
It's the Year of the Un-COLA for Social Security

By Editor Test *Tue, Oct 27, 2009*

Last year, by contrast, beneficiaries received a 5.8% COLA, as spiking gas prices triggered the largest increase since 1982.

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% 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.”

This year there was no increase in the Bureau of Labor Statistics *Consumer Price Index for Urban Wage Earners and Clerical Workers* (CPI-W) from the third quarter of 2008 to the third quarter of 2009. The Social Security Act provides that benefits increase automatically each year if there is an increase in the CPI-W from the third quarter of the last year to the third quarter of the current year.

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.

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.

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% of Social Security beneficiaries from paying a higher Part B premium, in order to avoid reducing their net Social Security benefit.