Middle Atlantic Actuarial Club 2026 Fall Meeting

Updates on the Financial Status of Social Security and Proposals to Change It

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November 9, 2026

Agenda

- Legislative Mandate
- Changes in the 2026 Trustees Report
- 2026 Trustees Report Results
- Selected Other Measures and Assumptions
- How to Eliminate the Social Security Long-Term Actuarial Deficit
- For More Information

What Is the Legislative Mandate for the Social Security Annual Report?

1. Trust Fund operations of the past year and the next five years
2. Actuarial status of the trust funds
   - The ability to meet the cost of scheduled benefits with scheduled revenue and trust fund reserves
   - And the extent to which scheduled revenue would fall short under current law, indicating the size of legislative changes that will be needed

The report has been produced every year starting in 1941!

Changes in the 2026 Trustees Report

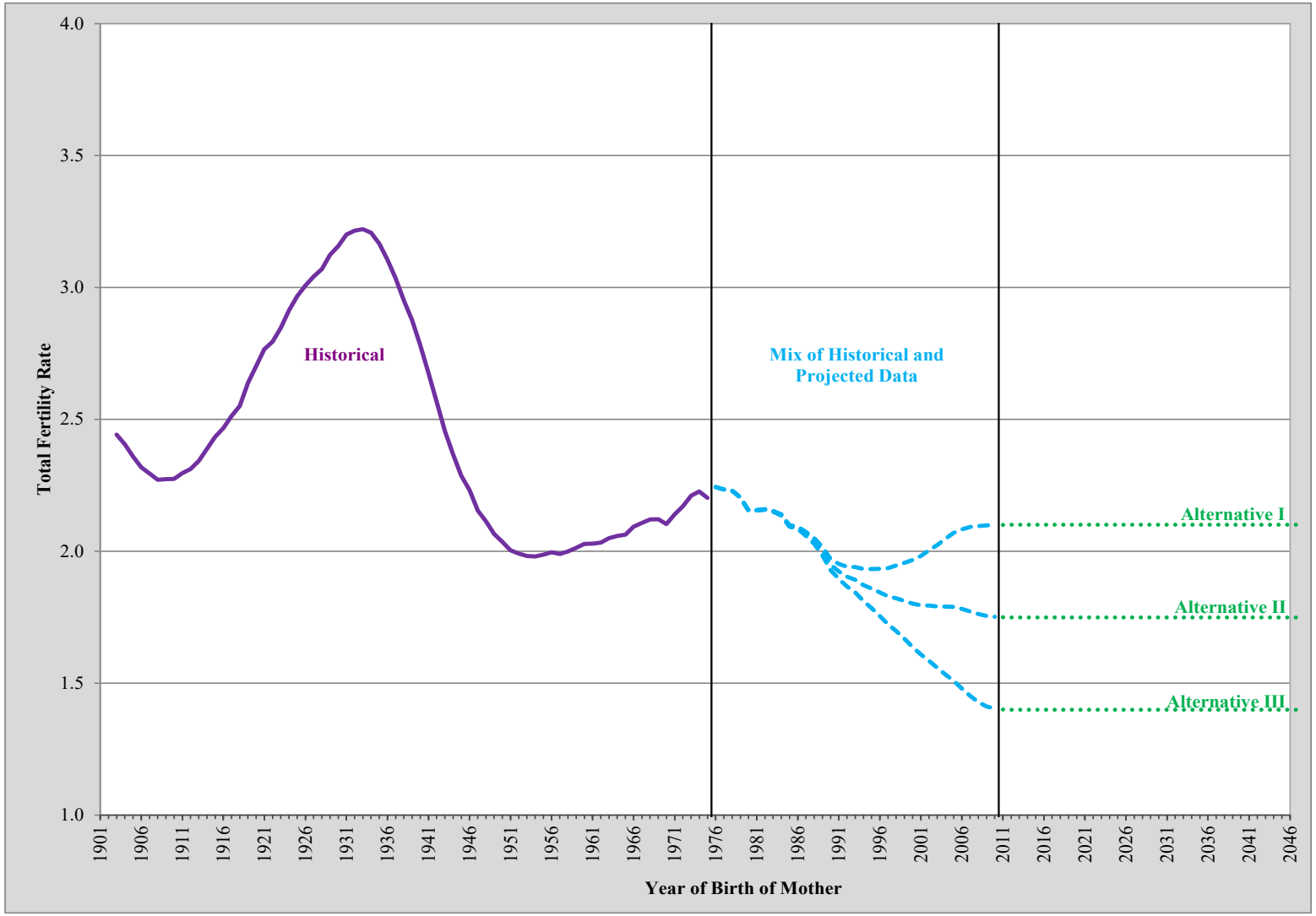
Four Primary Changes This Year

1. Fertility Assumption: The assumed ultimate total fertility rate was lowered from 1.90 children per woman to 1.75 children per woman. This reduction reflects continuing low birth rates in recent years and societal changes related to family formation and the desire for children.
2. Immigration Assumptions: Future levels of net immigration for the unlawfully present immigrant population are assumed to be lower than in last year's report. This reduction reflects recent historical data and revised expectations for immigration and emigration levels in the future.
3. Economic Assumptions: Real GDP per hour worked (labor productivity) and average real earnings are assumed to grow faster in the near term than in last year's report. These higher growth rates reflect an improved near-term outlook for these economic factors.
4. Law Change: The One Big Beautiful Bill Act was enacted on July 4, 2025. This law made changes to future income tax rates and standard deductions. As a result, projected trust fund revenues from income taxes on benefits are reduced.

Birth Rates by Cohort

Under intermediate assumptions, birth rates are projected to go below 2.00 for women born after 1989, reaching an assumed ultimate level of 1.75.

