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## 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 estimates on the intermediate assumptions described in the 2014 Trustees Report.

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<b>Category A: Cost-of-Living Adjustment (2014 Trustees Report intermediate assumptions)</b>					
Description of proposed provisions		Change from present law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
<b>Present law shortfall</b> in long-range actuarial balance is <b>2.88</b> percent of payroll and annual balance for 75th year is <b>4.90</b> percent of payroll.					
A1	Starting December 2015, reduce the annual COLA by 1 percentage point.	1.76	2.38	61%	49%
A2	Starting December 2015, reduce the annual COLA by 0.5 percentage point.	0.91	1.25	32%	26%
A3	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.	0.56	0.76	19%	16%
A4	Starting December 2017, 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.	0.41	0.56	14%	11%
A5	Starting December 2015, 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	-3%	-2%
A6	Starting December 2016, 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.	-0.38	-0.54	-13%	-11%
A7	Starting December 2015, 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.	1.65	2.25	57%	46%