

The American Legion



OFFICE OF THE
NATIONAL COMMANDER

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December 14, 2012

Honorable Harry Reid, Majority Leader
United States Senate
Washington, DC 20510

Honorable Mitch McConnell, Republican Leader
United States Senate
Washington, DC 20510

Honorable John Boehner, Speaker
United States House of Representatives
Washington, DC 20515

Honorable Nancy Pelosi, Democratic Leader
United States House of Representatives
Washington, DC 20515

Dear Leader Reid, Leader McConnell, Speaker Boehner, and Leader Pelosi:

As efforts to address our nation's debt continue, we understand many proposals and policies are being reviewed. One proposal appears to be the changing of the formula used to calculate the annual cost of living adjustment (COLA) that affects Social Security and other beneficiaries, including many veterans. On behalf of the 2.4 million members of The American Legion I voice our opposition to this proposal because of the harmful effects it will have on veterans' and Social Security benefits.

The Congressional Budget Office estimates adopting the chained consumer price index (CPI) to calculate annual COLAs could save the government \$208 billion over ten years by reducing payments of Social Security, disability, and other benefits. More than half of this amount – \$112 billion – would come from Social Security cuts, which many veterans rely on for both retirement and disability benefits. Another 11 percent of the savings – \$24 billion – would come from Department of Veterans Affairs (VA) benefits, civilian pensions, and military retired pay. The American Legion opposes the use of the chained CPI because using it would have significant deleterious effects on the benefits millions of veterans depend on in the following ways:

Social Security Retirement Benefits: Adopting the chained CPI significantly reduces these benefits by changing the manner in which COLAs are determined. Not only would a Social Security COLA cut hurt veterans, their families, and their survivors; it is misguided public policy. Social Security is financed by the contributions of our members and their employers. In effect, it belongs to its contributors. It is separate from the rest of the budget. To use it to reduce the federal deficit, which it did not cause, breaks the promise of Social Security and it could have harmful effects on the recruitment and retention of the Armed Forces.

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VA Service-connected Disability Compensation: Veterans are eligible for VA service-connected disability compensation if they become disabled due to injuries or illnesses incurred during, or as a result of, military service. Under the chained CPI, which cuts the formula used to determine the COLA for VA benefits, disabled veterans who receive this benefit would have their benefits reduced by thousands of dollars over their remaining life times.

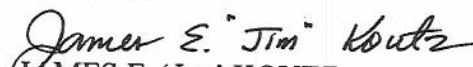
VA Pension Benefits: Veterans with low incomes who are permanently and totally disabled, or are age 65 and older, may be eligible for pension benefits if they served during a period of war. Under the chained CPI, VA pension benefits for veterans aged 65 and older living in poverty would be reduced over their remaining life times.

Social Security and veterans' benefits do need to be based on an accurate measure of inflation. The current COLA formula already understates the true cost-of-living increases faced by seniors and people with disabilities because it does not take into account their higher share of spending devoted to health care, and health care prices rise more rapidly than overall prices. Even though veterans who have service-connected disabilities and those receiving pension benefits are eligible for VA health care, they will still be impacted by rising out-of-pocket health care costs not covered by the VA. Adopting the chained CPI would make their situations much worse over time.

The American Legion understands the need to restore fiscal discipline, but it should not be done by reneging on this country's promises to its veterans who already have earned these benefits through their service to country. For these veterans and their families, reducing the current COLA represents real sacrifice. We ask you not to do harm to those who have already sacrificed so much for this great nation.

Thank you for your consideration. And thank you for what you have done on behalf of the nation's servicemembers, veterans, and their families and survivors.

Sincerely,


JAMES E. 'JIM' KOUTZ
National Commander