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U.S. Benefits for Retirees to Rise 3.6% Next Year

By ROBERT PEAR

WASHINGTON — **Social Security** recipients will get a 3.6 percent increase in benefits next year to help keep up with inflation, the first such cost-of-living adjustment in three years, the government announced Wednesday.

The automatic increase will begin with payments that go to nearly 55 million Social Security beneficiaries in January.

For retired workers, the average monthly benefit will increase by \$43, to \$1,229. That translates into annual income of \$14,748, up \$516 from this year.

Social Security is the major source of income for most Americans 65 and older, according to the agency that runs the program. It expects to pay \$727 billion in benefits this year to retirees, people with disabilities, and surviving spouses and children.

As baby boomers retire, the number of beneficiaries will grow. The Congressional Budget Office estimates that the annual cost of the program will climb by 75 percent in the next decade, reaching nearly \$1.3 trillion in 2021.

The announcement of the benefit increase came as members of Congress look for ways to slow the growth of the program. Such proposals could be considered by a special joint committee of Congress seeking ways to reduce the [federal budget](#) deficit.

One option, discussed by the White House and Congressional Republicans over the summer, would calculate the annual update in benefits using an alternative measure of inflation, known as the “chain-weighted version” of the [Consumer Price Index](#). The budget office says such a change could save more than \$100 billion over 10 years.

Advocates for older Americans say the change would be tantamount to a backdoor cut in benefits. House Democrats, including two members of the committee on deficit reduction — Representatives Xavier Becerra of California and Chris Van Hollen of Maryland — opposed the idea when it came up earlier this year.

The House Democratic leader, Representative Nancy Pelosi of California, said that any savings in Social Security should be used to strengthen the program, not to reduce the deficit.

Nancy LeMond, an executive vice president of AARP, the lobby for middle-aged and older Americans, said the increase in benefits would provide some relief for people whose finances had been battered by a “decline in housing values, deep losses to retirement and savings accounts and skyrocketing health and prescription drug costs” in the last few years.

The Social Security Administration pointed out on Wednesday that for some beneficiaries, the increase in Social Security benefits next year “may be partially or completely offset by increases in [Medicare](#) premiums.”

Social Security could be a political issue in campaigns for the White House and Congress. In September, at a debate among Republicans seeking the party’s presidential nomination, Gov. Rick Perry of Texas talked about the need to shore up Social Security and referred to the program as a “[Ponzi scheme](#).” Mr. Perry was assailed by some of his Republican rivals and by Democrats, who

promise to defend the program.

“Democrats created Social Security, and we will protect it,” Ms. Pelosi said Wednesday. “We must reaffirm our fundamental commitment: to preserve and strengthen Social Security, not privatize it; to maintain this pillar of economic security, not undermine it.”

Under federal law, the cost-of-living adjustment, intended to preserve the purchasing power of Social Security benefits, is based on the percentage increase in the Consumer Price Index for urban wage earners.

Social Security beneficiaries received an increase of 5.8 percent in 2009. No cost-of-living adjustments were provided in 2010 or 2011.

The recent increase in consumer prices has eroded the purchasing power of the wages paid to many workers under 65 who do not automatically receive cost-of-living adjustments in their paychecks.

Based on the increase in average wages, the maximum amount of earnings subject to the Social Security payroll tax will increase next year to \$110,100, from \$106,800.

More than eight million low-income people receiving Supplemental Security Income will also get a 3.6 percent increase in benefits next year. The standard federal payment will rise to \$698 a month for an individual, from \$674, and to \$1,048 for a couple, from \$1,011, the government said.



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