

# “The Impact of a Social Security Cost-of-Living Adjustment Reduction on the Income Distribution of the Elderly in the United States”

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## Abstract

In previous research, I find that a reduction of the cost-of-living adjustment has performed quite well in comparisons among different Social Security reform proposals. While a COLA reduction contains many positive features, there is some concern that it would push the most vulnerable members of the population into further poverty. In this paper, I use the Current Population Survey to simulate the effects of a COLA reduction on the incomes of a sample of aged units. I also consider modified COLA reduction plans that would apply only to certain ranges of ages. I find that COLA reductions can create significant effects on the incomes of the population, as once the COLA reduction is fully in effect, the incomes of some of the poorest elderly could be as much as 10% lower than at present. Nonetheless, the news is not entirely discouraging, as the savings of the COLA reduction to the Trust Fund are many times greater than the increased poverty that the COLA reduction would create. This leaves fertile ground to fashion a COLA reduction plan that includes income guarantees for the poorest members of the population, while also relieving a great deal of the future funding problems expected for the Trust Fund.

Keywords: Social Security Reform, Income Distribution

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# 1 Introduction

The Social Security system in the United States is projected to remain solvent only until 2042, according to the intermediate assumptions of the 2003 *Trustee's Report*. To prepare for the anticipated shortfalls, a number of potential remedies have been identified. These proposals generally cut benefits, increase taxes, or seek to provide greater returns to Social Security assets. In comparing different reform plans, the results of Chapters 1 and 2 (Pfau (2003a) and (2003b)) indicate that a standard cost-of-living adjustment (COLA) reduction performs well relative to a number of alternative choices. A COLA reduction would more evenly distribute the burden of reform across Americans who are both old and young at the present, rather than leaving younger people to make all of the sacrifices needed to keep Social Security stable. A COLA reduction also represents a decrease in future Social Security benefit growth, so as to avoid the disincentive effects to working and saving that may accompany additional Social Security payroll tax increases. On the other hand, COLA reductions produce the largest relative impacts on the incomes of the poor, who rely more on Social Security benefits. The compounding effects of the COLA reduction also create the unique characteristic of transferring income from those who live the longest to those who die shortly after retirement, and it is the extreme elderly who may be least able to afford this change. Thus, while I see much merit in COLA reductions as an avenue for reform, it is important to understand the effects of such a reform on the income distribution of the elderly. By testing a number of modified COLA reduction plans, I find that a reform plan incorporating COLA reductions could easily

be modified to alleviate the burden on the poor while also funding a significant portion of the expected Trust Fund imbalance.

I seek to address a number of different questions regarding the viability of a COLA reduction. Who would lose benefits with a COLA reduction and by how much? Would the COLA reduction cause too much financial hardship for some segments of the population? How would a COLA reduction affect the income distribution in the United States? How could different modifications to the COLA reduction plan, such as a proposal that would apply the COLA reduction only to certain age ranges, affect the financial situation of different retirees? What role would the Supplemental Security Income program play in offsetting newly created financial hardships? How much costlier would these modifications be from the perspective of the Social Security Trust Fund? Finally, how do the potential savings to the Trust Fund from the COLA reduction compare to the addition to the poverty gap, which is the dollar amount required to ensure that everyone has an income at least equal to their poverty threshold? Briefly, I find that while the COLA reductions do create quite noticeable increases in the poverty rates of the elderly, the savings that a COLA reduction creates for the Trust Fund dwarf the increase in the poverty gap. Thus, a COLA reduction accompanied by an expansion of the Supplemental Security Income program or some other procedure could alleviate a significant portion of the foreseen gap in the Trust Fund without creating additional poverty.

The paper is organized as follows. Section 2 provides more detail about the cost-of-living adjustment and the controversy about its role in Social Security benefit calculations. Section 3 explains the methodology. Section 4 follows with the results,

which include quantifying the benefit loss and change in poverty status created by different COLA reduction plans, and measuring the overall effects of the COLA reduction on the poverty gap, the Supplemental Security Income program, and the Social Security Trust Fund. Finally, I conclude with a summary and policy recommendations.

## **2 Background on the Cost-of-Living Adjustment**

Automatic Social Security COLAs became law in the early 1970s in order to keep real benefits constant during a time of rapid and variable inflation. Prior to 1972, benefit increases were occasional and intermittent. Under the current benefit formulation, workers collecting retiree benefits see COLAs starting at age 62, regardless of their actual age of initial benefit receipt. Subsequent benefits grow each year at the rate of the Consumer Price Index for Urban and Clerical Workers (CPI-W). However, a number of researchers argue that the CPI overstates the true level of rising prices. In 1996, the Advisory Commission to Study the Consumer Price Index published a report in which their best estimate was that the CPI overstated the true cost-of-living by 1.1 percent points annually (the range of this estimate was 0.8 to 1.6 percentage points), on account of familiar reasons such as the substitution bias, the outlet bias, the quality change bias, and the new product bias. In response, the CPI calculation methodology has been adjusted to decrease annual levels by about 0.6 percentage points.

The Boskin Commission helped provide justification to those who sought decreases in the cost-of-living adjustments as a way to keep the Social Security Trust Fund solvent over the long-term horizon. Johnson (1999b) provides an interesting discussion of the numerous bills introduced to Congress during the 1990s which called for a reduction in COLAs. The baseline modification to the COLA that the Social Security Administration (SSA) considers is to use a COLA of the CPI-W less one percentage point (but not less than zero). The SSA finds that such a reform could be expected to close about 73% of the Trust Fund deficit foreseen in the 75 year horizon. In addition to this baseline, in this paper I will also consider COLA reductions that apply to a shortened span of ages: 62 to 75, 62 to 80, and 62 to 85.

COLA reductions are not without opposition, though, and while a COLA reduction had been discussed for possible inclusion in the 2001 Report of the President's Commission to Strengthen Social Security, it did not appear in the published draft. Instead, the President's Commission plan includes price indexing (instead of wage indexing) as the way to reduce the burden on the Trust Fund. Price indexing is a plan that does not affect the current elderly. However, the younger one is, the lower one's benefits will someday be (Pfau (2003a)).<sup>1</sup> The case made against COLA reduction by the Senior Citizens League is that, in fact, the CPI-W understates, rather than overstates, the actual price growth faced by retirees. Essentially, health care and prescription costs play a larger role in senior spending than in the general market basket of goods used for the CPI-W, and the prices of these goods and services grow at faster rates.

Instead, the Senior Citizens League advocates the use of an experimental Consumer Price Index for Elderly Consumers (CPI-E) to be used for benefit adjustments. Amble and Stewart (1994) provide further detail on this CPI-E, showing how medical care prices doubled between 1982 and 1992, which is a price growth that is twice as fast as other items in the market basket of goods. Meanwhile, in 1987, the weight of medical care in the CPI-W was 4.95%, while its weight in the CPI-E was 9.47%. For the period from 1988 to 1993, this contributed to the CPI-E growing on average by 0.43 percentage points faster per year than the CPI-W. Motivated by this matter, these senior groups argue that a COLA reduction would be counter-productive to the goal of maintaining the real value of benefits for the elderly.

Steurle et al. (1999) also question the efficacy of a COLA reduction on account that it will provide young retirees with a false sense of security. Many new retirees may not realize that their benefits will not continue to grow with the rate of wages in the economy, or even with the general inflation rate, and so they will be less prepared to meet the financial costs of extremely old age. This is a particularly poignant observation about a plan that would maintain the benefits of young retirees while decreasing the growth of benefits at later ages.

### **3 Methodology**

The March 2000 Current Population Survey (CPS) of the Census Bureau will be used as a basis for considering a number of important questions about the viability

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<sup>1</sup>Mulligan and Sala-i-Martin (1999) explain the political success of advocacy groups for the elderly.

of reforms that would alter the cost-of-living adjustments made annually to Social Security benefits. It contains data on a number of sources of income for survey participants, as well as information about household and family relations. As is consistent with the existing literature, such as Social Security Administration (2000b) and Johnson (1999a and 1999b), my analysis will be made in terms of “aged units.” Aged units are defined in this paper as any nonmarried persons aged 65 or older, or any married couples in which at least one of the spouses is aged 65 or older. For married couples, the incomes are combined and assigned to the male whenever he is at least 65, or to the female when the male spouse is under 65. Persons who are married, but whom the CPS identifies as separated from their spouse, are considered to be nonmarried, as is done in Social Security Administration (2000b). There are 12,262 aged units in this sample. These include 5,097 married couples, 1,796 unmarried males, and 5,369 unmarried females. Alternatively, 6,388 of the aged units are between 65 and 74, while 4,487 are between 75 and 84, and 1,387 are 85 and older.

The method of this paper follows the approach of Johnson (1999a and 1999b) in that I compare the Social Security benefits for aged units to the hypothetical benefits that these aged units would have received had a COLA reduction been enacted a pre-defined number of years ago. This approach assumes that everything other than Social Security benefits remains the same. In other words, the aged units do not alter their behavioral responses to the potential loss of Social Security benefits, and there are otherwise no macroeconomic feedbacks to the policy change. If the COLA reduction had passed 10 years ago, then an aged unit of any age would have had at most 10 years worth of COLA reductions. Many of the tables show a COLA

reduction plan that passed 60 years ago. This length of time is only meant to indicate that the COLA reduction had been passed long enough ago that aged units of all ages received reduced COLAs for the maximum possible number of years. This method allows for a comparison of the benefits and incomes of aged units found in the CPS sample to those after the simulated COLA reduction.

Ages in the Current Population Survey are topcoded at 90, which poses a problem for understanding the effects of COLA adjustments on the oldest members of the population. To deal with this problem, I use the Social Security's life expectancy tables (Bell (1997)) to impute an actual age for anyone aged 90 in the CPS. Unfortunately, this approach does not allow for income levels to be assigned in a way that would follow any age patterns beyond the age of 90. Nonetheless, applying subsequent mortality rates to those listed as 90 allows for a more realistic distribution of ages beyond 90, with a few individuals living even beyond the age of 105.

## **4 Results for the COLA Reduction Proposals**

The results are divided into several sub-sections. First, I consider the economic resources available to the aged units in the March 2000 CPS. Then I quantify the loss of projected benefit growth that would be caused by the various COLA reduction plans. This is followed by a consideration of the COLA reductions' impacts on poverty rates, the poverty gap, and the SSI program. The section concludes with estimates of the savings these COLA reduction plans would provide



for the Social Security Trust Fund, and whether the various COLA reduction plans would present a sustainable solvency solution for Social Security.

#### **4.1 Measuring the Economic Resources of the Elderly**

The income of aged units consists of all their money income, before any deductions for taxes, union dues, or Medicare premiums. Following the approach of the Social Security Administration (2000b), sources of income include wages and salaries, self-employment income (including losses), Social Security, Supplemental Security Income, public assistance, interest, dividends, rent, royalties, estates or trusts, veterans' payments, unemployment and workers' compensation, private and government retirement and disability pensions, alimony, child support, and any other source of income that was regularly received. It does not include nonmoney transfers such as food stamps, subsidized housing, payments-in-kind, health benefits, or other fringe benefits.

Figure 1 illustrates the sources of income for the elderly by income deciles, both in terms of the relative percentage of income and the average income amount. Sources of income are divided into five categories: Social Security benefits, pensions, assets, earnings, and other. The pensions category includes retirement and survivor benefits from sources other than Social Security. Assets include the income from interest, dividends, and rents. Earnings include wages and salary or self-employment income. The remaining "other" income is the total income of the aged unit less the previously mentioned categories. The figure demonstrates a number of important details which help explain the effects of COLA reductions. Over 80% of the retirement income of the bottom three income deciles comes from Social Security

benefits. For higher income deciles, the importance of benefits gradually erodes as other sources of income begin to dominate.

