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Provisions Affecting Cost-of-Living Adjustment

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 2012 Trustees Report.

Category A: Cost-of-Living Adjustment (2012 Trustees Report intermediate assumptions)

Description of proposed provisions		Change from present law		Results with this provision	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
	Present Law, Alternative II.			-2.67	-4.50
A1	Starting December 2013, reduce the annual COLA by 1 percentage point.	1.69	2.27	-0.98	-2.24
A2	Starting December 2013, reduce the annual COLA by 0.5 percentage point.	0.88	1.19	-1.79	-3.32
A3	Starting December 2013, 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.	0.54	0.73	-2.13	-3.78
A4	Starting December 2015, 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.	0.39	0.53	-2.27	-3.97
A5	Starting December 2013, 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	-2.75	-4.61
A6	Starting December 2014, 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	-0.51	-3.03	-5.01
A7	Starting December 2013, 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.	1.59	2.14	-1.08	-2.37