Press Release

Social Security Cost-of-living Adjustments

PAULINA ENCK | OCTOBER 17, 2022

The Social Security Administration recently announced an 8.7 percent cost-of-living adjustment (COLA) to Social Security benefits—the largest in over 40 years. In a new insight, Director of Fiscal Policy Gordon Gray walks through how COLAs are calculated, why their formula may be outdated, and potential improvements.

Gray concludes:

> Every year, the Social Security Administration calculates an automatic adjustment in Social Security benefits to reflect changes in the cost of living. This is currently approximated by reliance on the CPI-W price index. While this approach roughly preserves recipients' real benefits, it is nevertheless a somewhat outdated index. Historic inflation has made this feature of the entitlement system more salient, and modernization to this process will likely be included in any meaningful reform effort.

Read the analysis