Another feature is that the “other” category of income accounts for more than 15% of the income in the bottom decile, but then is gradually diminished in importance at higher income deciles. This trend is explained by Supplemental Security Income (SSI), a program which provides a guaranteed income to enrollees aged 65 and over, amongst others, with sufficiently low income and assets. It is funded from general government revenues. SSI income guarantees are below the poverty threshold, and McGarry (2000) finds that the uptake rates of those eligible for SSI are only between 50 and 60%.

Some characteristics of the SSI program observed in the March 2000 CPS include that only 4.6% of aged units receive income from SSI, but that SSI benefits account for 46% of the total money income for those who receive it. In making McGarry’s observation more clear, the mean income from the bottom income decile of aged units is only \$3,939, but only 16.9% of aged units in the bottom income decile receive SSI income. For those in the bottom income decile who do receive SSI, the SSI benefits account for 61.5% of their income. While researchers have not provided a conclusive explanation for why SSI uptake rates are so low, it is inevitable that a portion of the income offsets created by the COLA reductions would be covered through increased usage of the SSI program. However, given present uptake rates, one should not be too reliant on SSI as a means of counteracting the negative income effects of a COLA reduction on the most vulnerable members of the elderly population. Section 4.5 will provide estimates of the likely additional SSI uptake.

With this picture of income resources for the aged units, the stage has been set to consider how COLA reductions will affect the benefits and incomes of the elderly population.

## **4.2 Quantifying the Benefit Loss for Individuals**

This section examines the effects of four different COLA reduction plans on the level of presently legislated benefits and total income. All plans consider a one percentage point reduction in the cost-of-living adjustment per year. The difference between the plans is the age span to which the COLA reduction is applied. In the baseline case, the COLA reduction is applied to all ages beyond 62. Other plans apply the COLA reduction to ages 62-75, ages 62-80, and ages 62-85. Figures 2 to 5 quantify the general nature of benefit loss by age that can be expected from the COLA reduction plans. Tables 1 to 3 apply these results to the Current Population Survey to see the overall impacts of the benefit reduction on an actual sample of workers with realistic age and income distributions.

Figures 2 and 3 indicate the reductions from presently-legislated benefit levels for a number of different assumed inflation rates ranging from 0% to 20% per year, assuming that the COLA reduction was enacted either 20 or 60 years ago. Benefits would continue to grow with the COLA, though just not as quickly as before. Because the law would prevent COLA adjustments from falling below zero, a zero inflation rate leads to the same level of benefits regardless of the COLA reduction. For an inflation rate of 0.5% per year, the new COLA after the reduction would be 0%. This dampens the effect so that with the change in law made long enough in the past, a 100 year old would see a benefit equal to about 83% of the presently legislated benefit. At

a constant 1% rate of inflation, we see the largest relative differences between the present law and the COLA reduction plan, as the new COLA would be 0% each year. If the COLA reduction had been passed 20 years ago, anyone above the age of 82 would see benefits at about 82% of their previous level. In this worse-case scenario of benefit reduction, a 95 year old who experiences a COLA reduction since the age of 62 would have a benefit that is about 73% of the previously legislated level. For inflation rates above 1%, the results become increasingly less severe, though they stay relatively close to those seen with the 1% level as, for instance, an annual inflation rate of 20% would produce an annual benefit about 85% of its previous level after twenty years compared to 82% for the 1% inflation rate.

Figure 3 shows how some of these drastic effects on benefits can be lessened by a proposal that would only apply the COLA reduction to certain ages. These graphs plot COLA reductions enacted both 20 and 60 years ago for three different sets of applicable ages. A constant 1% inflation continues to represent the instance with the maximum percentage reduction in benefits, and when the COLA is reduced for ages 62-75, the benefits can fall to be at the minimum about 88% of the presently legislated level. A reduced COLA applies to any given worker for at most 13 years. The “U” shape of the reductions for a law enacted 20 years ago result from those beyond the age of 82 only seeing the reduced COLA for a portion of the 20 years. These older workers spend a growing portion of the twenty years above the age of 75. After 60 years have passed since the law change, however, all workers beyond the age of 75 will have experienced the same drop in their COLAs for the span of ages between 62 and 75. The remaining graphs of Figure 3 show the results for a COLA

reduction applying to ages 62-80 and 62-85. In these cases, with the constant 1% inflation scenario, benefits can fall to be about 84% and 80% of their presently legislated levels, respectively.

Of course, future inflation rates will not follow the constant levels considered in Figures 2 and 3, and Figures 4 and 5 show the potential benefit cuts that would result from a series of simulations using stochastic forecasts for the future inflation rates. Extensive details about the stochastic forecasting procedure are provided in Pfau (2003a).<sup>2</sup> Generally, the results of the stochastic forecasts show a lessened impact of the COLA reductions than seen in the previous figures. This is because in most of the simulations, the economy will invariably spend a portion of time with inflation rates below 1%, when COLA reductions play a smaller role. Each of these figures presents the median forecast, as well as the 10% and 90% quantiles. For the baseline case of a COLA reduction that began long enough ago to provide the full effects to the population, the median forecast would lead a 70 year old to have benefits at about 93% of the presently legislated level, an 80 year old to have about 86%, a 90 year old to have about 80%, and a 100 year old to have about 74% of the presently legislated benefit.

Figure 5, meanwhile, shows how a modified COLA plan can mitigate the impacts of the baseline reform. If the COLA reduction applies only to ages 62-75,

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<sup>2</sup> Briefly, I fit a VAR model to the data for four key economic variables from 1950 to 2000. Each variable is constrained on average to be equal to the 2001 long-term projections of the SSA, so that the long-run average value of inflation is 3.3%. With this model, 200 stochastic simulations are run to generate forecasts for the economic variables over the long-term horizon. To create Figures 4 and 5, I use the simulations of inflation for the years 2030 to 2100, such that these forecasts represent the long-run averages and variability that we can expect for inflation.

then the maximum median reduction moves to about 90%. The median fluctuates somewhat because people of different ages will have experienced different COLAs for their years spent between the ages of 62 to 75. Even in the worse cases, the benefit drop does not fall below 88% of previous levels, and in some economic simulations the new benefits will be around 94% of their previous levels. For ages 62-80, those above the age of 80 will have benefits at around 86 to 87% of their previous level in the median case, and the 80% interval shows benefits ranging from between 84 and 91% of their previous level. Finally, for a COLA reduction applying to ages 62-85, the median reduction after age 85 moves benefits to about 83% of their previous levels, while the range of the distribution shows benefits to generally be between 80 and 89% of the previous levels.

Table 1 uses the sample of aged units obtained from the March 2000 CPS to quantify the actual benefit loss for different age groups under the different versions of the COLA reduction. The average annual Social Security benefit for the aged units is \$10,723. Because younger retirees should have earned higher real wages on average, we expect them to have higher benefit levels (since initial benefits are indexed to wage growth). While this is true, it is obscured in the table because the younger retirees are more likely still to be working and not collecting benefits. So the average benefit for 75 to 84 year olds exceeds that of the 65 to 74 year olds in the table. After 20 years of COLA reductions, all of the aged units would experience an average loss of 10.9% of their presently legislated benefits, with the split between successive age groups growing steadily. Those aged 65-74 would see a loss of 6.8% of their benefits, while those aged 75-84 experience a 14.4% drop and those above 85 experience a 17.4%

drop. A modified COLA reduction would mitigate the loss in benefits, particularly for those aged above 85 years old. If the COLA reductions stopped at age 75, this oldest age group experiences a 6.4% drop, while a COLA reduction to age 85 would lead to benefit losses of 14.5%. Finally, after 60 years of COLA reductions, those aged 85 and older would experience a 22% drop from the present law benefit level in the baseline case. Stopping the COLA reductions at age 75 would lead to their benefit loss equaling 11.5% instead, while stopping at age 80 and 85 would lead to drops of 15.6% and 19.4%, respectively.

Table 2 extends beyond the benefit loss for the aged units to demonstrate how COLA reductions would affect the total income of the aged units across the income distribution. The implication here is that because Social Security benefits play a more significant role in the incomes of the poor, a loss of part of these benefits means losing a larger portion of one's income. The picture presented in Table 2 is that the bottom three income deciles will tend to lose about 10% of their potential income with the various COLA reduction plans, and that even a COLA reduction applying only to ages 62-75 would still remove about 8% of the potential income for these groups. Specifically, after 60 years of COLA reduction, the bottom decile would have incomes that are 10.2% less than otherwise, while the second and third deciles see incomes which are 11.5 and 11.6% less than otherwise. Then the effects on income diminish gradually, as the fourth decile sees incomes that are 9.7% less, while the richest decile in the economy experiences an income drop of only 1.2%.<sup>3</sup> Considering a COLA

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<sup>3</sup> Table 2 results do not consider the role that Supplemental Security Income would play in restoring some of the income loss for the bottom deciles, who could potentially become eligible for SSI benefits. See Section 4.5.

reduction for ages 62-75, the effects on total income are somewhat diminished. After 60 years of the law change, the bottom decile would lose 7.7% of their income, and this number would increase to 8.6% for the third decile and decrease after that so that the tenth decile loses 1% of their income. One can see from the continuation of Table 2 that COLA reductions lasting for ages 62-80 and 62-85 would lead to income losses which are in between the baseline case and the 62-75 case.

Table 3 repeats the analysis of Table 2, but instead focuses on the income distribution for those aged 85 and older, which is the group most vulnerable to the compounding effects of a COLA reduction plan. For this age group, with the baseline COLA reduction enacted long enough ago, the bottom income decile would lose 18.7% of their potential income in 1999, while the second to fifth deciles would all lose over 20% of their income. Such a result will likely be unacceptable for most policy makers. Some of these effects can be lessened by considering a COLA reduction applying to ages 62 to 75. Now the bottom income decile risks losing 9.4% of their potential income, while the second to fifth deciles will lose between 9.9 and 10.4% of their incomes. Essentially, the impact on the income of the oldest age group is cut in half. Meanwhile, the effects of the COLA reductions for ages 62-80 and 62-85 are seen to fall in the interval between the previous two plans. In both cases, the peak income loss occurs for the second income decile, and these losses are 14.2% and 17.8%, respectively. With such large and nontrivial impacts on income, the next important question to consider is the role that these COLA reduction plans would play in pushing the elderly population towards poverty. In other words, could the elderly population be expected to maintain a suitable lifestyle with this loss of income?



### 4.3 Effects on Poverty Status

Poverty thresholds in the United States are calculated using several factors: the number of people in the household and the portion of these who are children under 18 years old, and for family units of size one or two, whether the householder of the family is 65 and older.<sup>4</sup> Income used to determine poverty status is the same as the income calculated for the aged units. However, because the definition of aged units in this paper excludes members of the family or household aside from spouses, the poverty threshold I use may also differ from the official CPS amount. In 1999, the relevant year for the March 2000 CPS, the poverty threshold for one person aged 65 or older was \$7,990, while that for a married couple with the householder aged 65 or older was \$10,075. Since I do not include the incomes of other potential family members, the poverty thresholds used here consist of one of the two above values. Table 4 presents the imputed or “unofficial” poverty thresholds as compared to the values found in the CPS. My imputation matches the CPS for 72% of the aged units that I define as nonmarried. In the remaining 28% of cases, the CPS considers these aged units to be a part of some larger family structure that may be able to share economic resources with one another. As for the aged units that I treat as married couples, 84.8% of this sample does actually live in a two-person married household.<sup>5</sup>

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<sup>4</sup> For additional information on poverty thresholds, see the General Accounting Office (2001), Social Security Administration Office of Policy (2000), Deaton and Paxson (1995), or <http://www.census.gov/hhes/poverty/threshld/thresh99.html>.

