs.
- 92% agreed the NRLN should do more to advocate for legislation that would increase competition to lower retiree's cost of all health care services and products.
- 89% agreed the NRLN has been beneficial to retirees.
- 89% agreed the NRLN should investigate ways to advocate against de-risking harm if my pension is someday paid by Prudential, etc.
- 89% agreed the NRLN should advocate protection of Social Security by a small increase in the payroll tax rate and increasing the cap on maximum wages taxed.
- 89% agreed the NRLN should advocate legislation to legalize the importation of safe and cheaper prescription drugs.
- 89% agreed the NRLN should advocate legislation to accelerate bringing generic drugs to market.

## Health Care and Life Insurance

Half of the survey participants have access to health care benefits provided by former employers and 49% receive coverage supplemental to Medicare from former employers. Twenty-nine percent have catastrophic health care coverage from their former employer. Thirty-nine percent of the survey participants receive their prescription drug plan from their former employers.

On the issue of life insurance, 43% of survey participants have a life insurance benefit from their former employers, but 31% have had the amount of their company-sponsored life insurance reduced and 17% have had their company-sponsored life insurance eliminated.

## Impact of Health Care Costs

Survey participants were asked to rank order health care cost factors, including premium costs that affect their annual budget, on a 1-5 scale with 1 being the highest cost. The results were:

1. Premium Costs.
2. The deductible I pay before coverage kicks in.
3. The copay I pay the Hospitals, Doctors or Rx Drug providers every time I have a claim.
4. The co-insurance I pay – the amount I am liable for after premium, deductible, copay and insurance payments.
5. The total cost I pay when my insurance simply does not cover or pay anything for treatment.

Survey participants were asked based upon what you know, from what you hear, see and have experienced, please rank order from 1-4 with 1 being the highest, which health care annual cost increases you believe are out of control (least rational).

1. Hospital service and Materials Costs.
2. Insurance company Premium Costs.



(Continued from page 6) **Report on Key NRLN 2013 Survey Results**

3. Physician's Fees.
4. Prescription Drug Costs.

## Social Networking Media

With the advancement of social networking media, a question was included about Facebook and Twitter.

- 34% said they use Facebook.
- 15% said the NRLN should have a Facebook page.  
(The NRLN is seeking a volunteer to develop and maintain a Facebook page.)
- 4% said they receive Twitter messages.
- 5% said the NRLN should send out Twitter messages.
- 21% stated the NRLN should create YouTube-type messages and post on its website

## Improvements Needed

Kadereit said he would like to see grassroots members make improvements in three areas. More than half of the survey participants (55%) have not read the NRLN Legislative Agenda. (It is available to read on the NRLN website home page at [www.nrln.org](http://www.nrln.org) by clicking on the "Legislation" tab).

Only 58% of the survey participants usually read and take the action requested when the NRLN sends out an Action Alert. Kadereit said this needs to improve in order to have a stronger voice on Capitol Hill from voters back home.

Only 19% of the survey participants visit the NRLN website a few times a month or more. Kadereit pointed out that news articles on retirement, health care and legislative issues are posted daily on [www.nrln.org](http://www.nrln.org) and it is a good way for retirees to be informed on issues that can impact their lives.

## More Survey Data on Website

There is not sufficient space in this newsletter to report all of the survey responses so the NRLN has posted a link on the NRLN home page at [www.nrln.org](http://www.nrln.org) to the entire data from the survey except for demographics on retiree association and chapter affiliation and the responses to questions where personal comments were given or personal contact information was provided. NRLN leaders will be reviewing all feedback presented and the information submitted by volunteers.

### National Retiree Legislative Network, Inc.

*The NRLN is the only nationwide organization solely dedicated to representing the interests of retirees and future retirees. Our mission is to secure federal legislation to protect retirees' employer-sponsored pensions and benefits plus keep Social Security and Medicare strong.*

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