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COLA cont'd

CPI-W. While the CPI-U is not based exclusively on the purchases of the elderly, at least it includes most of them in its coverage. The Senate position was included in its version of the tax technical-corrections bill. (Actually, the provision required all federal agencies to use the CPI-U; the IRS already uses it for indexing tax brackets and the personal exemption.) The Administration testified against the switch, saying that it would make no difference, and the provision was dropped in conference.

Another issue considered simultaneously involved changes to the CPI-W itself. In January 1988, BLS changed the base period for the index from 1967 to 1982-84. The CPI for the base period is set equal to 100.0. Accordingly, the "official" CPI value for January dropped from about 340 to about 115. One might not consider this too important, but Social Security regulations require the average CPI to be rounded to the nearest one-tenth of a point, before the percentage increase is calculated. Such rounding has a greater effect on a smaller figure.

This was not just an academic consideration. To obtain the actual 4.0% COLA, the 1967-basis CPI-W needed to reach 352.5 in September, a 6.3% annual rate of change over August. On the 1982-84 basis, the CPI-W needed to reach 118.4, a 7.4% annual rate of change. In other words, if the CPI rose at an annual rate between 6.3% and 7.4%, the new basis would produce a COLA of 3.9%, but the old basis would produce 4.0%. For a program paying benefits of $230 billion in 1989, the difference is not small, and it would continue into future years.

The Social Security Administration chose to use the 1982-84 basis, as did every other federal agency that uses the CPI. Fortunately, the actual CPI-W values for September were 353.0 on the old basis and 118.5 on the new one. The COLA would have been 4.0% either way!

Bruce D. Schobel is Senior Consultant, Social Security Division, Mercer-Meidinger-Hansen Inc.

In memoriam

Morgan H. Alvord FSA 1942
Joseph A. Christman FSA 1929
George W.K. Grange ASA 1936
Joseph T. McNeely ASA 1929
Donald C.H. Potter ASA 1932

FACTUARIES

by Deborah Poppel

This is the second in a series of profiles of members of the Society's Board of Governors.

Name: C. S. (Kit) Moore

Birthday: September 17, 1940, 12:15 a.m.

Birthplace: Toronto, Ontario, Canada

Current hometown: Toronto

Employer: William M. Mercer Limited

Children: Graeme, 22; David, 20; Jennifer, 17

My first job was: as a summer student for Manufacturer's Life Insurance Company, converting insurance policy dividends from pounds, shillings, and pence into dollars and cents – by hand!

The number of exams I flunked: 3 or 4, which includes my only pass course at university – religious knowledge!

The book I recommend most often: *The Wanderer* by Alain-Fournier

The last movie I saw: *Planes, Trains, and Automobiles* (also one of the funniest I've seen!)

Nobody would believe it if they saw me: home for dinner before 6 p.m.

The TV show I stay home to watch: is yet to be created.

If I could change one thing about myself: I'd start with my socks.

When I'm feeling sorry for myself: I shop.

My fantasy is: to spend an evening with Xaviera Hollander (The Happy Hooker).

The silliest thing I've ever done is: to spend an evening with Xaviera Hollander.

If I could do it over I'd have: overdone it again.

My proudest actuarial moment was: becoming one.

The best time of my life was: the last 10 years or so!