<sup>5</sup> The CPS assigned to 6.4% of the married couples the poverty rate for those below the age of 65 because of differences in how an aged unit is defined. In this research, if a husband is under 65, but is the head of the household and has a spouse older than 65, then I assign the poverty rate for elderly couples to this unit, while the Census Bureau would treat this unit as under the age of 65.

The CPS recognizes that the remaining 15.2% of this sample are actually part of a larger family structure. Some of these units may have access to a wider variety of shared income resources (such as the incomes of adult children), while others may have young children who need to share their parents' economic resources. Since I only consider the income of members of the aged unit, it is reasonable to reassign poverty thresholds that are applicable to these specific units, rather than using the larger thresholds that assume a possibility of income derived from other family members too. These measures present, to some degree, the possibilities of self-sufficiency for the aged units.

Table 5 uses all of the aged units as the base sample to examine poverty rates. There are 25.2 million aged units in the population, and their poverty rate is 15.9%. If a COLA reduction had been enacted 60 years ago, so that all Social Security beneficiaries would have experienced COLA reductions for all ages since they turned 62, the poverty rate would have been increased by 4.6 percentage points to 20.5%. COLA reduction plans that apply for a smaller age range do not show the poverty rates to be alleviated much, as a COLA reduction applying only to ages 62 to 75 would still have led to a 19% poverty rate.

Looking further down Table 5, older people generally experience higher poverty rates than younger people, single people experience higher poverty rates than married couples, and women experience higher poverty rates than men. A COLA reduction 60 years ago would increase poverty rates for those aged 65-74 by 1.9 percentage points from 14.6% to 16.5%, while those aged 85 and older would see their poverty rates increase from 22.4% to 36.9%, a jump of 14.5 percentage points.

Meanwhile, married couples experience the lowest poverty rates. They range between 4% and 5% across the age ranges, though a COLA reduction would increase poverty for the oldest married couples by the most. It is the unmarried females who experience the highest poverty rates. Unmarried females aged 85 and older have a poverty rate of 29.1% at present. A COLA reduction would increase this poverty rate to 47.3%, while a COLA reduction applying only to ages 62-75 would increase this poverty rate to 37.2%. Table 5 indicates that a COLA reduction will have significant effects on the poverty rates experienced by the elderly populations, and that these effects vary by age, gender, and marital status.

Table 6 considers the 90% of the aged units in the sample that actually receive Social Security benefits, and thus is more relevant for the purposes of understanding the COLA reduction. This table should show larger differences between the poverty rates before and after COLA reductions since it no longer contains the 10% of the sample whose incomes are not affected by the COLA reductions. However, whether poverty rates should be higher or lower in this table is less clear, as the whole sample would show higher poverty rates to the extent that some elderly people with higher incomes are still working and have not begun their benefit receipt, while the whole sample could show lower poverty rates as some elderly individuals in the sample do not have any sources of income and appear to be wholly dependent on other people.

Table 6 does show lower poverty rates than Table 5, as the actual poverty rate for the aged units receiving benefits is 13.1% instead of 15.9%. With the baseline COLA reduction for ages beyond 62, the poverty rates increases to 18.2%, whereas it had been 20.5% in Table 5. Meanwhile, a COLA reduction for ages 62-75 would

create a poverty rate of 16.5%, compared to 19% before. These trends of lower poverty rates are seen repeatedly in Table 6 with the various subgroups of the sample. Nonetheless, while poverty rates in Table 6 have been decreased, it is still the case that COLA reductions will lead to significant jumps in the poverty rates for the oldest members of the population, even when the COLA reduction is modified to apply only to ages 62 to 75.

#### **4.4 Costs of Counteracting Poverty Status**

Though it was shown in Section 4.3 that a COLA reduction can create rather significant increases on the poverty rates of the elderly population, comparing incomes to a poverty rate is somewhat arbitrary, as a higher poverty rate does not indicate how much income is being lost. This section examines the poverty situation in more detail through use of the poverty gap, which is defined in McGarry (2000) as a measure of the total dollar amount needed to raise all incomes to the poverty line. In this section, I seek to determine the cost of having all aged units receive a minimum income equal to the poverty threshold in light of the COLA reductions.

The details are found in Table 7. In the 2000 March CPS, the poverty gap of the aged units was equal to \$11.8 billion, meaning that this is the amount of money that would be needed to raise the incomes of all aged units to at least the poverty level. The baseline COLA reduction plan enacted 60 years ago would increase the value of the poverty gap to \$15.8 billion, which represents an additional 33.5% growth in the poverty gap. If the COLA reduction applied to ages 62 to 75, then the poverty gap would instead be \$14.2 billion, which represents 20% growth from the present. The poverty gaps existing with the 62-80 and 62-85 COLA reduction plans are \$14.9 and

\$15.3 billion. The poverty gap would grow by \$2.4 billion with the 62-75 plan, then it would grow an additional \$700 million to switch to 62-80, then it would grow an additional \$400 million to get to the 62-85 range, and finally it would rise an additional \$500 million to apply the COLA reduction to all ages above 62. If one wanted to close the poverty gap after passing the baseline COLA reduction plan, the cost would have been approximately \$15.8 billion to remove all aged units from poverty. In Section 4.6, I compare this amount to how much would be saved in reduced Social Security benefit payments.

#### **4.5 Effects on Supplemental Security Income**

Some of the poverty relief for the lower benefits accompanying the COLA reductions would come automatically from the expansion of the Supplemental Security Income program. However, estimating this effect is not entirely straightforward, as only slightly more than half of those eligible for SSI benefits actually receive them. This section provides estimates of SSI's impact on counteracting the benefit loss resulting from the COLA reductions. An established literature exists on the factors affecting the participation of the elderly in the SSI program. Factors may include a stigma associated with accepting benefits, a lack of knowledge about how to apply for benefits, an inability to apply for benefits due to health or other logistical reasons, or a simple assessment that the effort needed to apply for benefits is too great. The conclusion of McCarry (2000) is that benefit uptake is strongly related to financial need, as those who would expect to receive the largest SSI benefits are most likely to apply. If this is the case, then the loss of Social Security benefits from the COLA reduction has implications for the SSI program.

Those who already receive SSI benefits may be eligible for larger benefits after the COLA reduction. In addition, those who were eligible or become newly eligible will be more likely to apply for their SSI benefits. In this section, I find support for the McCarry conclusion that SSI benefit uptake is strongly related to financial need. I also find that the full COLA reduction would be expected to raise the federal SSI payments by about 8.7% from their current levels.

To obtain these estimates, the federal government's income criteria for SSI eligibility are applied to the sample of aged units. To determine eligibility for federal SSI benefits, one calculates the SSI countable income. Countable income is total income less income disregards, which include the first \$20 of unearned income each month, the first \$65 of earned income each month, and half of any earned income above \$65 per month. Because the CPS provides annual data, I assume that monthly income was divided equally across the months.<sup>6</sup> In the sample, 10,743 units were found to be ineligible and not receiving SSI, 187 were ineligible but were receiving SSI, 925 were eligible but not receiving SSI, and 407 were eligible and receiving SSI.

Table 8 provides the summary statistics for these four groups. Those not eligible and not participating are the wealthiest among the groups, since it is their larger incomes that make them ineligible. The average income in this group is 3.54 times the poverty level. A more troubling group are those who are not eligible for SSI benefits and yet receive them, despite the incomes for those in this group being substantially higher than those who are determined to be eligible. Several factors can

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<sup>6</sup> An asset test is also applied by the SSA, and those with countable assets above \$2,000 for singles or \$3,000 for couples become ineligible for SSI. Because the CPS does not provide income on total assets, the asset test is disregarded.

help explain this situation. States are allowed to supplement the SSI income and to also create additional benefits for those who are disabled or have other impairments, for which the federal eligibility requirements do not account. The CPS does not have sufficient information on health and living situations to identify who would be eligible for these supplemental benefits. Evidence that this fact accounts for some of these 187 aged units includes that this group has the largest average maximum possible state supplemental benefit and also the largest rate of disability. However, this does not account for all cases. Another possible explanation is that the annual income data masks monthly income variation which may have allowed some aged units to receive SSI for part of the year. It also seems that the CPS data includes some errors in SSI benefit receipt. Ten members of this group receive SSI benefits over \$10,000, which is not realistic.

As for those who are eligible for SSI benefits, Table 8 shows some substantial differences between the two groups. Those eligible and not participating generally have a stronger economic position than those who do participate. Their countable incomes for determining SSI benefits are \$3,178 on average compared to \$2,428 for those who do receive benefits. This translates into an average calculated federal benefit of \$3,212, which is less than the calculated benefit of \$3,930 for those receiving SSI. Those who apply for benefits also live in more generous states on average, and they are more likely to be disabled. Table 8 provides support for McCarry's conclusion that it is the size of potential benefits that will most influence whether they are received.

Table 9 presents the results of the probit estimation. The dependent variable is whether one receives SSI benefits, and the estimation sample consists of those whom I determined to be eligible for federal SSI benefits. This analysis finds that the calculated federal SSI benefit is significant, though its impact is small. An increase in the benefit of \$100 per year would only be expected to increase the probability of applying by about 0.3%. Other significant dependent variables include disability status (being disabled increases the probability by 26.7%), the generosity of the state (if the maximum allowable benefit offered by the state is \$100 larger, then the probability of uptake increases by 4.2%), and whether the aged units receive an income from their asset holdings (having asset income reduces the probability of uptake by 16%). However, for asset holdings the significance of the coefficient may result from the fact that those receiving large income from their assets may have actually failed the federal asset test. This is supported by an additional test. I assume that assets earned a 6% return, so that total asset holdings are  $(100/6)$  of the asset income, and then apply the asset test to this hypothetical amount. The hypothetical asset test reduces those who are eligible for SSI from 1,332 to 1,194 and the significance of holding assets disappears. Of course, this asset calculation is quite unreliable and so it is not otherwise used in the paper. Though not statistically significant, other results from the probit include that older aged units are less likely to apply for SSI, that females are more likely to apply, that married couples are more likely to apply, and that those who are receiving Social Security benefits are more likely to apply.



Using these probit estimates, Table 10 begins to explore the question of how the COLA reduction plans would interact with the SSI program. Table 10 considers a one percentage point COLA reduction enacted 60 years ago. The sample of aged units is divided into five parts. First are those who receive SSI benefits even though they were found to be ineligible. Despite not having been included in the probit sample, this group demonstrates the second largest probabilities of benefit uptake. In large part this is because the group had the highest disability rates and the highest levels of state generosity. Of the 187 members of this group, the COLA reduction made 60 of them eligible for benefits after the change, and the average federal SSI eligibility became \$192. In many cases these aged units were probably eligible for the more generous benefit offerings of their states. The second group is those not eligible for benefits and not receiving benefits. This group contained those with the highest incomes, the highest percentage of males, and the highest percentage of married couples. The probit model indicates that those in this group had a 13.62% probability of benefit uptake, though of course they were prohibited from doing so because they did not meet the eligibility requirements. The third group includes those not receiving benefits, but who were otherwise eligible. For this group, the COLA reduction increased the calculated federal benefit from \$3,212 to \$3,546 on average, and the probability of uptake increased from 24.94% to 25.74%. This increase in probability is small because the probit found that the impact of larger benefits is small. The fourth group, with 396 members, is those not receiving SSI benefits and who were not eligible before the COLA reduction, but become eligible for SSI after the COLA reduction. This group has more income than the other eligible groups on account of

having just crossed over the eligibility threshold after the COLA reduction. Countable incomes for this group dropped from \$7,017 to \$5,781, and the average benefit eligibility for this group increased to \$530. Given the characteristics of those in this group, the probit indicates that these newly eligible aged units will have a probability of 23.48% on average to accept their SSI benefits. Finally, the fifth group is eligible for SSI and receives benefits. For this group, the COLA reduction increases the average calculated federal benefit eligibility from \$3,930 to \$4,210. The probit indicates that members of this group should have had a 42.8% probability of accepting their SSI benefits.