Chart 1.4: Historical and Projected Total Fertility Rates by Birth Cohort

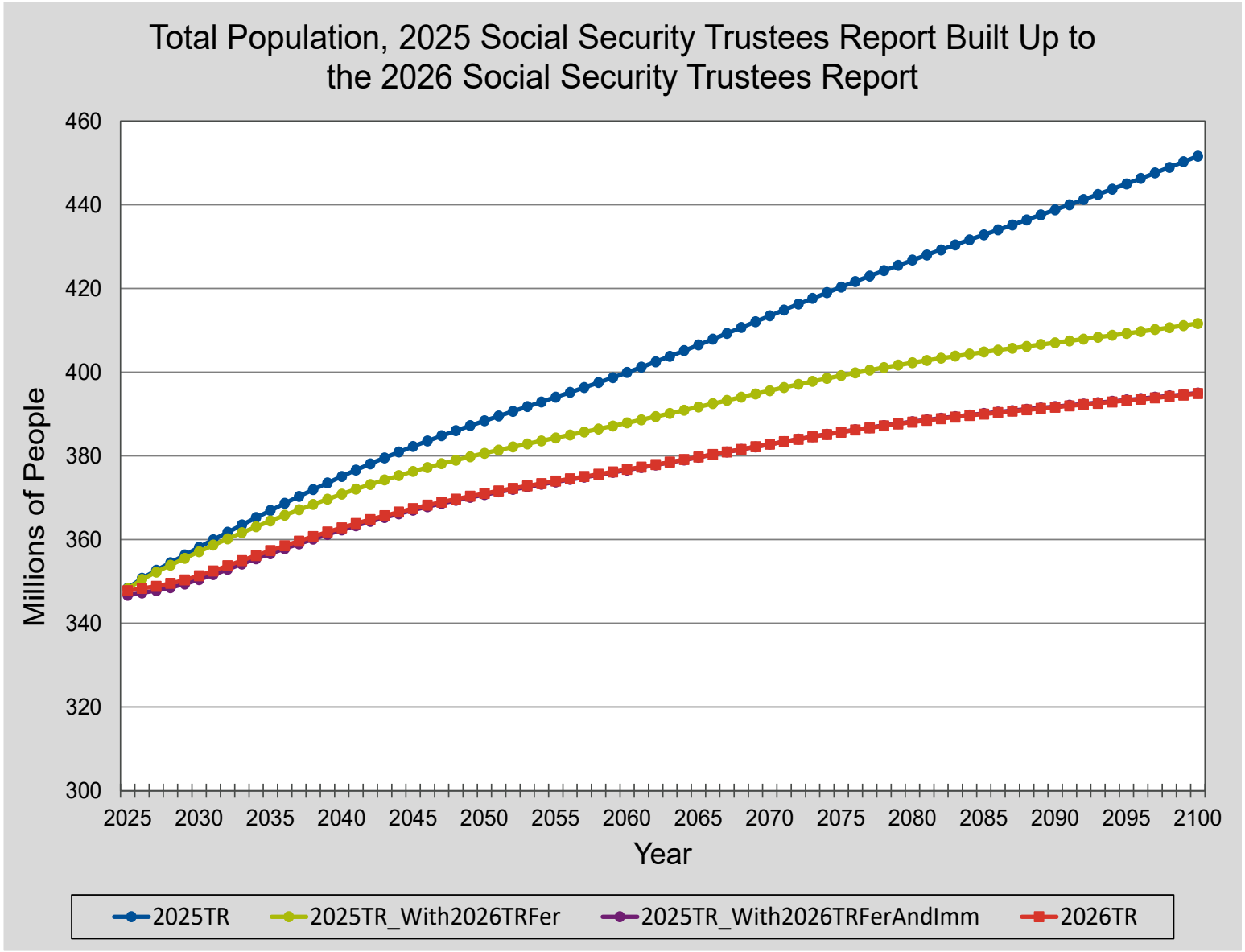


https://www.ssa.gov/oact/TR/2026/2026_Long-Range_Demographic_Assumptions.pdf

Population Changes Due to Fertility and Immigration Updates

The assumed ultimate total fertility rate was lowered from 1.90 children per woman in the 2025 TR to 1.75 children per woman in the 2026 TR.

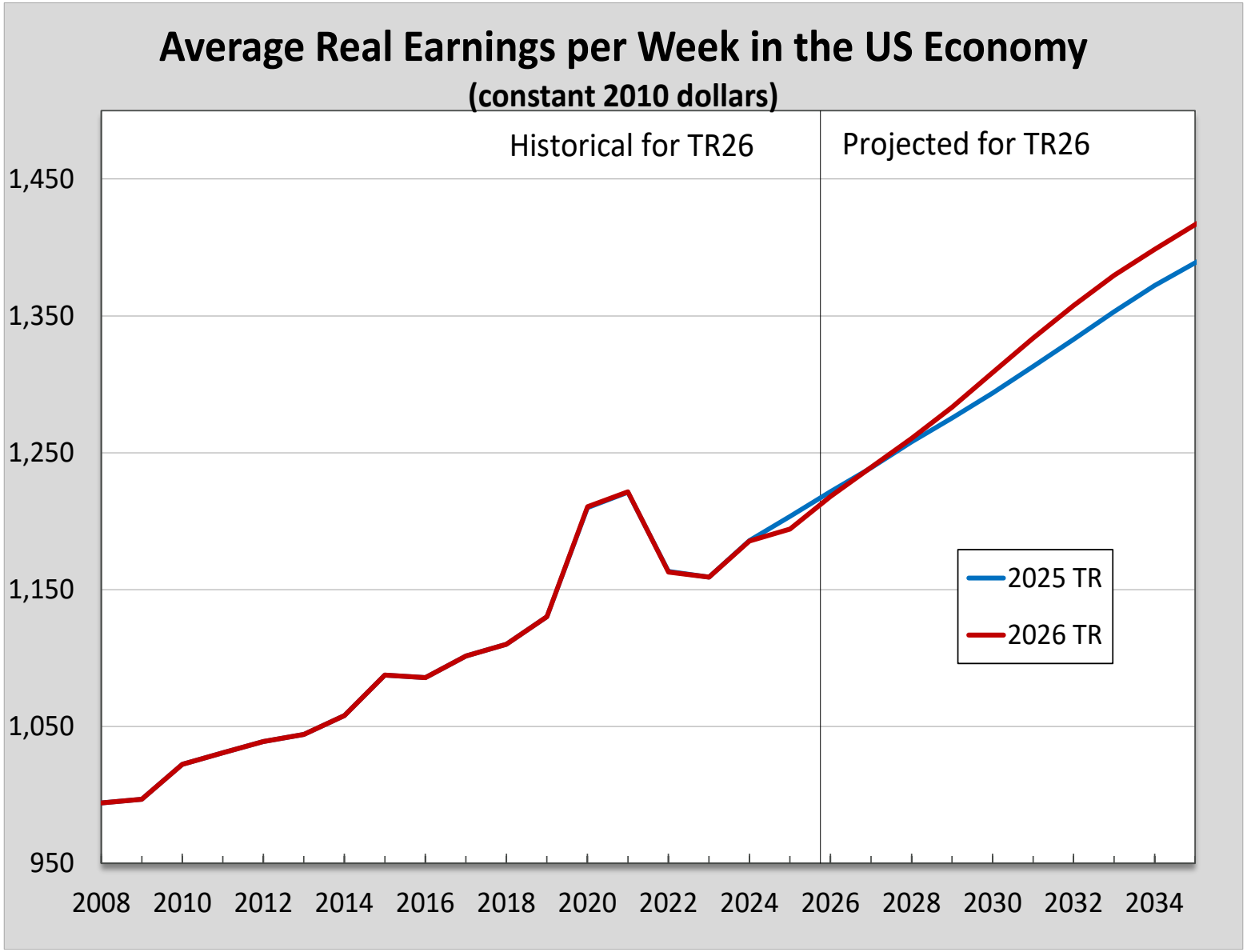
Future levels of net immigration are assumed to be lower than in last year's report.



