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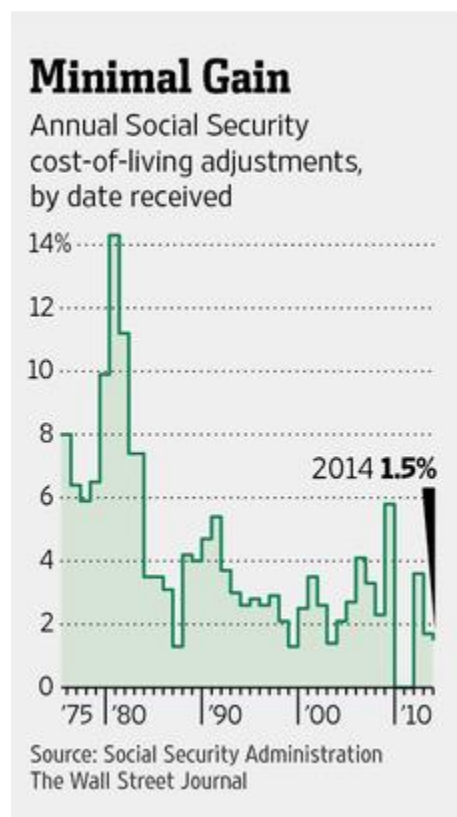
Retiree Payments Inch Higher

By: Sarah Portlock and Josh Mitchell - October 30, 2013

Social Security payments for 63 million retirees and disabled people will rise 1.5% in January, a historically small annual adjustment that will add fuel to the debate over federal spending on retirement benefits.

The increase, announced Wednesday by the Social Security Administration, would be among the smallest since automatic cost-of-living adjustments started in 1975, and reflects weak inflation.

The annual adjustments, designed to ensure that checks rise at roughly the same rate as the cost of living, are calculated according to how much consumer prices measured during the third quarter climbed from the year before.



The increase for 2014 reflects a sluggish U.S. economic recovery that has kept inflation subdued, hampering businesses' ability to raise prices of goods and services. The Labor Department said

Wednesday that overall consumer prices rose just 0.2% in September from August, and 1.2% from a year earlier.

The benefit increase for 2014 comes after a 1.7% gain for 2013. Outside of 2010 and 2011, when there were no increases, next year's rise will be the smallest since 2003, when benefits went up by 1.4%.

Advocates for the elderly and disabled said the adjustment would leave millions of Americans—many of them with savings depleted during the recession—struggling to cover higher costs for medical care, food and utilities. While growth in health costs has slowed in the past year, medical costs are still rising faster than inflation, climbing 2.4% in September from a year earlier. Seniors are hit particularly hard because they consume more medical care than working-age Americans.

With the latest adjustment, on average, Social Security retirement checks, will rise by \$19 to about \$1,294 a month starting in January. Separately this week, the Centers for Medicare and Medicaid Services said Medicare Part B premiums—the portion of a retiree's check deducted to cover health-care costs—won't go up in 2014.

Linda Jones, a 60-year-old Maryland resident who recently retired after 28 years as a special-education teacher due to chronic back pain, said the latest adjustment won't cover the recent rise in her rent. "I go sometimes with just barely making it," said Ms. Jones, who now relies on a disability check.

The new increase comes amid a public debate about whether to overhaul the way Social Security payments and other benefits are adjusted—part of a broader struggle over how to reduce the long-term federal budget deficit. President Barack Obama and some congressional Republicans have supported an alternative measure of inflation, known as "chained CPI," that would effectively cause benefits to grow more slowly. Liberal Democrats in Congress oppose the move.

Nancy LeaMond, executive vice president of the seniors group AARP, said the annual increases are vital to keeping millions of Americans out of poverty. "But at an average of just \$19 per month, it will quickly be consumed by the rising costs of basic needs like food, utilities and health care," she said. Moving to chained CPI would further strain seniors, she added.

Advocates of the idea say that with baby boomers retiring in droves, programs like Social Security are key drivers of the national debt. Moreover, retirees are living longer and consuming more health care than previous generations, making such programs unsustainable, said Tad DeHaven, a budget analyst at the Cato Institute, a conservative think tank in Washington.

"There's this unwillingness to recognize—and this is a problem with virtually every government program—that there's no free lunch," said Mr. DeHaven, who backs chained CPI as a short-term way to reduce the deficit, but favors a broader overhaul that would shift retirees to private retirement accounts.