Table 11 provides the estimates of the monetary impact of the COLA reduction on the federal SSI program. The estimates are devised by considering the changes for five different subgroups of the aged units sample. For those who were deemed to be ineligible for benefits but received them nonetheless, the benefit levels are kept the same after the COLA reduction. However, for the portion of this group that did become eligible after the COLA reduction, their new federal benefits were included. On the other hand, no benefits were provided to those who were not already receiving them and who are still ineligible even after the COLA reduction. The third group represents those who were initially eligible for benefits, but who did not apply to receive them. The benefit estimates for this group were determined by multiplying the calculated difference in probability of uptake before and after the COLA reduction by the calculated federal benefit eligibility. The fourth group represents those not receiving SSI benefits and who only become eligible for benefits after the COLA reduction. For this group, the calculated federal SSI benefit is multiplied by the

estimated probability of benefit uptake after the COLA reduction. Finally, the fifth group represents those who were eligible for benefits initially and who were also receiving them. For this group, the estimated new SSI benefit was calculated by adding the difference in their eligible federal benefit before and after the COLA reduction to the SSI benefit they were initially receiving.

The first part of Table 11 shows the results for the baseline COLA reduction enacted 60 years ago. I find that the COLA reduction would increase the costs for the federal SSI program by approximately \$437 million, or 8.7%. The largest portion of these additional costs comes from the additional payments made to those already receiving SSI to offset the loss of income created by the COLA reduction. This represents about \$230 million of the change. In addition, the 784,000 who would become eligible after the COLA reduction are estimated to receive \$100 million in SSI benefits assuming that their uptake rate is 23.5%. An additional \$76 million would go to those who were already receiving SSI benefits, but who only became eligible for federal benefits after the COLA reduction. Comparing this result to Table 7, we see that the SSI program would account for about one-tenth of the \$4 billion increase in the poverty gap created by the COLA reduction. Meanwhile, part (b) of Table 11 shows that for a COLA Reduction applying to ages 62 to 75, the additional costs is calculated to be \$290 million, which represents over one-tenth of the \$2.4 billion increase in the poverty gap. For the other two COLA reductions, the increase in SSI federal benefit payments is found to be \$359 million and \$401 million, respectively. While the SSI program can be expected to counteract some of the effects of the COLA

reduction, policy makers should not be overly reliant on the program since so many of the eligible SSI beneficiaries do not apply to receive their benefits.

#### **4.6 Effects on the Trust Fund**

If the effects of the COLA reduction plan on the Trust Fund are larger than the additional poverty gap created, then it may be possible for policy makers to improve the status of the Trust Fund without pushing the elderly into further poverty. This situation is addressed in Table 12, which considers the effects of the COLA reduction plans on the Trust Fund. The numbers presented in this section are meant to serve only as a rough estimate created by a static analysis of one year, rather than tracking the dynamic evolution of the Trust Fund. In 2003, the Social Security Administration's best guess about the future is that the Social Security Trust Fund would be depleted by 2042. I use as a starting point the estimate by the Social Security Administration, reported in Koitz et al. (2001), that the baseline COLA reduction plan applying to all ages beyond 62 would eliminate 73% of the 75 year actuarial deficit forecasted by the Social Security Administration. The estimates for the other COLA reduction plans provided in Table 8 are calculated by adding the Social Security benefit payments to all aged units and comparing them to the baseline case. For the COLA reduction applying only to ages 62 to 75, one could still expect that approximately 58% of the Trust Fund deficit could be closed, compared to the 73% of the baseline COLA reduction. Additionally, the COLA reduction applying to ages 62 to 80 could be expected to close about 67% of the Trust Fund gap, and the reduction for ages 62 to 85 would close 71% of the gap. These numbers are all relatively close to the baseline COLA reduction since the size of the population at the

higher age groups diminishes rapidly. In other words, there are relatively few people above the age of 85, so that providing them with higher benefits will not have a very large impact on the Trust Fund. This result should provide some reassurance to the idea that if Congress were to pass a COLA reduction for a limited set of ages, a large portion of the expected shortfall for the Trust Fund can still be closed.

Comparisons of the Trust Fund savings to the increase in the poverty gap are also quite favorable. Once the COLA reduction has been in place long enough that all retirees are affected, the savings to the Trust Fund of the baseline COLA reduction plan are \$31.2 billion. This amount is compared to an addition to the poverty gap of \$4 billion, or a total existing poverty gap of \$15.8 billion. As seen here, a COLA reduction could be used to shore up the entire poverty gap and still contribute a significant amount to the long run solvency of the Trust Fund. The same analysis also applies to the other COLA reduction plans. For instance, the COLA reduction applying to ages 62 to 75 would save the Trust Fund an additional \$24.9 billion, while only increasing the poverty gap an additional \$2.4 billion. These results should alleviate the concerns that the COLA reduction would push the most vulnerable groups of the elderly into extreme poverty, as the COLA reduction could be combined with some other measures to provide relief both to the existing poverty among the elderly and also to the future deficits foreseen for the Trust Fund.

## 5 Summary and Conclusions

In comparison to other potential reforms, a reduction in the cost-of-living adjustment will create particular winners and losers. Decreasing the COLA allows for the impact of reform to be shared more equally across generations, though it risks pushing the poorest and the oldest into more extreme poverty. COLA reductions can be expected to have regressive effects on incomes because of two basic facts: poor elderly people receive a larger proportion of their incomes in the form of Social Security benefits, and higher ages are generally correlated both with lower incomes and larger impacts from the compounding effects of COLA reductions. The least appealing aspect of the COLA reduction plans most frequently considered are that the compounding effects of the reductions would create the largest benefit losses for the extreme elderly, who may be the group least prepared to forego a rather sizeable portion of their income. In this paper I explore modified COLA reduction plans that only apply to certain age groups, in order to study whether a modified version of the COLA reduction plan could keep the appealing aspects of COLA reductions, while relieving its most unattractive aspects. Though the results found herein could be debated by policy makers, I believe that this work has been a success.

At first, the outlook for COLA reductions seems somewhat bleak. This paper demonstrated that the COLA reduction plans will substantially diminish the incomes of the poor. A COLA reduction plan could be expected to reduce the Social Security benefits of those aged 65 to 74 by about 7% on average, while those aged 75 to 84 will lose close to 15% of their benefits on average, and those aged 85 and older will lose

22% of their benefits on average. This benefit loss translates into income loss as well, as with the baseline COLA reduction plan the incomes of the bottom part of the income distribution can fall by over 10%. Modified COLA reduction plans could alleviate this situation somewhat, though even a COLA reduction plan applying only to ages 62 to 75 would still reduce the incomes of the bottom part of the income distribution by over 8%.

Nevertheless, while this situation seems rather bleak, the results appear much more promising when comparing the savings that the COLA reduction would bring to the Trust Fund to the growth in the poverty gap caused by the reductions. The hypothetical baseline COLA reduction passed long enough ago added \$4 billion to the poverty gap in 1999, but saved the Trust Fund \$31.2 billion from the smaller benefit payment obligations. This result provides ample ground for fashioning a COLA reduction plan with income guarantees to the poorest beneficiaries that will still help to contribute to a much stronger situation for the Social Security Trust Fund. Though the President's Commission (2001) report uses price indexing as the tool for reducing the future obligations of the Social Security Trust Fund, the results of this paper should hopefully persuade policy makers not to ignore the possibilities of COLA reductions. Senior citizen advocacy groups are concerned that COLA reductions will force the elderly population to choose between food and health care, but this does not have to be the case.

There are still many areas in which this research could be expanded. First, this analysis could be applied to entire families, rather than just the aged units. This would demonstrate the effects of including the income of adult children and others who may

live with the aged units. It would have mixed effects on the poverty levels, as some aged units (particularly those with children under 18) are undoubtedly using some of their incomes to support more than just themselves, while other aged units undoubtedly receiving some additional support from other family members. The definition of income could also be expanded to include such nonmonetary sources as food stamps, housing assistance, and health care. This would create a more complete picture of the economic resources available to the elderly through a variety of government programs. Finally, more different types of COLA reduction plans could be considered. Possibilities include using a reduction other than one percentage point, starting the COLA reductions at a different age such as the normal retirement age or the age of 70, or only applying the COLA reductions to particular income groups.

Another possible avenue for research is the interaction between the level of the COLA reduction and the general health of the economy. In particular, if the economy is performing poorly, does the COLA reduction include some type of automatic stabilizer so that benefits would not be decreased as much? However, Figure 2 demonstrates why this question is difficult to answer; the relationship between benefits and inflation rates is highly nonlinear around the 1% inflation level, even if some agreement could be made about precisely which inflation rates are associated with strong economic performance.

In conclusion, COLA reductions should not be overlooked in the debate over Social Security reform.