Average Weekly Real US Earnings

Increased above trend in 2020 and 2021 due to the unusual features of the pandemic-induced recession, where job losses were concentrated in the low-wage sectors. This effect was largely reversed by 2022.

Compared to the 2025 TR, average real earnings are projected to grow faster through 2036, consistent with the faster growth in labor productivity. After 2036, average real earnings are projected to grow at the same rate as in 2025 TR, and thus to remain at a higher level than in 2025 TR.



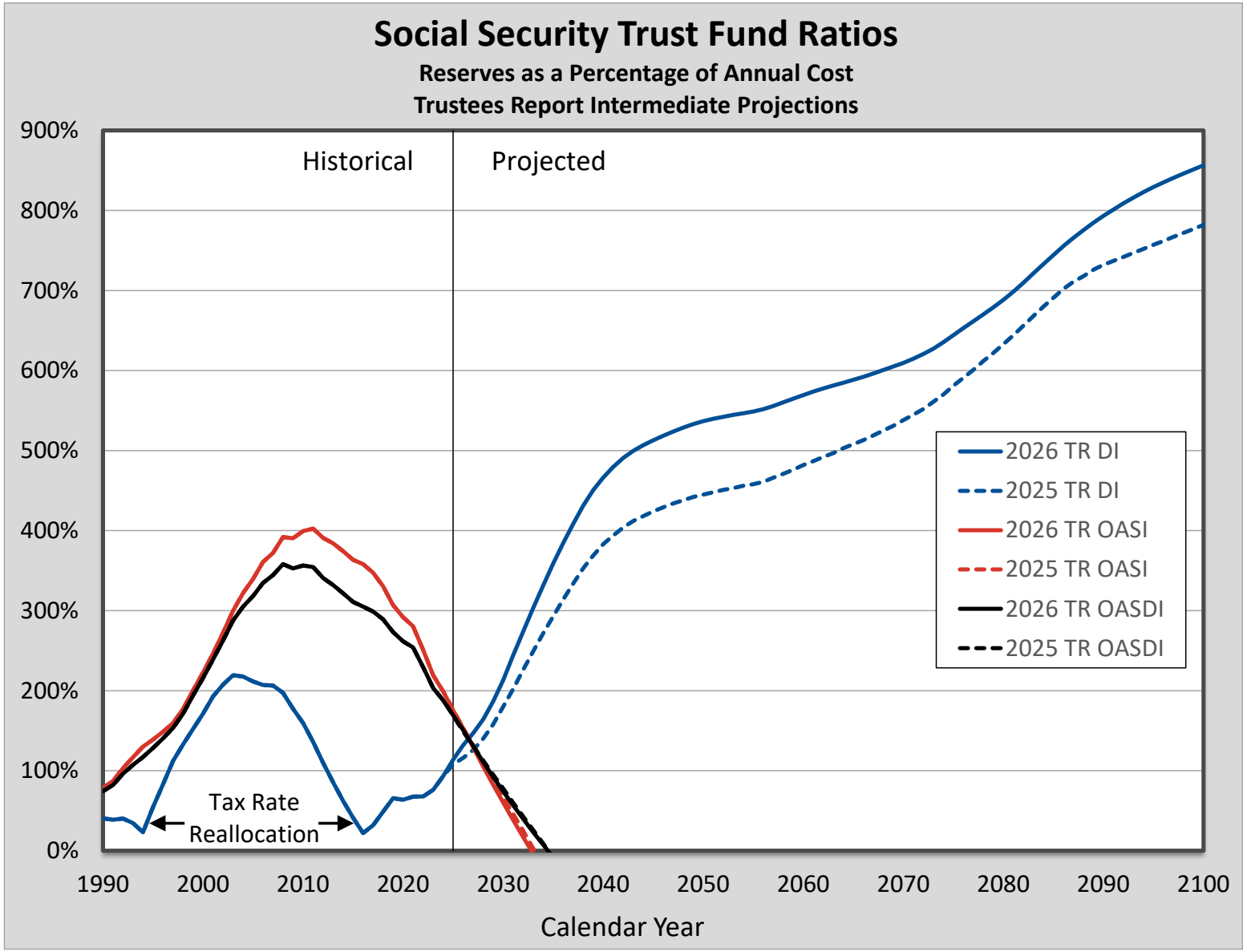
2026 Trustees Report Results

Solvency: OASI+DI Trust Fund Reserve Depletion in 2034
(same as last year)

OASDI reserve depletion date has varied from 2033 to 2035 in reports over the last 15 years (2012-2026) and from 2029 to 2042 in reports over the last 36 years (1991-2026).

OASI reserve depletion date is now in the fourth quarter of 2032 versus the first quarter of 2033 in last year's report.

