

Zero COLA for Social Security?

Q: In January, 2016 will elders get a cost of living increase for Social Security?

A: At this point, the answer is No. According to the recently released 2015 report of the Social Security Board of Trustees, “projections...do not have a cost of living adjustment for December 2015.”

Automatic benefit increases, also known as cost-of-living adjustments or COLAs, have been in effect since 1975. Beneficiaries used to see their check go up in July of each year, but since 1982, COLAs have been effective with benefits payable for December---which beneficiaries see as a higher check in January.

But this January, nearly 60 million Social Security beneficiaries will see no increase. This will be only the 3rd time since 1975 that people on Social Security have received a 0% COLA. The only other two years with no increase were in 2010 and 2011.

The reason the COLA is zero for January of 2016 is because oil prices have dropped so much that there is no increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers, the CPI-W, as calculated by the U.S. Department of Labor. The CPI-W is the basis for measuring the COLA. Inflation hasn't been enough to justify a COLA. So cheap gas at the pump and in the oil tank has translated into no Social Security check increase for 2016.

The annual COLAs are based on the percentage increase (if any) in the average CPI-W for the third quarter of the current year over the average for the third quarter of the last year. If there were a rise in inflation during July, August, and September of 2015---things could change. But seniors shouldn't count on a COLA this January.

In 2015, there was a 1.7% COLA for Social Security and Supplemental Security Income recipients. The largest Social Security COLA since the year 2000 was in 2009, when beneficiaries got a 5.8% increase---but that was followed by two years of no increase at all. In 2013, 2014 and 2015, the

COLAs were 1.7%, 1.5%, and 1.7%---so not much change at all. Since 2010, the COLA has averaged only 1.4%. The Trustees are projecting that 2016 will be the only year with no COLA increase, and that in future years, like 2017, seniors and individuals with disabilities will get a COLA.

However, no COLA in 2016 will result in some *good* news. Elders enrolled in Medicare Part B will see no increase in their monthly premium of \$104.90 deducted from their Social Security checks. New people coming onto Medicare *will* see a premium rise, as will Medicare beneficiaries with higher incomes. And workers who pay into Social Security based on their earnings will be happy, because when there isn't a COLA increase, there's also no increase in the upper limit on wage income subject to Social Security payroll taxes---which will remain frozen at \$118,500 per year. In 2016, any wages earned above that level will not be subject to the Social Security payroll tax, known as FICA.

For many years, elders have argued that the CPI-W, which only measures price changes in food, housing, gas and other goods and services, is not a good indicator of changes in the real cost of living for seniors. The U.S. Bureau of Labor Statistics has collected data since 1983 on the basis of an experimental index (CPI-E) for Americans 62 and older. The CPI-E measures a "basket" of goods and services more relevant to elders, who spend more of their money on items like medical care. If Social Security benefits were measured by the CPI-E instead of the CPI-W, the annual COLA adjustments would be higher. But that would increase Social Security payments to elders---something that many members of Congress are reluctant to do.

By October of 2015, we will know for sure if the COLA will rise---but for now, it looks like seniors will have to live with another UN-COLA for 2016.