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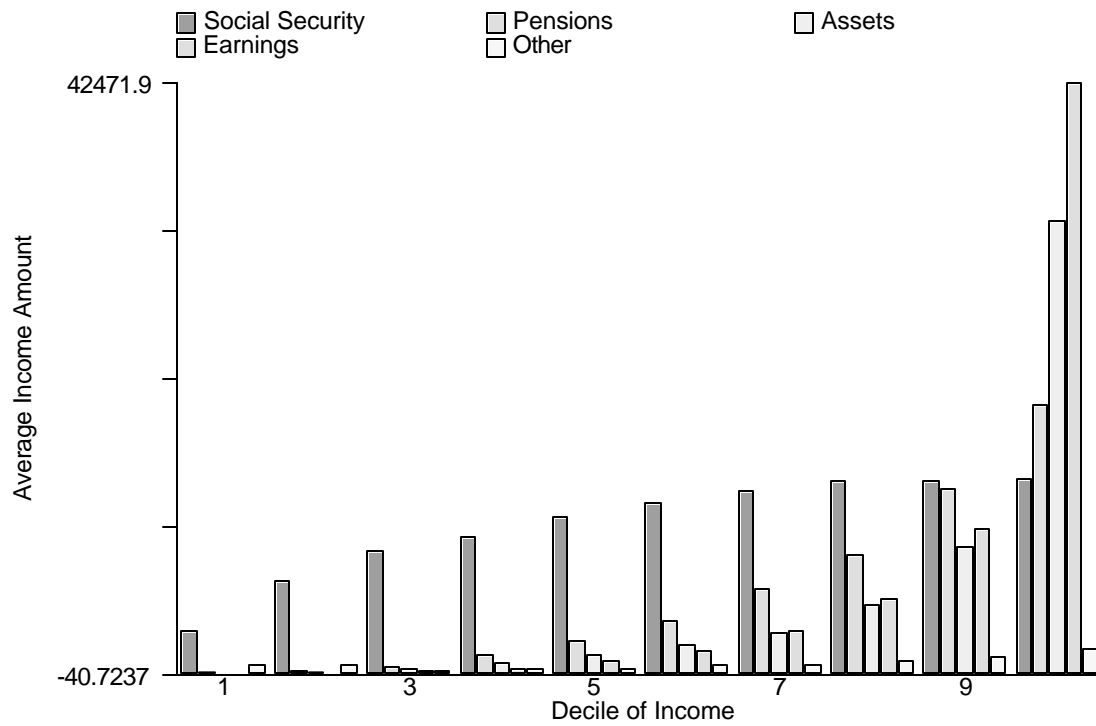
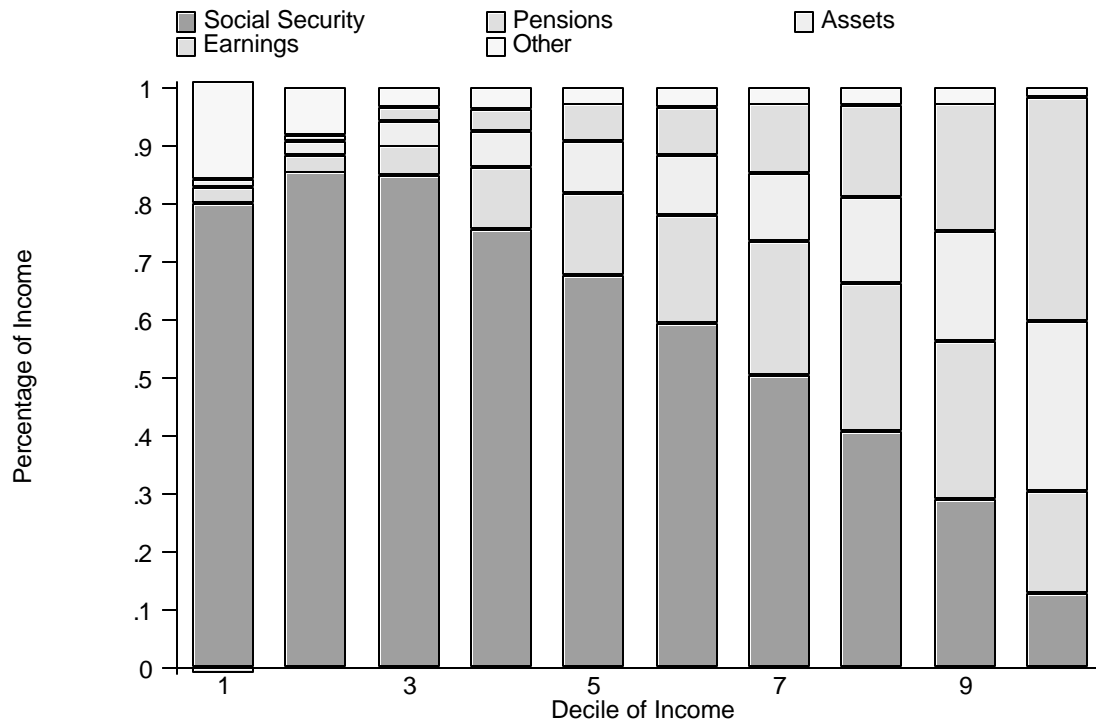
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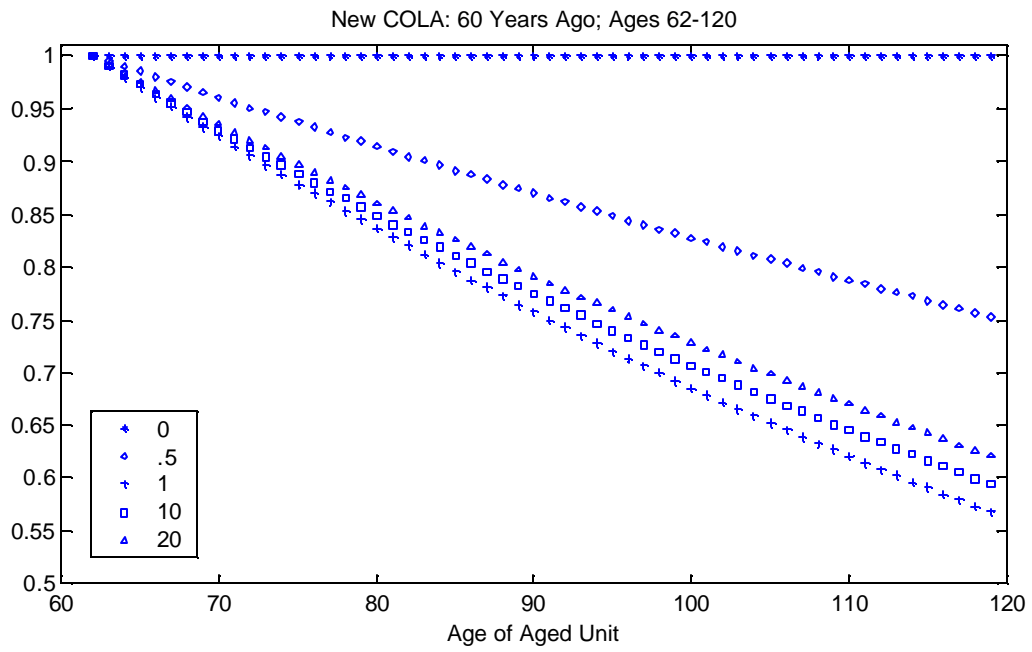
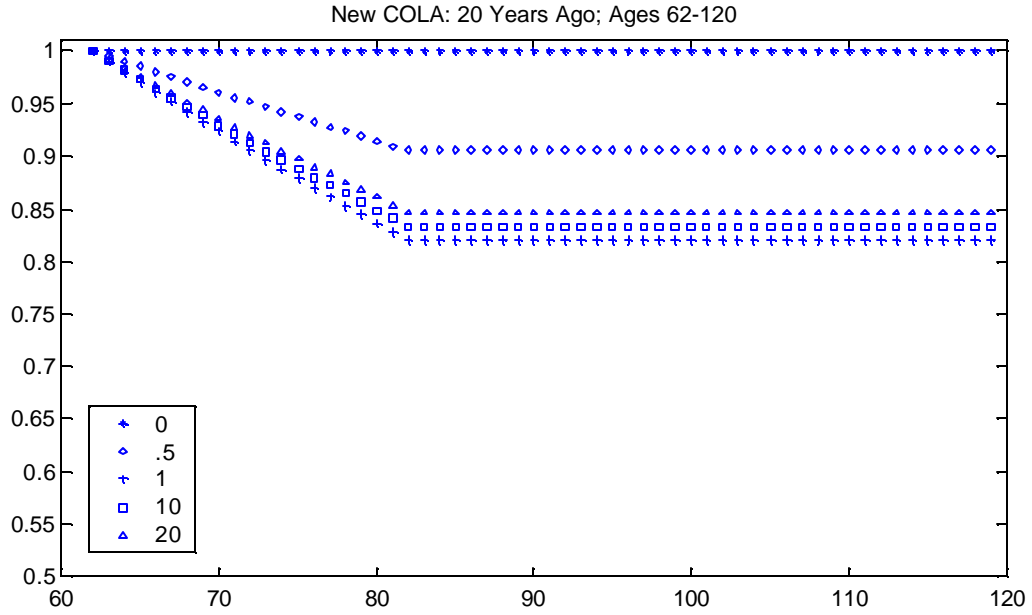
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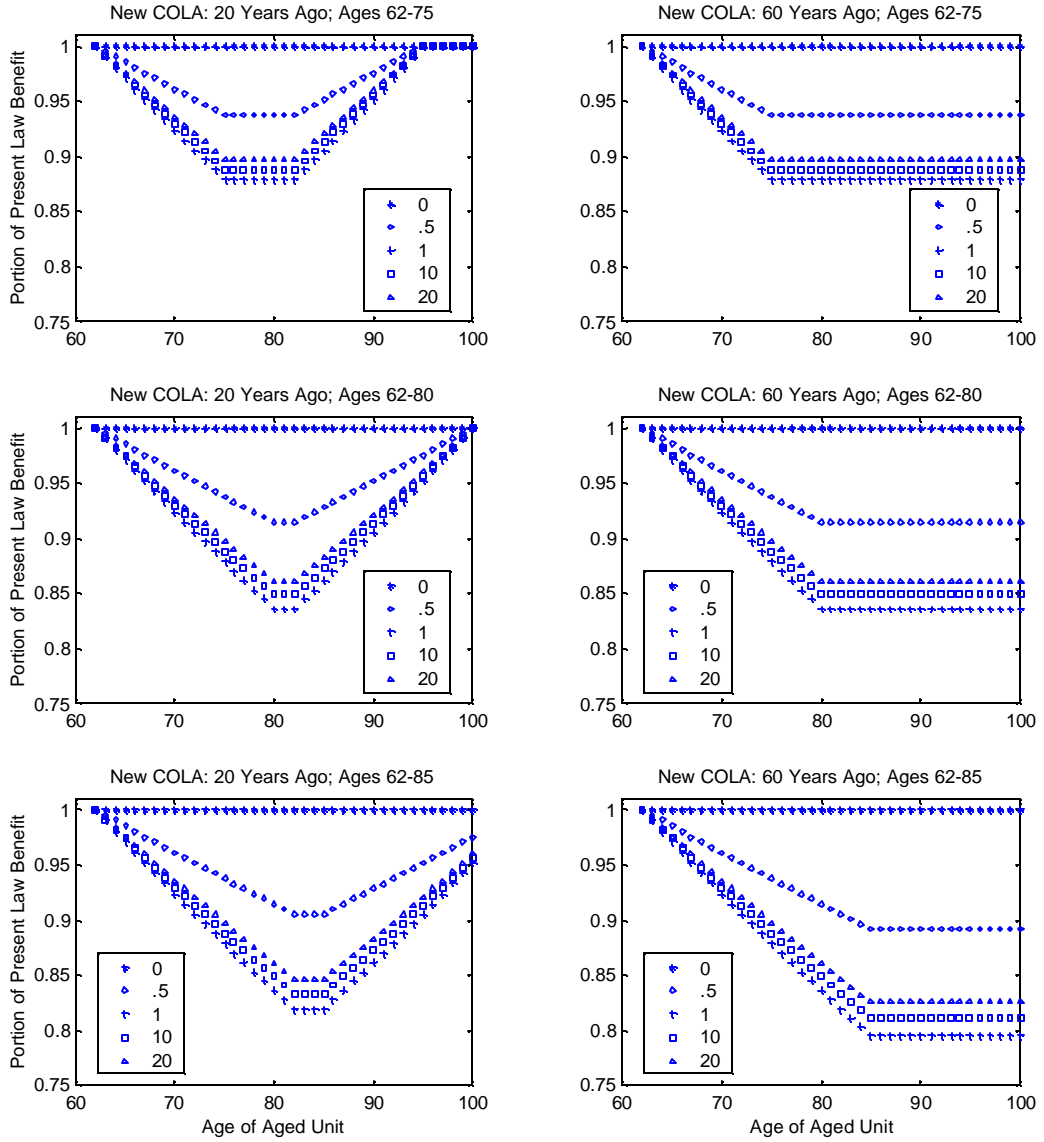
**Figure 1: Sources of Income for the Elderly, March 2000 CPS  
By Decile of Income for the Aged Units**



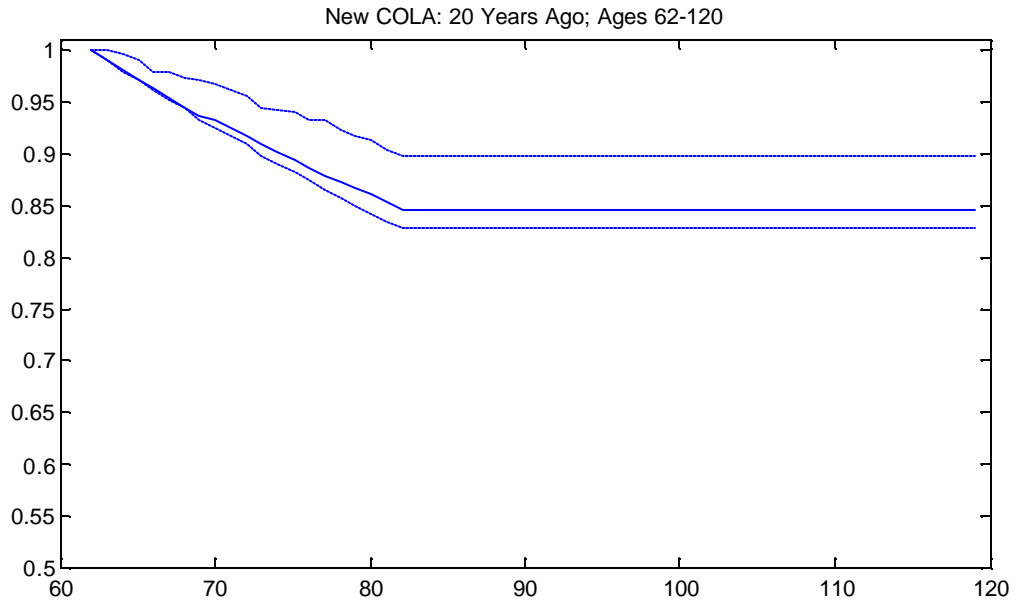
**Figure 2: Effects of a 1 Percentage Point COLA Reduction on the Level of Benefits by Age for Different Rates of Constant Inflation**