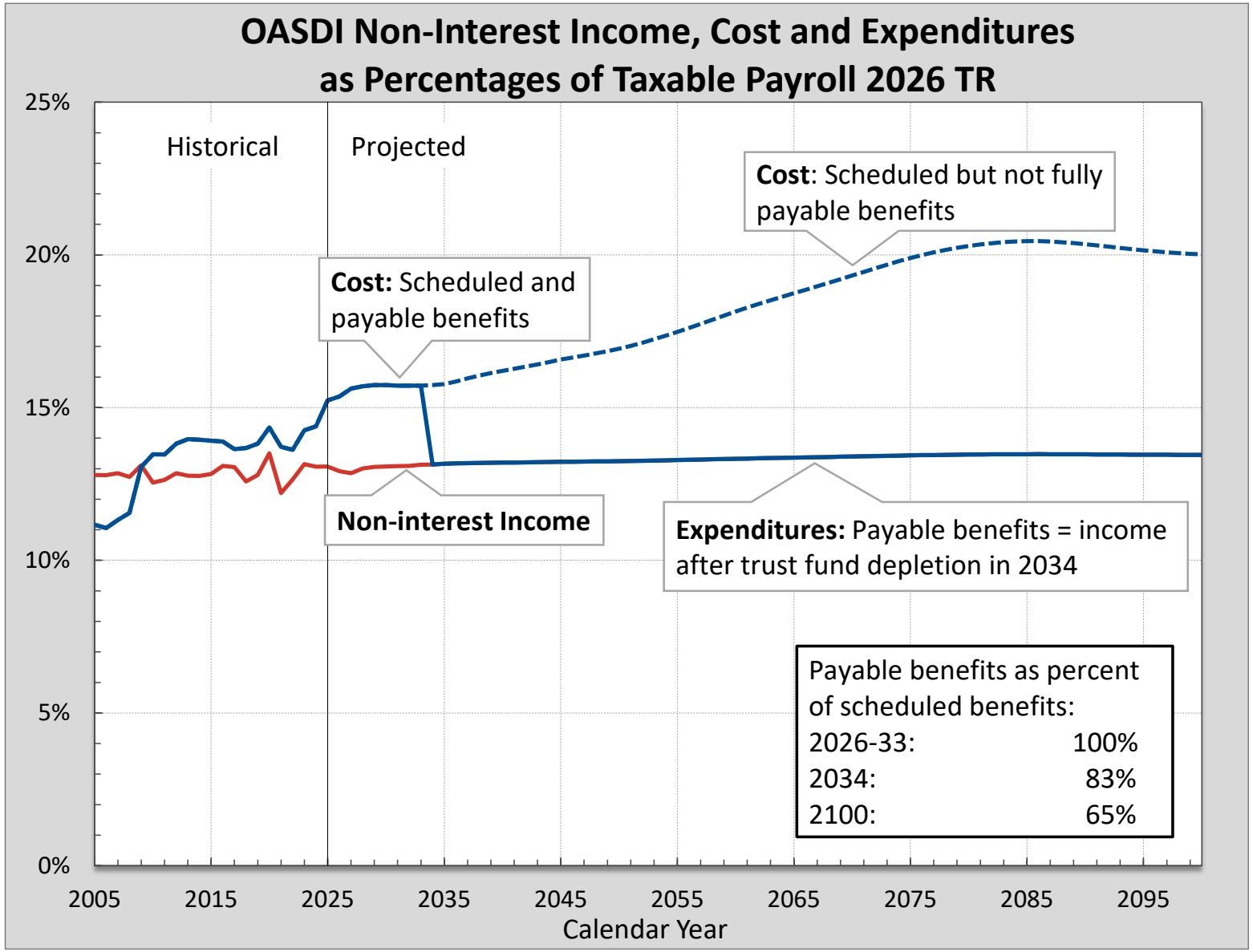
DI Trust Fund: reserves do not deplete, due largely to continued low applications and awards.



OASDI Annual Cost and Non-Interest Income as Percent of Taxable Payroll

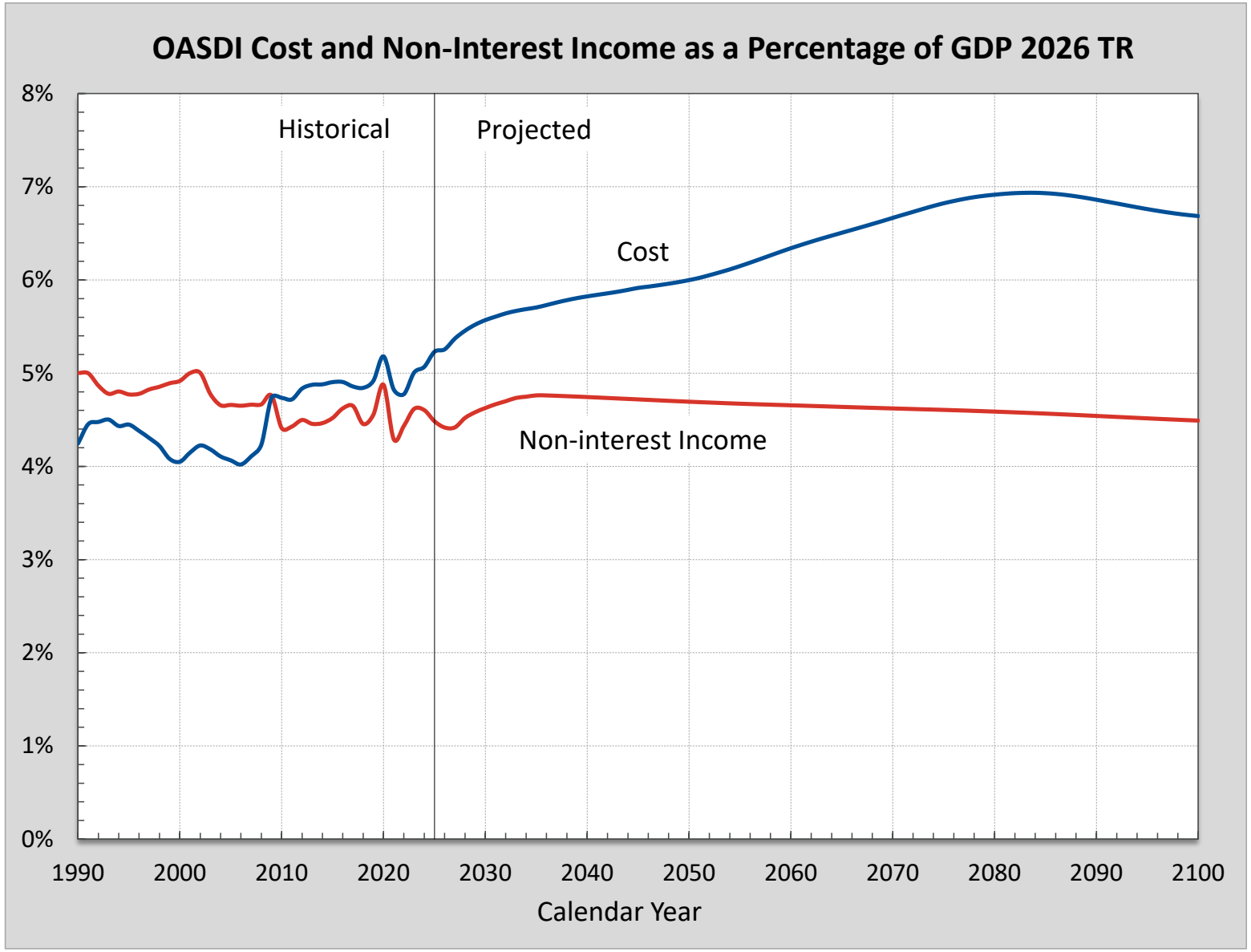
The gap between the dashed and solid blue lines (cost less income) needs to be filled by 2034, or there will be a roughly 17 percent benefit cut at that time.

