



News Release

SOCIAL SECURITY

Prompt Passage of Economic Recovery Act Payment for 2010 Needed

Law Does Not Provide for a Social Security Cost-of-Living Adjustment for 2010

With consumer prices down over the past year, monthly Social Security and Supplemental Security Income benefits for more than 57 million Americans will not automatically increase in 2010. This will be the first year without an automatic Cost-of-Living Adjustment (COLA) since they went into effect in 1975.

“Social Security is doing its job helping Americans maintain their standard of living,” Michael J. Astrue, Commissioner of Social Security said. “Last year when consumer prices spiked, largely as a result of higher gas prices, beneficiaries received a 5.8 percent COLA, the largest increase since 1982. This year, in light of the human need, we need to support President Obama’s call for us to make another \$250 recovery payment for 57 million Americans.”

The Social Security Act provides that Social Security and Supplemental Security Income benefits increase automatically each year if there is an increase in the Bureau of Labor Statistics' *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) from the third quarter of the last year to the third quarter of the current year. This year there was no increase in the CPI-W from the third quarter of 2008 to the third quarter of 2009. In addition, because there was no increase in the CPI-W this year, under the law the starting point for determinations regarding a possible 2011 COLA will remain the third quarter of 2008.

Some other changes that would normally take effect in January 2010 based on the increase in average wages also will not take effect, even though average wages did increase. Since there is no COLA, the statute prohibits an increase in the maximum amount of earnings subject to the Social Security tax as well as the retirement earnings test exempt amounts. These amounts will remain unchanged in 2010. The attached [fact sheet](#) provides more information on 2010 Social Security changes.

Information about Medicare changes for 2010, when available, will be found at www.Medicare.gov. The Department of Health and Human Services has not yet announced if there will be any Medicare premium changes for 2010. Should there be an increase in the Medicare Part B premium, the law contains a “hold harmless” provision that protects about 93 percent of Social Security beneficiaries from paying a higher Part B premium, in order to avoid reducing their net Social Security benefit. Those not protected include higher income beneficiaries subject to an income-adjusted Part B premium and beneficiaries newly entitled to Part B in 2010. On September 24th, the House passed legislation by 406-18 that would, on a fully paid-for basis, prevent abnormally large

premium increases. The President is calling on the Senate to enact this legislation before it becomes too late for the Social Security Administration to update its computer systems to implement this needed change.

For additional information about the 2010 COLA, go to www.socialsecurity.gov/cola.

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Cost-Of-Living Adjustments



Social Security and Supplemental Security Income (SSI) benefits are adjusted annually to reflect the increase, if any, in the cost of living as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) prepared by the Bureau of Labor Statistics. The purpose of the annual cost-of-living adjustment (COLA) is to ensure that the purchasing power of Social Security and SSI benefits is not eroded by inflation.

As noted, the law provides that Social Security and SSI benefits will increase automatically to reflect the annual increase in the CPI-W. The average CPI-W for the third calendar quarter of the prior year is compared to the average CPI-W for the third calendar quarter of the current year, and the resulting percentage increase represents the percentage that will be used to adjust Social Security benefits beginning for December of the current year. SSI benefits are adjusted by the same percentage the following month (January).

History

The COLA provision was enacted by Congress as part of the 1972 Social Security Amendments. Prior to enactment, increases in Social Security benefits had to be enacted by Congress on an ad hoc basis. At that time, inflation was relatively high, so the provision enacted in 1972 provided for an automatic COLA only if the increase in the CPI-W was at least 3 percent, the so-called "3-percent trigger."

By the mid-1980s, as inflation began to wane, it became apparent that because of the 3-percent trigger, it could be possible that there would not be an annual COLA. In 1986, Congress enacted legislation to eliminate the 3-percent trigger.

Annual COLA

Under present law, there will be a COLA for Social Security and SSI benefits provided that there is an increase in the average of the CPI-W from the third calendar quarter of the prior year to the third calendar quarter of the

current year of at least one-tenth of one percent (0.1 percent). If the CPI-W increases by less than 0.05 percent, or if the CPI-W decreases, there will not be a COLA. If there is no COLA, Social Security and SSI benefits will remain the same.

Since there is no COLA in 2010, the starting point for the measuring period for the 2011 COLA will remain the third calendar quarter of 2008.

Other Automatic Increases

There are a number of other automatic increases in the Social Security program. Two of these increases are based upon increases in the national average wage index, but are triggered only if there is a COLA for Social Security benefits. These increases are:

- The contribution and benefit base—the cap on the amount of wages and self-employment income subject to Social Security payroll tax; and
- Retirement Earnings Test exempt amounts—caps on the amount of earnings that a beneficiary can earn before a reduction in benefits will apply.

Since there is no COLA in 2010, the contribution and benefit base and the Retirement Earnings Test exempt amounts will not increase, even though average wages did increase.

Effect on Medicare Part B Premium

Unlike the Social Security COLA, the CPI-W plays no part in the computation of the Medicare Part B premium. The Medicare Part B premium is increased each year, if necessary, so that the Part B premium is sufficient to fund approximately 25 percent of the projected cost of the Part B program. Any such premium increase is effective in the same month that the Social Security COLA is payable.

The Social Security Act includes a provision that holds certain Social Security beneficiaries harmless for increases in the Medicare Part B premium. The "hold harmless" provision protects about 93 percent of Social Security

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beneficiaries from paying a higher Part B premium, in order to avoid reducing their net Social Security benefit. Those not protected include higher income beneficiaries subject to an income-adjusted Part B premium and beneficiaries newly entitled to Part B in 2010.

Contacting Social Security

For more information and to find copies of our publications, visit our website at www.socialsecurity.gov or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.