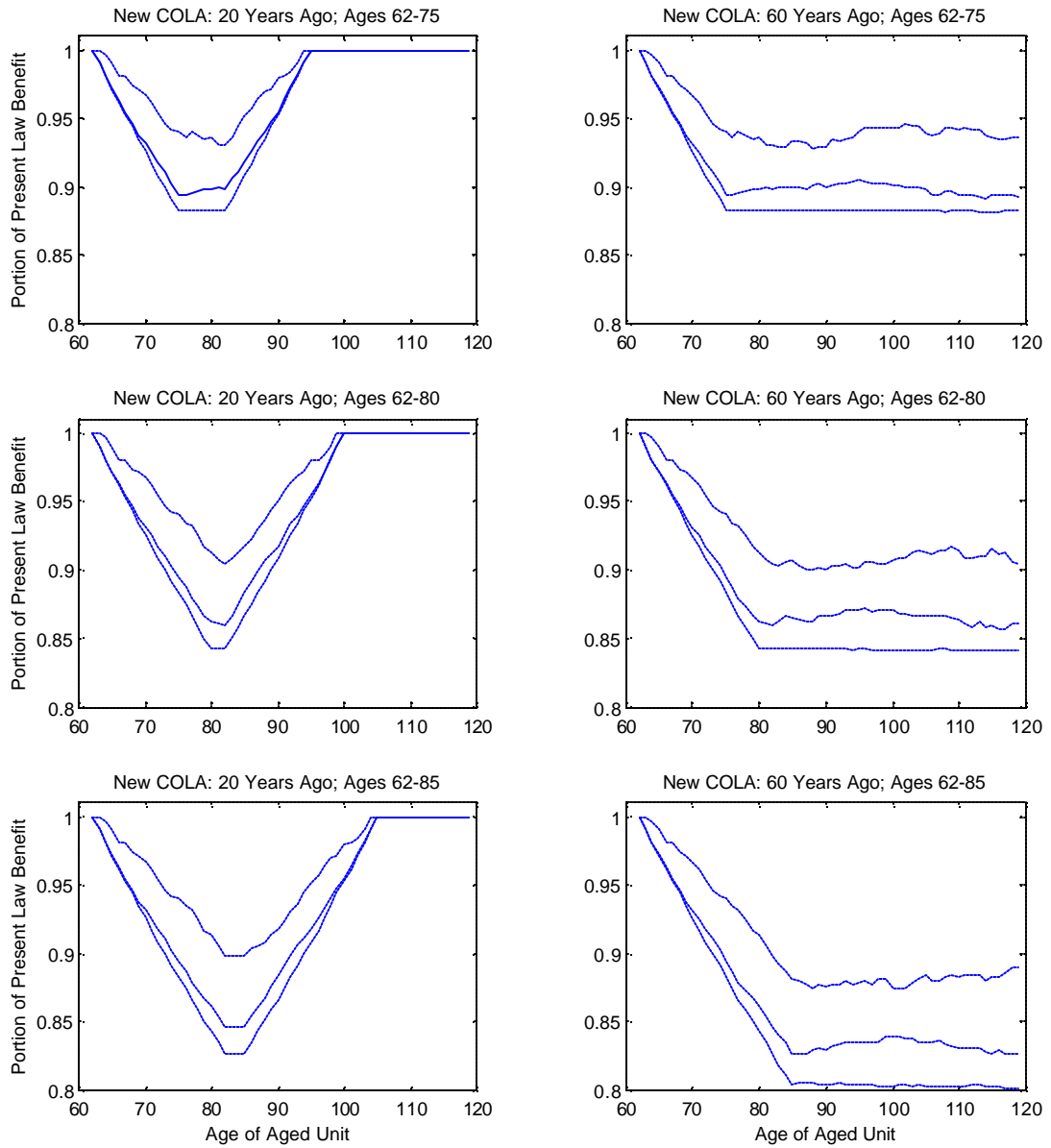
**Figure 3: Effects of a 1 Percentage Point COLA Reduction on the Level of Benefits by Age for Different Rates of Constant Inflation**



**Figure 4: Effect of a 1 % Point COLA Reduction on Benefit Levels by Age  
For Stochastic Simulations of Future Inflation Rates:  
10% quantile, median, and 90% quantile**



**Figure 5: Effects of a 1 % Point COLA Reduction on Benefit Levels by Age For Stochastic Simulations of Future Inflation Rates: 10% quantile, median, and 90% quantile**



**Table 1:  
Changes in the Social Security Benefits of Aged Units  
After a COLA Reduction of One Percentage Point**

		Actual Benefit	Benefit if COLA Reduction Began 1 Year Ago		Benefit if COLA Reduction Began 20 Years Ago		Benefit if COLA Reduction Began 60 Years Ago	
			Mean Amount	Change (%)	Mean Amount	Change (%)	Mean Amount	Change (%)
COLA Reduction Ages 62-120	All Elderly	\$10,723	\$10,619	-1.0%	\$9,560	-10.9%	\$9,500	-11.4%
	65-74	\$10,549	\$10,448	-1.0%	\$9,827	-6.8%	\$9,827	-6.8%
	75-84	\$11,156	\$11,047	-1.0%	\$9,548	-14.4%	\$9,532	-14.6%
	85+	\$10,124	\$10,026	-1.0%	\$8,363	-17.4%	\$7,896	-22.0%
COLA Reduction Ages 62-75	All Elderly	\$10,723	\$10,663	-0.6%	\$9,810	-8.5%	\$9,745	-9.1%
	65-74	\$10,549	\$10,449	-1.0%	\$9,830	-6.8%	\$9,830	-6.8%
	75-84	\$11,156	\$11,134	-0.2%	\$9,886	-11.4%	\$9,868	-11.5%
	85+	\$10,124	\$10,123	0.0%	\$9,473	-6.4%	\$8,957	-11.5%
COLA Reduction Ages 62-80	All Elderly	\$10,723	\$10,642	-0.8%	\$9,662	-9.9%	\$9,597	-10.5%
	65-74	\$10,549	\$10,448	-1.0%	\$9,828	-6.8%	\$9,827	-6.8%
	75-84	\$11,156	\$11,078	-0.7%	\$9,611	-13.8%	\$9,594	-14.0%
	85+	\$10,124	\$10,121	0.0%	\$9,061	-10.5%	\$8,544	-15.6%
COLA Reduction Ages 62-85	All Elderly	\$10,723	\$10,628	-0.9%	\$9,593	-10.5%	\$9,531	-11.1%
	65-74	\$10,549	\$10,448	-1.0%	\$9,827	-6.8%	\$9,827	-6.8%
	75-84	\$11,156	\$11,047	-1.0%	\$9,549	-14.4%	\$9,532	-14.6%
	85+	\$10,124	\$10,097	-0.3%	\$8,656	-14.5%	\$8,159	-19.4%

Ages 65-74: 87.2% of aged units receive Social Security Benefits

Ages 75-84: 93.3% of aged units receive Social Security Benefits

Ages 85 + : 92.8% of aged units receive Social Security Benefits



**Table 2: Effects of a COLA Reduction on Mean Income by Income Decile  
for Length of Time Since Passage of COLA Reduction and for Different Ages in Which the COLA Reduction Applies,  
All Aged Units**

	<b>Mean Income of Aged Units</b>	<b>First</b> \$3,899	<b>Second</b> \$7,984	<b>Third</b> \$10,456	<b>Fourth</b> \$13,200	<b>Fifth</b> \$16,727	<b>Sixth</b> \$20,896	<b>Seventh</b> \$26,131	<b>Eighth</b> \$34,111	<b>Ninth</b> \$48,273	<b>Tenth</b> \$110,587
<b>COLA Reduction Ages 62-120</b>	<b>1 Year Ago</b>	\$3,869	\$7,917	\$10,369	\$13,103	\$16,618	\$20,777	\$26,003	\$33,976	\$48,139	\$110,451
	Change (%)	-0.8%	-0.8%	-0.8%	-0.7%	-0.7%	-0.6%	-0.5%	-0.4%	-0.3%	-0.1%
	<b>20 Years Ago</b>	\$3,532	\$7,139	\$9,341	\$12,003	\$15,420	\$19,509	\$24,716	\$32,706	\$46,945	\$109,291
	Change (%)	-9.4%	-10.6%	-10.7%	-9.1%	-7.8%	-6.6%	-5.4%	-4.1%	-2.8%	-1.2%
	<b>60 Years Ago</b>	\$3,502	\$7,062	\$9,242	\$11,917	\$15,349	\$19,447	\$24,664	\$32,663	\$46,912	\$109,255
	Change (%)	-10.2%	-11.5%	-11.6%	-9.7%	-8.2%	-6.9%	-5.6%	-4.2%	-2.8%	-1.2%
<b>COLA Reduction Ages 62-75</b>	<b>1 Year Ago</b>	\$3,884	\$7,953	\$10,419	\$13,154	\$16,671	\$20,829	\$26,056	\$34,023	\$48,178	\$110,487
	Change (%)	-0.4%	-0.4%	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.2%	-0.1%
	<b>20 Years Ago</b>	\$3,632	\$7,394	\$9,670	\$12,328	\$15,737	\$19,803	\$24,991	\$32,940	\$47,129	\$109,476
	Change (%)	-6.9%	-7.4%	-7.5%	-6.6%	-5.9%	-5.2%	-4.4%	-3.4%	-2.4%	-1.0%
	<b>60 Years Ago</b>	\$3,600	\$7,311	\$9,561	\$12,233	\$15,657	\$19,736	\$24,934	\$32,892	\$47,094	\$109,436
	Change (%)	-7.7%	-8.4%	-8.6%	-7.3%	-6.4%	-5.6%	-4.6%	-3.6%	-2.4%	-1.0%

**Table 2 (cont.): Effects of a COLA Reduction on Mean Income by Income Decile  
for Length of Time Since Passage of COLA Reduction and for Different Ages in Which the COLA Reduction Applies,  
All Aged Units**