The gap then generally increases over time, although it roughly stabilizes and even shrinks a bit after 2085.



Sustainability: Cost as Percent of GDP

Rises from a 4.2 percent average in 1990-2008, to a peak of about 6.9 percent for 2084, and then declines to 6.7 percent by 2100.

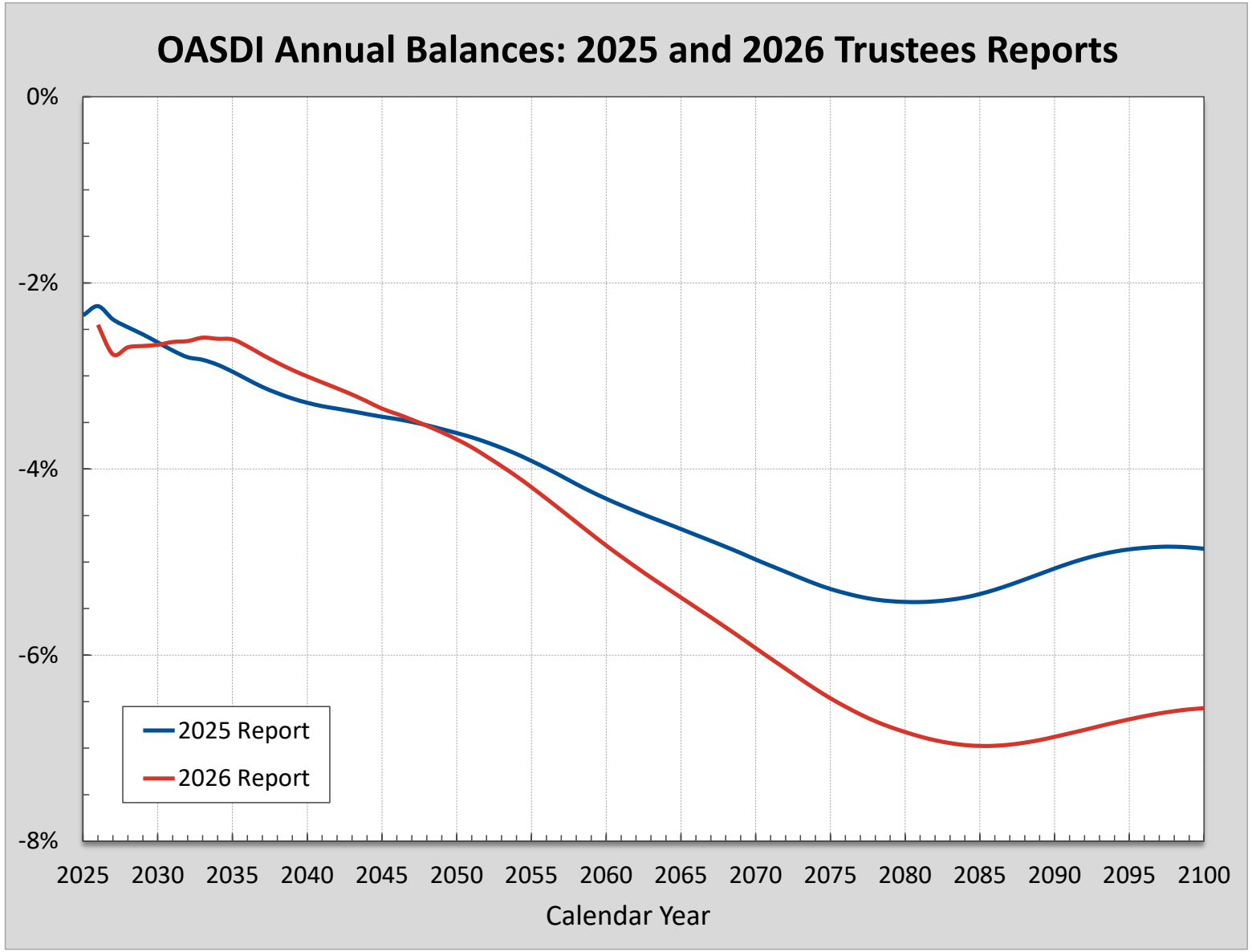


Changes in OASDI Annual Balance

Annual income rate minus annual cost rate.

Annual balances are higher in the near-term and then lower.

The higher annual balances in the near-term are mainly due to an improved economic outlook. The lower annual balances in the long-term are due primarily to the lower ultimate total fertility rate; the changes in future levels of net immigration and the One Big Beautiful Bill Act also contribute.

