Cost-Of-Living-Adjustment

Social Security and Supplemental Security Income (SSI) benefits are adjusted 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 (BLS). The purpose of the cost-of-living adjustment (COLA) is to ensure that the purchasing power of Social Security and SSI benefits is not eroded by inflation.

To determine the COLA, the average CPI-W for the third calendar quarter of the most recent year a COLA was determined is compared to the average CPI-W for the third calendar quarter of the current year. The resulting percentage increase, if any, represents the percentage that will be used to increase Social Security benefits beginning for December of the current year. SSI benefits increase by the same percentage the following month (January). If the increase in the CPI-W is at least one-tenth of one percent (0.1 percent), there will be a COLA. However, if the CPI-W increases by less than 0.05 percent, or if the CPI-W decreases, there won't be a COLA.

History

Congress enacted the COLA provision 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 three percent, the so-called "three-percent trigger."

By the mid-1980s, as inflation began to wane, the possibility arose that no annual COLA would be authorized because the CPI-W didn't rise enough to meet the three-percent trigger. In 1986, Congress enacted legislation to eliminate the three-percent trigger.

Other Automatic Increases

There are other automatic increases in the Social Security program. Two of these increases are based on increases in the national average wage index, and 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.

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 changes 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 change is effective in January.

Information about Medicare changes is available at ***www.medicare.gov***.

Contacting Social Security

Visit ***www.socialsecurity.gov*** anytime to apply for benefits, open a ***my* Social Security** account, find publications, and get answers to frequently asked questions. Or, call us toll-free at **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer case-specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call after Tuesday. We treat all calls confidentially. We also want to make sure you receive accurate and courteous service, so a second Social Security representative monitors some telephone calls. We can provide general information by automated phone service 24 hours a day. And, remember, our website, ***www.socialsecurity.gov***, is available to you anytime and anywhere!

Printed on recycled paper

Social Security Administration
SSA Publication No. 05-10526
October 2015