		<b>Mean Income of Aged Units</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Fifth</b>	<b>Sixth</b>	<b>Seventh</b>	<b>Eighth</b>	<b>Ninth</b>	<b>Tenth</b>
			\$3,899	\$7,984	\$10,456	\$13,200	\$16,727	\$20,896	\$26,131	\$34,111	\$48,273	\$110,587
<b>COLA Reduction Ages 62-80</b>	<b>1 Year Ago</b>	\$3,878	\$7,940	\$10,397	\$13,133	\$16,646	\$20,804	\$26,029	\$33,997	\$48,154	\$110,466	
	Change (%)	-0.6%	-0.6%	-0.6%	-0.5%	-0.5%	-0.4%	-0.4%	-0.3%	-0.2%	-0.1%	
	<b>20 Years Ago</b>	\$3,580	\$7,262	\$9,499	\$12,147	\$15,547	\$19,622	\$24,814	\$32,789	\$47,006	\$109,357	
	Change (%)	-8.2%	-9.0%	-9.2%	-8.0%	-7.1%	-6.1%	-5.0%	-3.9%	-2.6%	-1.1%	
	<b>60 Years Ago</b>	\$3,547	\$7,177	\$9,389	\$12,053	\$15,468	\$19,554	\$24,758	\$32,742	\$46,970	\$109,317	
	Change (%)	-9.0%	-10.1%	-10.2%	-8.7%	-7.5%	-6.4%	-5.3%	-4.0%	-2.7%	-1.1%	
<b>COLA Reduction Ages 62-85</b>	<b>1 Year Ago</b>	\$3,873	\$7,928	\$10,383	\$13,115	\$16,628	\$20,785	\$26,010	\$33,983	\$48,144	\$110,455	
	Change (%)	-0.7%	-0.7%	-0.7%	-0.6%	-0.6%	-0.5%	-0.5%	-0.4%	-0.3%	-0.1%	
	<b>20 Years Ago</b>	\$3,550	\$7,188	\$9,406	\$12,054	\$15,459	\$19,540	\$24,741	\$32,725	\$46,963	\$109,309	
	Change (%)	-9.0%	-10.0%	-10.0%	-8.7%	-7.6%	-6.5%	-5.3%	-4.1%	-2.7%	-1.2%	
	<b>60 Years Ago</b>	\$3,519	\$7,106	\$9,300	\$11,963	\$15,383	\$19,475	\$24,687	\$32,680	\$46,928	\$109,271	
	Change (%)	-9.8%	-11.0%	-11.1%	-9.4%	-8.0%	-6.8%	-5.5%	-4.2%	-2.8%	-1.2%	

**Table 3: Effects of a COLA Reduction on Mean Income by Income Decile  
for Length of Time Since Passage of COLA Reduction and for Different Ages in which the COLA Reduction Applies,  
Ages 85 and Older**

	<b>Mean Income of Aged Units</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Fifth</b>	<b>Sixth</b>	<b>Seventh</b>	<b>Eighth</b>	<b>Ninth</b>	<b>Tenth</b>
		\$3,323	\$7,056	\$8,505	\$9,960	\$11,566	\$13,617	\$16,337	\$20,553	\$28,306	\$65,729
<b>COLA Reduction Ages 62-120</b>	<b>1 Year Ago</b>	\$3,297	\$6,994	\$8,431	\$9,873	\$11,469	\$13,518	\$16,226	\$20,423	\$28,171	\$65,564
	Change (%)	-0.8%	-0.9%	-0.9%	-0.9%	-0.8%	-0.7%	-0.7%	-0.6%	-0.5%	-0.3%
	<b>20 Years Ago</b>	\$2,849	\$5,936	\$7,180	\$8,389	\$9,821	\$11,847	\$14,347	\$18,236	\$25,911	\$62,824
	Change (%)	-14.3%	-15.9%	-15.6%	-15.8%	-15.1%	-13.0%	-12.2%	-11.3%	-8.5%	-4.4%
	<b>60 Years Ago</b>	\$2,702	\$5,602	\$6,759	\$7,908	\$9,242	\$11,385	\$13,857	\$17,659	\$25,377	\$62,173
	Change (%)	-18.7%	-20.6%	-20.5%	-20.6%	-20.1%	-16.4%	-15.2%	-14.1%	-10.3%	-5.4%
<b>COLA Reduction Ages 62-75</b>	<b>1 Year Ago</b>	\$3,323	\$7,055	\$8,505	\$9,960	\$11,566	\$13,617	\$16,336	\$20,551	\$28,303	\$65,725
	Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>20 Years Ago</b>	\$3,174	\$6,687	\$8,086	\$9,456	\$11,065	\$12,972	\$15,563	\$19,646	\$27,294	\$64,504
	Change (%)	-4.5%	-5.2%	-4.9%	-5.1%	-4.3%	-4.7%	-4.7%	-4.4%	-3.6%	-1.9%
	<b>60 Years Ago</b>	\$3,011	\$6,321	\$7,633	\$8,926	\$10,420	\$12,451	\$15,019	\$19,012	\$26,705	\$63,781
	Change (%)	-9.4%	-10.4%	-10.3%	-10.4%	-9.9%	-8.6%	-8.1%	-7.5%	-5.7%	-3.0%

**Table 3 (cont.): Effects of a COLA Reduction on Mean Income by Income Decile  
for Length of Time Since Passage of COLA Reduction and for Different Ages in which the COLA Reduction Applies,  
Ages 85 and Older**

	<b>Mean Income of Aged Units</b>	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>	<b>Fifth</b>	<b>Sixth</b>	<b>Seventh</b>	<b>Eighth</b>	<b>Ninth</b>	<b>Tenth</b>
		\$3,323	\$7,056	\$8,505	\$9,960	\$11,566	\$13,617	\$16,337	\$20,553	\$28,306	\$65,729
<b>COLA Reduction Ages 62-80</b>	<b>1 Year Ago</b>	\$3,323	\$7,055	\$8,505	\$9,960	\$11,566	\$13,616	\$16,334	\$20,547	\$28,298	\$65,717
	Change (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>20 Years Ago</b>	\$3,064	\$6,423	\$7,789	\$9,090	\$10,654	\$12,540	\$15,090	\$19,109	\$26,735	\$63,831
	Change (%)	-7.8%	-9.0%	-8.4%	-8.7%	-7.9%	-7.9%	-7.6%	-7.0%	-5.5%	-2.9%
	<b>60 Years Ago</b>	\$2,899	\$6,056	\$7,321	\$8,555	\$10,007	\$12,033	\$14,550	\$18,469	\$26,150	\$63,110
	Change (%)	-12.7%	-14.2%	-13.9%	-14.1%	-13.5%	-11.6%	-10.9%	-10.1%	-7.6%	-4.0%
<b>COLA Reduction Ages 62-85</b>	<b>1 Year Ago</b>	\$3,318	\$7,045	\$8,493	\$9,943	\$11,554	\$13,596	\$16,304	\$20,508	\$28,257	\$65,668
	Change (%)	-0.2%	-0.2%	-0.1%	-0.2%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%	-0.1%
	<b>20 Years Ago</b>	\$2,950	\$6,155	\$7,473	\$8,716	\$10,234	\$12,123	\$14,632	\$18,588	\$26,209	\$63,191
	Change (%)	-11.2%	-12.8%	-12.1%	-12.5%	-11.5%	-11.0%	-10.4%	-9.6%	-7.4%	-3.9%
	<b>60 Years Ago</b>	\$2,791	\$5,801	\$7,019	\$8,199	\$9,612	\$11,636	\$14,115	\$17,975	\$25,646	\$62,504
	Change (%)	-16.0%	-17.8%	-17.5%	-17.7%	-16.9%	-14.5%	-13.6%	-12.5%	-9.4%	-4.9%

**Table 4:  
Imputed Poverty Thresholds**

<b>Actual Poverty Threshold</b>	<b>Imputed Poverty Threshold</b>	
	<b>\$7,990</b>	<b>\$10,070</b>
\$7,990	<b>5161</b>	0
\$10,070	782	<b>3996</b>
\$11,156	186	328
\$11,440	20	0
\$13,032	377	457
\$13,410	87	48
\$13,423	9	0
\$16,895	28	12
\$16,954	1	0
\$17,184	106	100
\$17,465	85	47
\$19,882	12	2
\$20,380	72	19
\$20,723	35	12
\$21,024	45	21
\$22,261	5	0
\$22,964	27	4
\$23,436	28	11
\$23,835	3	2
\$23,930	10	7
\$24,934	2	1
\$25,828	17	3
\$26,595	12	5
\$27,006	12	9
\$27,425	2	1
\$27,596	6	2
\$28,327	3	2
\$29,206	4	3
\$29,899	8	2
\$30,387	2	0
\$30,673	1	0
\$30,944	6	1
\$33,708	2	0
\$34,554	2	1
\$35,489	6	0
\$36,169	1	0
\$37,076	0	1
<b>Total</b>	<b>7165</b>	<b>5097</b>

**Table 5:  
Percentage of Aged Units with Income below the Poverty Level After a COLA Reduction of One Percentage Point,  
ALL AGED UNITS**

	<b>Number</b>	<b>Actual Poverty Rate</b>	<b>62 - 120 20 Years</b>	<b>62 - 120 60 Years</b>	<b>62 - 75 60 Years</b>	<b>62 - 80 60 Years</b>	<b>62 - 85 60 Years</b>
<b>All Aged Units</b>	25,200,000	<b>15.9%</b>	19.9%	20.5%	19.0%	19.7%	20.0%
<b>By Age</b>							
Ages 65-74	12,900,000	<b>14.6%</b>	16.5%	16.5%	16.4%	16.5%	16.5%
Ages 75-84	9,362,568	<b>15.6%</b>	20.9%	20.9%	19.5%	20.8%	20.9%
Ages 85 +	2,889,808	<b>22.4%</b>	32.3%	36.9%	28.7%	31.0%	33.0%
<b>By Gender, Marital Status, and Age</b>							
Married Couples, 65-74	6,461,332	<b>4.8%</b>	5.4%	5.4%	5.4%	5.4%	5.4%
Unmarried Males, 65-74	1,878,304	<b>21.9%</b>	24.5%	24.5%	24.5%	24.5%	24.5%
Unmarried Females, 65-74	4,589,762	<b>25.4%</b>	28.7%	28.7%	28.7%	28.7%	28.7%
Married Couples, 75-84	3,377,998	<b>5.0%</b>	6.7%	6.7%	6.4%	6.6%	6.7%
Unmarried Males, 75-84	1,428,762	<b>13.9%</b>	20.6%	20.6%	18.8%	20.4%	20.6%
Unmarried Females, 75-84	4,555,808	<b>23.9%</b>	31.5%	31.6%	29.5%	31.4%	31.6%
Married Couples, 85 +	551,820	<b>4.0%</b>	6.4%	7.4%	5.7%	5.7%	7.4%
Unmarried Males, 85 +	493,918	<b>17.8%</b>	26.4%	31.3%	22.6%	24.2%	26.4%
Unmarried Females, 85 +	1,844,070	<b>29.1%</b>	41.6%	47.3%	37.2%	40.4%	42.4%

**Table 6:  
Percentage of Aged Units with Income below the Poverty Level After a COLA Reduction of One Percentage Point,  
ONLY AGED UNITS RECEIVING SOCIAL SECURITY BENEFITS**

	<b>Number</b>	<b>Actual Poverty Rate</b>	<b>62 - 120 20 Years</b>	<b>62 - 120 60 Years</b>	<b>62 - 75 60 Years</b>	<b>62 - 80 60 Years</b>	<b>62 - 85 60 Years</b>
<b>All Aged Units</b>	22,700,000	<b>13.1%</b>	17.6%	18.2%	16.5%	17.4%	17.7%
<b>By Age</b>							
Ages 65-74	11,300,000	<b>11.8%</b>	14.0%	14.0%	13.9%	14.0%	14.0%
Ages 75-84	8,726,573	<b>12.8%</b>	18.5%	18.6%	17.1%	18.4%	18.6%
Ages 85 +	2,657,285	<b>19.0%</b>	29.7%	34.8%	25.8%	28.4%	30.5%
<b>By Gender, Marital Status, and Age</b>							
Married Couples, 65-74	5,758,693	<b>3.3%</b>	4.0%	4.0%	3.9%	4.0%	4.0%
Unmarried Males, 65-74	1,544,093	<b>18.6%</b>	21.7%	21.7%	21.7%	21.7%	21.7%
Unmarried Females, 65-74	4,012,459	<b>21.5%</b>	25.3%	25.3%	25.3%	25.3%	25.3%
Married Couples, 75-84	3,183,321	<b>3.1%</b>	4.9%	4.9%	4.6%	4.8%	4.9%
Unmarried Males, 75-84	1,279,523	<b>9.8%</b>	17.2%	17.2%	15.1%	16.9%	17.2%
Unmarried Females, 75-84	4,263,729	<b>21.0%</b>	29.1%	29.2%	27.0%	29.0%	29.2%
Married Couples, 85 +	522,632	<b>2.2%</b>	4.7%	5.7%	4.0%	4.0%	5.7%
Unmarried Males, 85 +	431,579	<b>13.5%</b>	23.3%	28.9%	19.0%	20.8%	23.3%
Unmarried Females, 85 +	1,703,074	<b>25.6%</b>	39.0%	45.2%	34.3%	37.8%	39.9%

