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May 10, 2018

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

We write to request a General Accountability Office (GAO) report to better understand how various consumer price indexes (CPIs) can be used to more accurately reflect the cost of living of today's seniors. CPIs are often used to calculate cost of living adjustments (COLAs) for benefits provided by federal programs in order to keep pace with inflation and maintain the purchasing power of those benefits. Since 1972, Social Security benefits have been adjusted, after initial benefits have been set, using the "CPI-W." The CPI-W was constructed by the U.S. Department of Labor's Bureau of Labor Statistics (BLS) to reflect price increases for urban wage earners and clerical workers, based on a fixed market basket of goods and services.

We understand there have been longstanding disagreements among economists and other policymakers regarding the accuracy and appropriateness of the indexes BLS constructs. Many economists have suggested that traditional indices, like the CPI-W, overstate price increases and that a "chained CPI," which corrects for consumer substitution effects and the growing market power of online and large-volume retailers, would instead be a more accurate measure. It has also been argued by some that while the CPI-W was originally chosen as the best index available at the time, it may understate the true cost of living for retirees by inaccurately representing the market basket of goods and services that seniors consume. Along these lines, in 1982 BLS developed an experimental consumer price index for people aged 62 and older, called the "CPI-E," which places more weight on goods and services that seniors use much of their income to purchase, such as housing and health care. Others have suggested revisions to the current system for calculating COLAs for Social Security benefits in order to better reflect seniors' expenses.

As policymakers it is critical we have accurate data to ensure federal programs are correctly addressing the populations they were created to serve. In order to improve our understanding of the effects of various price indexes on seniors' retirement security, we would like GAO to report on the following issues:

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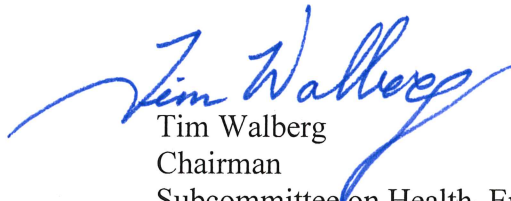
1. What alternatives to the CPI-W are available for measuring cost of living for seniors in the United States and what are the benefits and disadvantages of each?
2. What would be the effects of transitioning to and using alternative indexes on seniors' Social Security benefits and overall retirement security?
3. What can be learned from the experiences of other countries that have modified their CPIs for seniors?

Thank you for your attention to our request. If you have any questions, please contact Joe Wheeler of the Committee staff at (202) 225-7101.

Sincerely,



Virginia Foxx
Chairwoman



Tim Walberg
Chairman
Subcommittee on Health, Employment,
Labor, and Pensions