

# A

## Provisions Affecting Cost-of-Living Adjustment

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An annual cost-of-living adjustment (COLA) applies to benefits after initial eligibility. For each provision, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. We base all estimate on the intermediate assumptions described in the 2013 Trustees Report.

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<b>Category A: Cost-of-Living Adjustment (2013 Trustees Report intermediate assumptions)</b>					
<b>Description of proposed provisions</b>		<b>Change from present law</b>		<b>Results with this provision</b>	
		<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>	<b>Long-range actuarial balance</b>	<b>Annual balance in 75th year</b>
	Present Law, Alternative II.			-2.72	-4.77
A1	Starting December 2014, reduce the annual COLA by 1 percentage point.	1.73	2.35	-0.99	-2.42
A2	Starting December 2014, reduce the annual COLA by 0.5 percentage point.	0.90	1.23	-1.82	-3.54
A3	Starting December 2014, compute the COLA using a chained version of the consumer price index for wage and salary workers (CPI-W). We estimate this new computation will reduce the annual COLA by about 0.3 percentage point, on average.	0.55	0.75	-2.17	-4.01
A4	Starting December 2016, compute the COLA using a chained version of the consumer price index for wage and salary workers (CPI-W). We estimate this new computation will reduce the annual COLA by about 0.3 percentage point, on average. The new COLA will not apply to DI benefits. It will apply to OASI benefits, except for those of formerly disabled-workers who converted to retired-worker status.	0.40	0.56	-2.31	-4.21
A5	Starting December 2014, add 1 percentage point to the annual COLA for beneficiaries who have lived past a specified age. The specified age is the sum of: (1) 65 and (2) the unisex cohort life expectancy at age 65.	-0.09	-0.11	-2.81	-4.88
A6	Starting December 2015, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). We estimate this new computation will increase the annual COLA by about 0.2 percentage point, on average.	-0.37	-0.53	-3.09	-5.30
A7	Starting December 2014, reduce the annual COLA by 1 percentage point, but not to less than zero. In cases where the unreduced COLA is less than 1 percentage point, do not carry over the unused reduction into future years.	1.62	2.21	-1.09	-2.55