**Table 7:  
The Effects of the COLA Reduction Plans on the Poverty Gap**

	<b>Value of Poverty Gap (in billion \$)</b>	<b>Additional Poverty Gap from COLA Reduction (in billions \$)</b>	<b>Percent Growth</b>
<b>All Aged Units</b>			
Present Law	\$11.8	---	---
COLA, 62 - 120	\$15.8	\$4.0	33.5%
COLA, 62 - 75	\$14.2	\$2.4	20.0%
COLA, 62 - 80	\$14.9	\$3.1	25.9%
COLA, 62 - 85	\$15.3	\$3.5	29.4%
<b>Aged Units Not Living With Any Other Family Members</b>			
Present Law	\$6.3	---	---
COLA, 62 - 120	\$9.1	\$2.8	23.4%
COLA, 62 - 75	\$7.9	\$1.6	13.6%
COLA, 62 - 80	\$8.4	\$2.1	17.9%
COLA, 62 - 85	\$8.8	\$2.4	20.5%
<b>Aged Units Living With Other Family Members</b>			
Present Law	\$5.5	---	---
COLA, 62 - 120	\$6.7	\$1.2	10.1%
COLA, 62 - 75	\$6.2	\$0.7	6.3%
COLA, 62 - 80	\$6.4	\$0.9	8.0%
COLA, 62 - 85	\$6.5	\$1.1	8.9%



**Table 8:  
Summary Statistics of Relevant SSI Variables**

	Not Eligible		Eligible	
	Not Participating	Participating	Not Participating	Participating
Total Income	\$32,613 (\$37,290)	\$17,091 (\$14,166)	\$3,590 (\$3,177)	\$7,148 (\$2,723)
Social Security Benefits	\$11,857 (\$6,616)	\$8,612 (\$4,217)	\$2,730 (\$2,672)	\$2,363 (\$2,459)
SSI Benefits	\$0 \$0	\$3,401 (\$3,779)	\$0 \$0	\$4,481 (\$3,242)
Earnings	\$7,350 (\$24,963)	\$2,147 (\$9,693)	\$524 (\$2,196)	\$165 (\$1,017)
Assets	\$6,408 (\$18,113)	\$752 (\$4,526)	\$99 (\$1,350)	\$34 (\$269)
Pensions	\$6,323 (\$12,098)	\$1,234 (\$4,206)	\$142 (\$664)	\$21 (\$199)
Pre-SSI Income / Poverty Threshold	3.54 (3.83)	1.53 (1.36)	0.43 (0.37)	0.32 (0.31)
Countable Income for SSI	\$28,620 (\$29,427)	\$12,339 (\$9,716)	\$3,178 (\$2,486)	\$2,428 (\$2,369)
Calculated SSI Federal Benefit	\$0 \$0	\$0 \$0	\$3,212 (\$2,494)	\$3,930 (\$2,614)
Maximum Possible State Benefit	\$57 (\$107)	\$89 (\$135)	\$55 (\$88)	\$69 (\$114)
Disabled? (0/1)	0.25 (0.43)	0.60 (0.49)	0.22 (0.41)	0.57 (0.49)
Gender (0/1 1=female)	0.42 (0.49)	0.56 (0.50)	0.64 (0.48)	0.65 (0.48)
Married? (0/1)	0.44 (0.50)	0.34 (0.47)	0.17 (0.38)	0.17 (0.38)
Receive Social Security? (0/1)	0.94 (0.24)	0.97 (0.18)	0.58 (0.49)	0.53 (0.50)
Any Earnings? (0/1)	0.24 (0.43)	0.10 (0.31)	0.10 (0.29)	0.04 (0.19)
Any Asset Income? (0/1)	0.67 (0.47)	0.22 (0.42)	0.23 (0.42)	0.10 (0.29)
Number of Observations	10743	187	925	407

Standard errors in parentheses

**Table 9:**  
**Probit Estimates for Probability of Participating in SSI**  
**For those Eligible for Federal SSI benefits**

	<u>Coefficient</u>	<u>Derivative</u>	<u>x-bar</u>
Intercept	-1.308* (0.193)	---	---
Calculated SSI Federal Benefit ( x 100 )	0.009* (0.003)	0.0029	34.06
Disabled? (0/1)	1.044* (0.081)	0.2671	0.3326
State Generosity ( x 100 )	0.124* (0.044)	0.0414	0.539
Age Dummy (0/1) ( 1 = 75+ )	-0.087 (0.079)	-0.0291	0.4857
Gender (0/1) ( 1 = female )	0.113 (0.105)	0.0372	0.6674
Married? (0/1)	-0.06 (0.140)	-0.0197	0.1777
Receive Social Security? (0/1)	0.193 (0.133)	0.0638	0.5773
Any Earnings? (0/1)	-0.390 (0.179)	-0.1164	0.0826
Any Asset Income? (0/1)	-0.543* (0.115)	-0.1608	0.1877
<hr/>			
Number of Observations	1332		

\* Significance at 1% level.

**Table 10:  
Characteristics for Different SSI Eligibility Groups  
Assuming COLA Reduction Enacted 60 Years Ago**

	1	2	3	4	5
Receives SSI:	Yes	No	No	No	Yes
Eligible for SSI:	No	No	Yes	No	Yes
Eligible for SSI After COLA Reduction:	Both*	No	Yes	Yes	Yes
Number	187	10347	925	396	407
Probability of Uptake (Pre)	32.88%	13.62%	24.94%	22.27%	42.80%
Probability of Uptake (Post)	33.40%	13.62%	25.74%	23.48%	43.63%
Calc. Federal SSI Elig. (Pre)	\$0	\$0	\$3,212	\$0	\$3,930
Calc. Federal SSI Elig. (Post)	\$192	\$0	\$3,546	\$530	\$4,210
Countable Income for SSI (Pre)	\$12,339	\$29,415	\$3,178	\$7,017	\$2,428
Countable Income for SSI (Post)	\$11,298	\$28,056	\$2,845	\$5,781	\$2,148
SSI Benefits	\$3,401	\$0	\$0	\$0	\$4,481
Pre-SSI Income / Poverty Threshold	1.532611	3.638565	0.429331	0.882815	0.322561
Maximum State Benefit	\$89	\$57	\$55	\$44	\$69
Disabled? (0/1)	59.88%	24.40%	21.63%	33.32%	57.35%
Gender (0/1) ( 1 = female )	55.72%	41.00%	64.08%	77.33%	65.44%
Married? (0/1)	33.55%	45.53%	17.43%	11.35%	16.95%

\* 60 of the 187 members of this sample became eligible for SSI benefits after the COLA reduction

**Table 11:  
The Effects of the COLA Reduction Plans on Federal SSI Payment Obligations**

**(a) Assuming COLA Reduction Enacted 60 Years Ago**

Subgroup	# Aged Units	Probab. of uptake	Probab. after COLA Reduction	SSI Benefits	Estimated SSI Benefits After COLA Reduction
1	393,210	32.9%	33.4%	\$1,337,189,813	\$1,413,118,864
2	21,300,000	13.6%	13.6%	\$0	\$0
3	1,867,360	24.9%	25.7%	\$0	\$32,907,073
4	784,274	22.3%	23.5%	\$0	\$99,553,861
5	816,645	42.8%	43.6%	\$3,659,315,994	\$3,887,996,846
Total	25,200,000	16.0%	16.1%	\$4,996,505,807	\$5,433,576,643

Additional Cost to Federal SSI Programs: \$437,070,836

Subgroups: (1) Receive SSI though not eligible, (2) Not eligible for SSI and not receive SSI, (3) Eligible for SSI but not receiving SSI, (4) Not receiving SSI though would become eligible for SSI After the COLA Reduction, (5) Receiving and eligible for SSI.

**(b) Assuming COLA Reduction for Ages 62 – 75 Enacted 60 Years Ago**

Subgroup	# Aged Units	Probab. of uptake	Probab. after COLA Reduction	SSI Benefits	Estimated SSI Benefits After COLA Reduction
1	393,210	32.9%	33.2%	\$1,337,189,813	\$1,377,584,203
2	21,600,000	13.7%	13.7%	\$0	\$0
3	1,867,360	24.9%	25.5%	\$0	\$21,549,887
4	506,971	21.9%	22.7%	\$0	\$41,484,079
5	816,645	42.8%	43.5%	\$3,659,315,994	\$3,845,462,908
	0				
Total	25,200,000	16.0%	16.1%	\$4,996,505,807	\$5,286,081,076

Additional Cost to Federal SSI Programs: \$289,575,269

**Table 11 (cont.):****(c) Assuming COLA Reduction for Ages 62 – 80 Enacted 60 Years Ago**

Subgroup	# Aged Units	Probab. of uptake	Probab. after COLA Reduction	SSI Benefits	Estimated SSI Benefits After COLA Reduction
1	393,210	32.9%	33.3%	\$1,337,189,813	\$1,393,985,728
2	21,500,000	13.7%	13.7%	\$0	\$0
3	1,867,360	24.9%	25.7%	\$0	\$27,110,948
4	638,937	21.3%	22.3%	\$0	\$64,034,642
5	816,645	42.8%	43.6%	\$3,659,315,994	\$3,870,570,216
	0				
Total	25,200,000	16.0%	16.1%	\$4,996,505,807	\$5,355,701,534

Additional Cost to Federal SSI Programs: \$359,195,727

**(d) Assuming COLA Reduction for Ages 62 – 85 Enacted 60 Years Ago**

Subgroup	# Aged Units	Probab. of uptake	Probab. after COLA Reduction	SSI Benefits	Estimated SSI Benefits After COLA Reduction
1	393,210	32.9%	33.3%	\$1,337,189,813	\$1,404,019,535
2	21,400,000	13.7%	13.7%	\$0	\$0
3	1,867,360	24.9%	25.7%	\$0	\$30,393,338
4	734,868	21.8%	22.8%	\$0	\$80,955,765
5	816,645	42.8%	43.6%	\$3,659,315,994	\$3,881,793,026
	0				
Total	25,200,000	16.0%	16.1%	\$4,996,505,807	\$5,397,161,664

Additional Cost to Federal SSI Programs: \$400,655,857

**Table 12:**  
**The Effects of the COLA Reduction Plans on the Trust Fund Balance**  
**Assuming COLA Reduction Enacted 60 years Ago**

	<b>Total Value of Benefits Paid to Aged Units in 1999 (in billions \$)</b>	<b>Savings from Present Law (in billions \$)</b>	<b>Portion of Trust Fund Gap Closed</b>
Present Law	\$272.5	\$0.0	0.0%
COLA, 62 - 120	\$241.3	\$31.2	73.0%
COLA, 62 - 75	\$247.5	\$24.9	58.4%
COLA, 62 - 80	\$243.7	\$28.7	67.2%
COLA, 62 - 85	\$242.0	\$30.4	71.2%