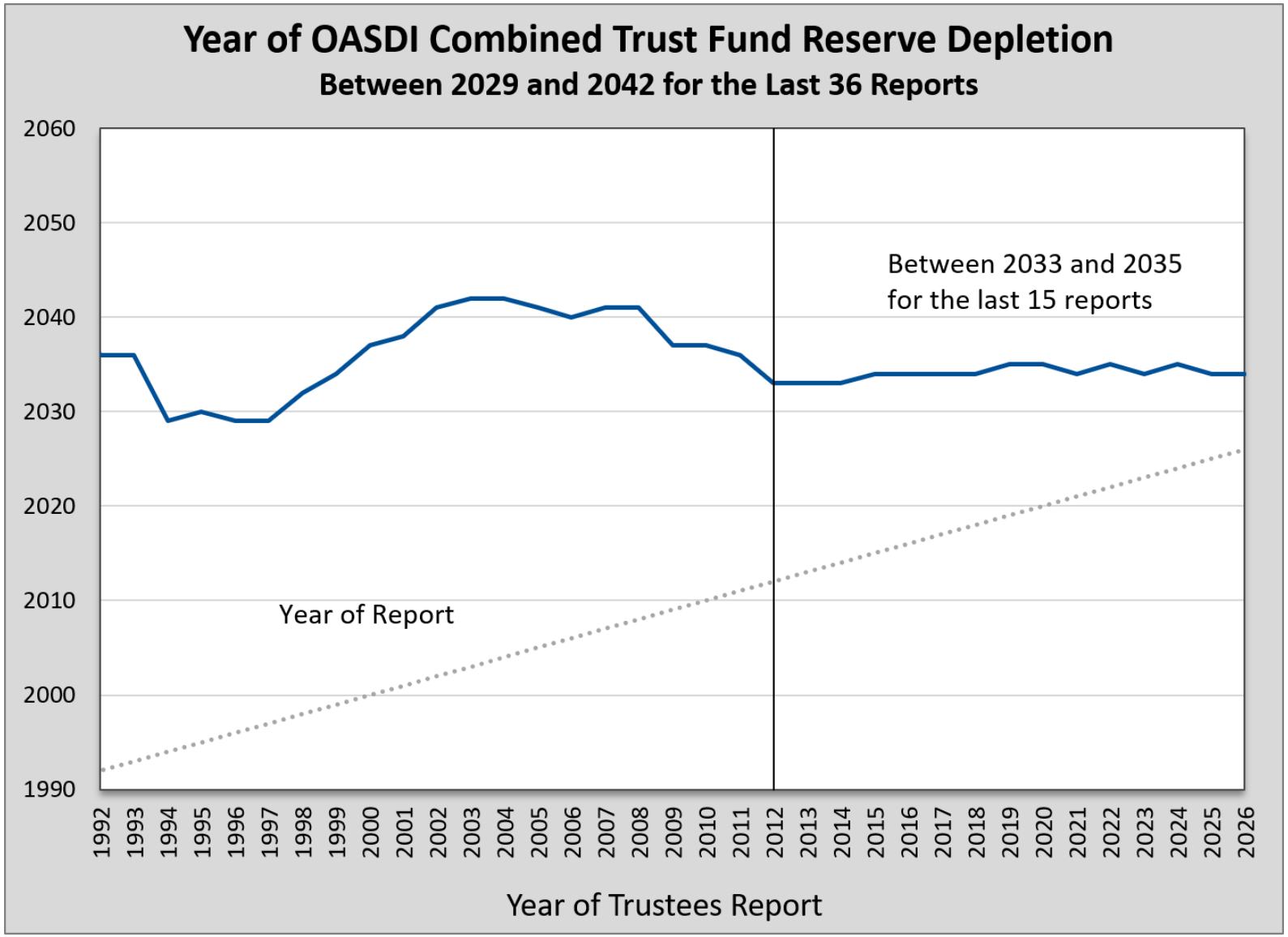


Changes in Timing of Trust Fund Reserve Depletion in 2026 Report

1. OASDI reserve depletion is in third quarter of 2034 (same as in last year's report)
   - The improved near-term economic outlook largely offsets the changes in immigration assumptions and the effects of the OBBBA over the next few years
   - The change in fertility assumption has very little effect in the near term
2. OASI reserve depletion is in fourth quarter of 2032 (1 quarter earlier than in last year's report)
3. DI reserves remain positive throughout the 75-year long-range projection period (as in last year's report)
   - Applications and benefit awards continue to be quite low through 2025
   - Assumed gradual increase in initial applications to ultimate levels
   - The outlook for DI alone is somewhat improved this year (even more positive)

Year of OASDI Combined Trust Fund Reserve Depletion=2034

The trust fund reserve depletion date is getting ever closer: 8 years for OASDI combined, and just 6 years for OASI alone.



Reasons for Change in Actuarial Balance in 2026 Trustees Report

Actuarial Balance: -4.42 percent of taxable payroll (from -3.82 percent in last year's report)

Valuation Period - Changes the actuarial balance by **- 0.07 percent of payroll**

Legislation etc. – Changes the actuarial balance by **- 0.16 percent of payroll**

- One Big Beautiful Bill Act (- 0.16 percent)

Demographic Data/Assumptions – Changes the actuarial balance by **- 0.44 percent of payroll**

- Fertility updates (in particular, the lower assumed ultimate total fertility rate) (- 0.35 percent)
- Immigration updates (mainly assumptions for the unlawfully present population) (- 0.21 percent)
- Updated mortality data (+ 0.09 percent)
- Other data updates (+ 0.03 percent)

Economic Data/Assumptions – Changes the actuarial balance by **+0.10 percent of payroll**

- Improved near-term outlook for labor productivity and average earnings growth (+ 0.10 percent)

Disability Data/Assumptions – Changes the actuarial balance by **+0.02 percent of payroll**

- New disability data and a more gradual transition to the ultimate incidence rate

Methods and Programmatic Assumptions – Changes the actuarial balance by **- 0.05 percent of payroll**

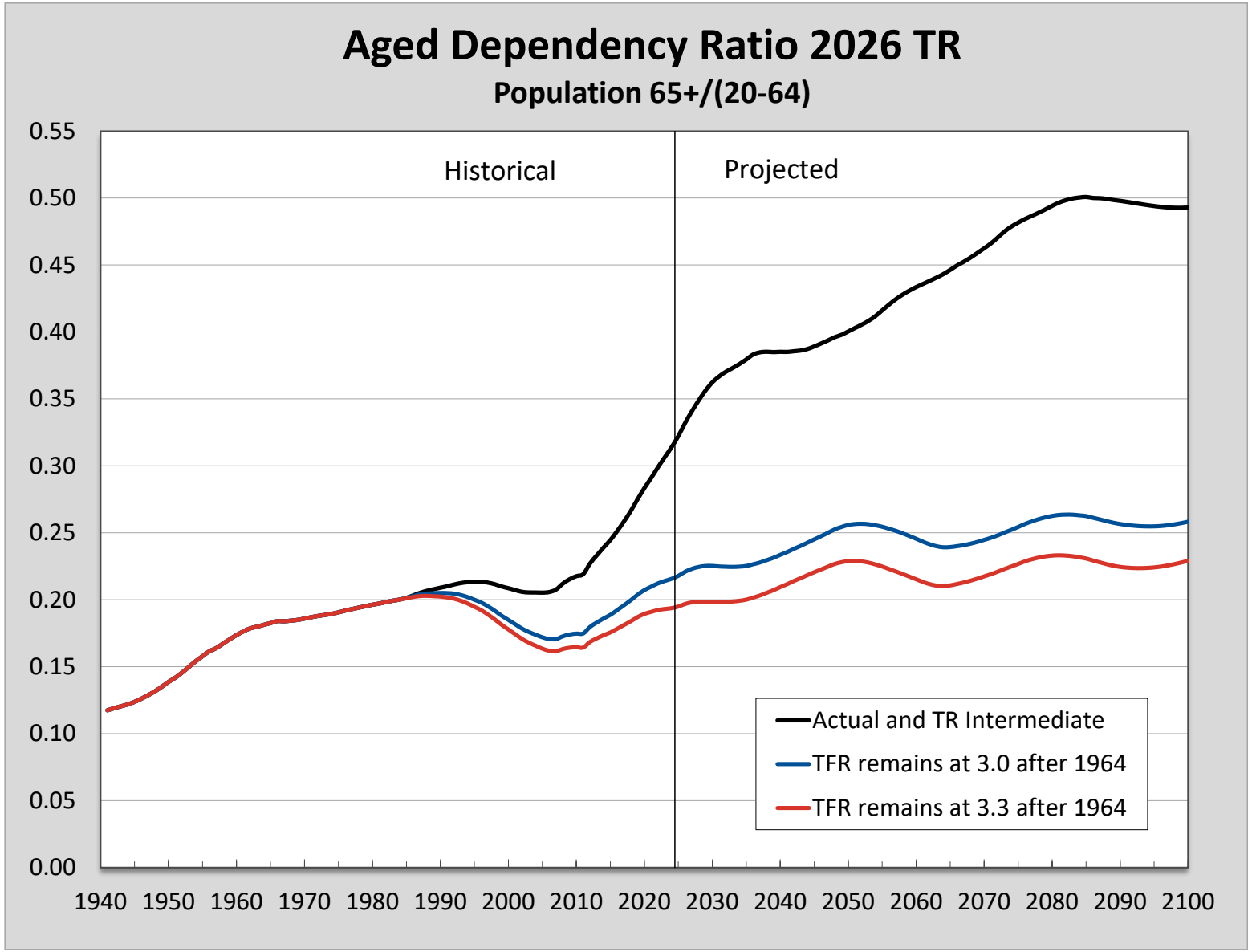
- Methodological improvements, programmatic data and other improvements and updates

