



## SOCIAL SECURITY

The Commissioner

October 19, 2011

The Honorable Gary L. Ackerman  
U.S. House of Representatives  
Washington, DC 20515-3205

Dear Mr. Ackerman:

The Social Security Act provides the formula for determining whether we can apply a cost-of-living adjustment (COLA) to Social Security and Supplemental Security Income (SSI) benefits. The formula links the COLA to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). For the first time since 2008, the CPI-W increased over the statutorily required measuring period comparing the third quarter of 2008 to the third quarter of 2011. The increase in the CPI-W through the third quarter of this year was 3.6 percent. The resulting COLA increase will begin with benefits that Social Security beneficiaries receive for December 2011, which we pay in January 2012. Increased payments to SSI recipients will begin December 30, 2011.

For Social Security beneficiaries, the estimated average monthly benefit amount for all retired workers will rise from \$1,186 to \$1,229. The maximum Federal SSI monthly payment to an individual will rise from \$674 to \$698. For a couple, the maximum Federal SSI payment will rise from \$1,011 to \$1,048. We are enclosing a copy of the press release that includes additional information.

The Social Security contribution and benefit base will also increase from \$106,800 to \$110,100 as a result of increases in national average wages.

We will publish details concerning the above amounts and related information in the *Federal Register* and we will also make it available on our Internet site:

<http://www.socialsecurity.gov/OACT/COLA>.

Further information regarding this issue is available on our Internet site:

<http://www.socialsecurity.gov/OACT/COLA/colasummary.html>.

If you have any questions, please contact Scott Frey, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

Michael J. Astrue

Enclosures



# News Release

## SOCIAL SECURITY

### **Social Security Announces 3.6 Percent Benefit Increase for 2012**

#### **Cost-of-Living Adjustment is First Since 2009**

Monthly Social Security and Supplemental Security Income (SSI) benefits for more than 60 million Americans will increase 3.6 percent in 2012, the Social Security Administration announced today.

The 3.6 percent cost-of-living adjustment (COLA) will begin with benefits that nearly 55 million Social Security beneficiaries receive in January 2012. Increased payments to more than 8 million SSI beneficiaries will begin on December 30, 2011.

Some other changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$110,100 from \$106,800. Of the estimated 161 million workers who will pay Social Security taxes in 2012, about 10 million will pay higher taxes as a result of the increase in the taxable maximum.

Information about Medicare changes for 2012, when announced, will be available at [www.Medicare.gov](http://www.Medicare.gov). For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums.

The Social Security Act provides for how the COLA is calculated. To read more, please visit [www.socialsecurity.gov/cola](http://www.socialsecurity.gov/cola).

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**NOTE TO CORRESPONDENTS:** A fact sheet showing the effect of the various automatic adjustments is attached.



# Fact Sheet

## SOCIAL SECURITY

### 2012 Social Security Changes

#### Cost-of-Living Adjustment (COLA):

Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2008 through the third quarter of 2011, Social Security and Supplemental Security Income (SSI) beneficiaries will receive a 3.6 percent COLA for 2012. Other important 2012 Social Security information is as follows:

	<u>2011</u>	<u>2012</u>
<b><u>Tax Rate:</u></b>		
Employee	7.65% *	7.65%
Self-Employed	15.30% *	15.30%

**NOTE:** The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings.

\* Section 601 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reduced, for wages and salaries paid in calendar year 2011 and self-employment income in calendar year 2011, the OASDI payroll tax by 2 percentage points, applied to the portion of the tax paid by the worker and the self-employed individual.

#### Maximum Taxable Earnings:

Social Security (OASDI only)	\$106,800	\$110,100
Medicare (HI only)	No Limit	

#### Quarter of Coverage:

Earnings needed to earn one Social Security Credit	\$1,120	\$1,130
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#### Retirement Earnings Test Exempt Amounts:

Under full retirement age	\$14,160/yr. (\$1,180/mo.)	\$14,640/yr. (\$1,220/mo.)
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NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit.

The year an individual reaches full retirement age	\$37,680/yr. (\$3,140/mo.)	\$38,880/yr. (\$3,240/mo.)
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NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.

There is no limit on earnings beginning the month an individual attains full retirement age.

**Social Security Disability Thresholds:**

Substantial Gainful Activity (SGA)		
Non-Blind	\$1,000/mo.	\$1,010/mo.
Blind	\$1,640/mo.	\$1,690/mo.
Trial Work Period (TWP)	\$ 720/mo.	\$ 720/mo.

**Maximum Social Security Benefit: Worker Retiring at Full Retirement Age:**

	\$2,366/mo.	\$2,513/mo.
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**SSI Federal Payment Standard:**

Individual	\$674/mo.	\$698/mo.
Couple	\$1,011/mo.	\$1,048/mo.

**SSI Resources Limits:**

Individual	\$2,000	\$2,000
Couple	\$3,000	\$3,000

**SSI Student Exclusion:**

Monthly limit	\$1,640	\$1,700
Annual limit	\$6,600	\$6,840

**Estimated Average Monthly Social Security Benefits Payable in January 2012:**

	<b><u>Before 3.6% COLA</u></b>	<b><u>After 3.6% COLA</u></b>
All Retired Workers	\$1,186	\$1,229
Aged Couple, Both Receiving Benefits	\$1,925	\$1,994
Widowed Mother and Two Children	\$2,455	\$2,543
Aged Widow(er) Alone	\$1,143	\$1,184
Disabled Worker, Spouse and One or More Children	\$1,826	\$1,892
All Disabled Workers	\$ 1,072	\$1,111