Selected Other Measures and Assumptions

Aging: Change in Age Distribution

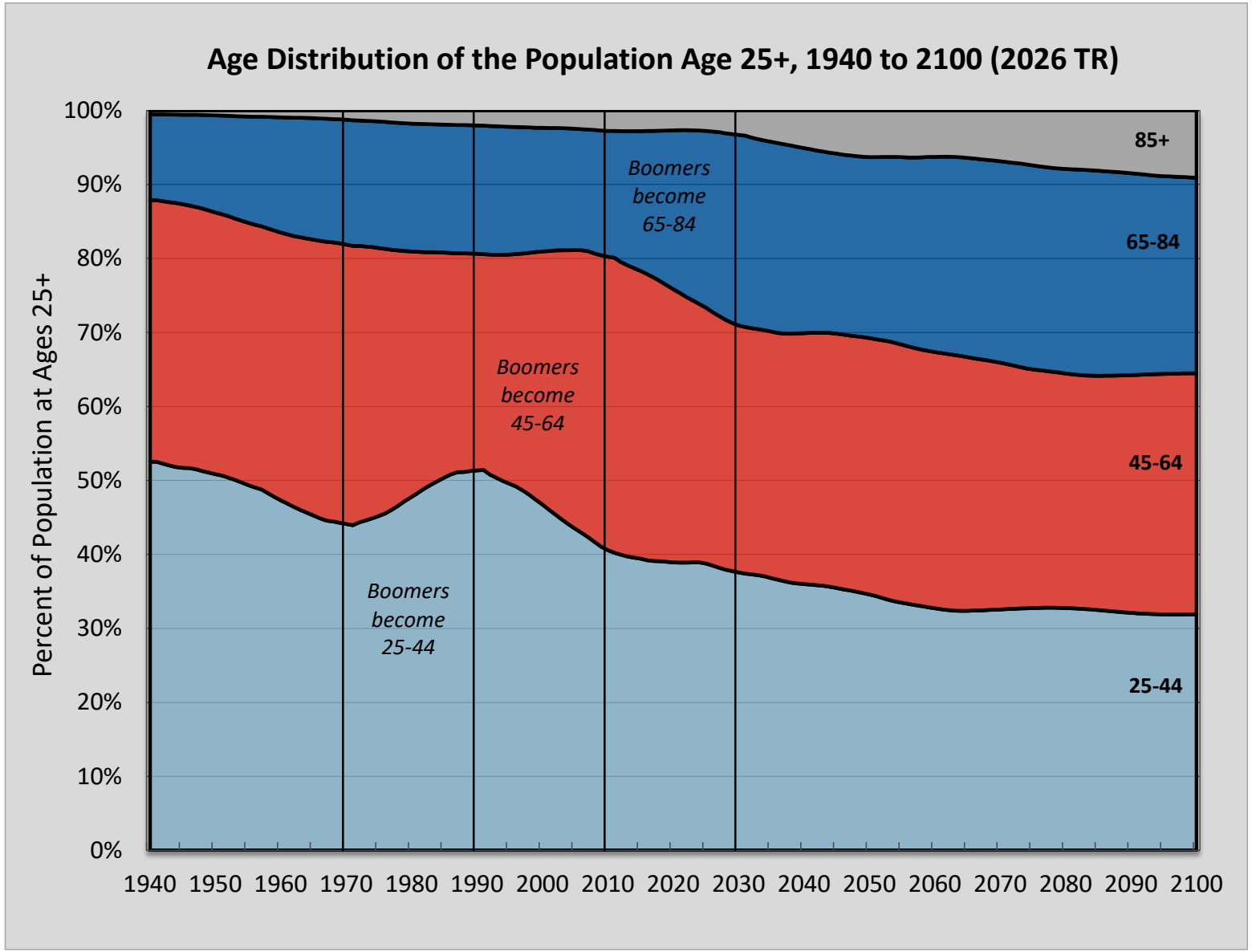
This is the primary reason for increasing cost relative to payroll and GDP.

Mainly due to the drop in birth rates following the baby boom and low expectations for the future.



Changing Age Distribution Over Time

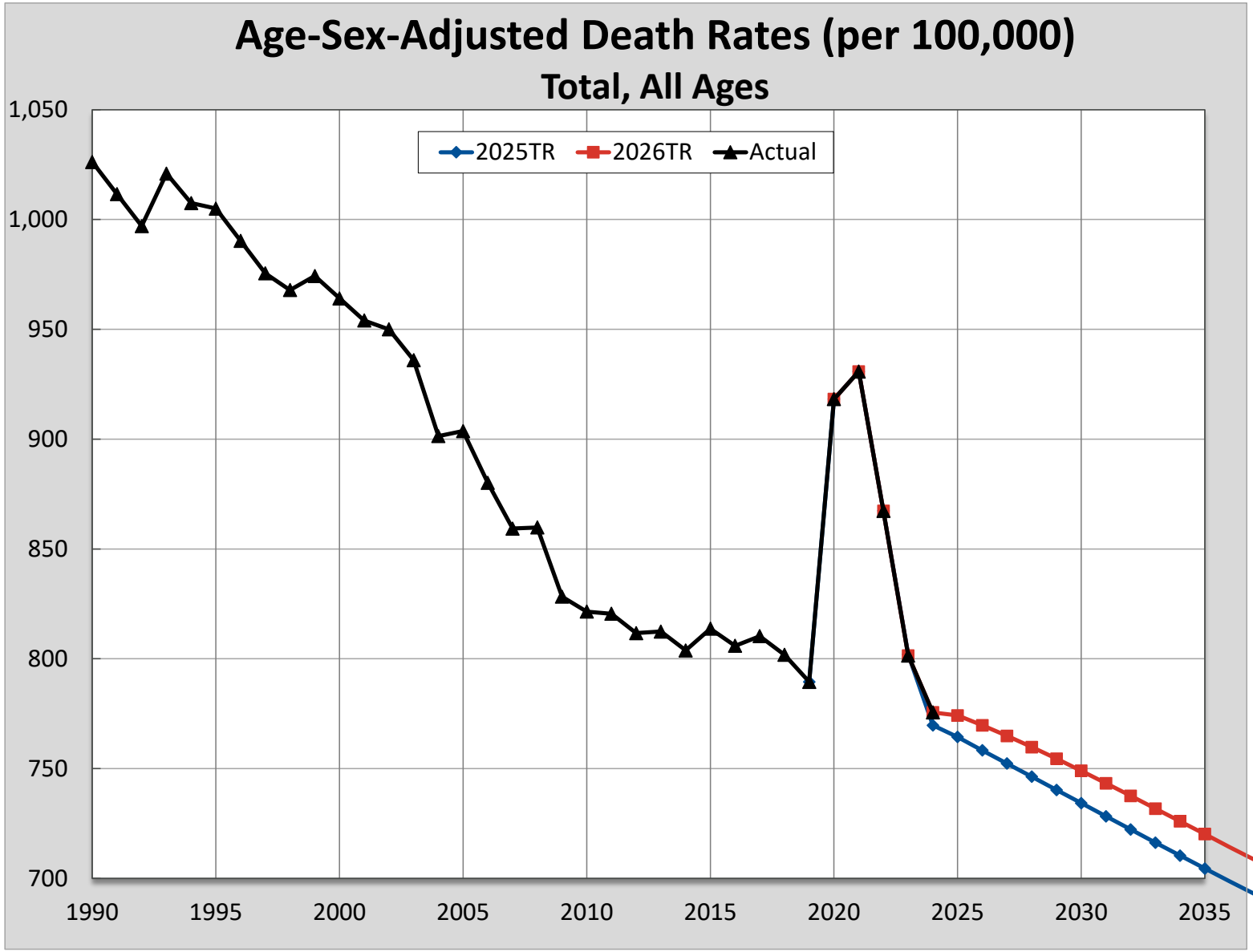
Continued aging of the population.



Mortality Experience: All Ages

Significantly increased mortality in 2020-23 reflects the effects of the COVID-19 pandemic.

Projected rates are higher than in the 2025 TR, due to incorporating some post-pandemic data (calendar year 2024) into the regressions used for projections.

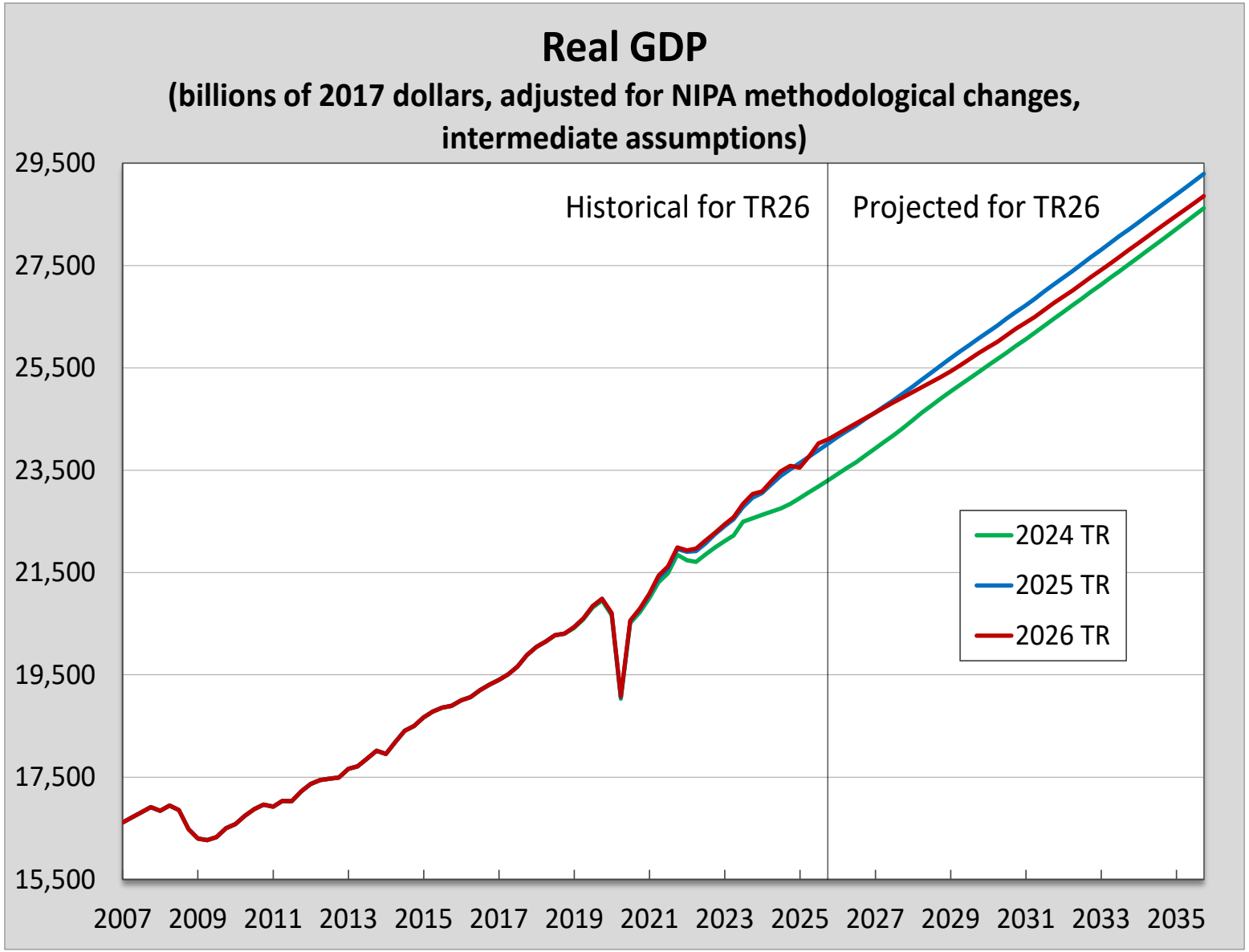


Slower GDP Growth in 2026 TR than in 2025 TR

Recent economic developments and data revisions suggest that, in 2025, real GDP was similar to what was projected in the 2025 TR.

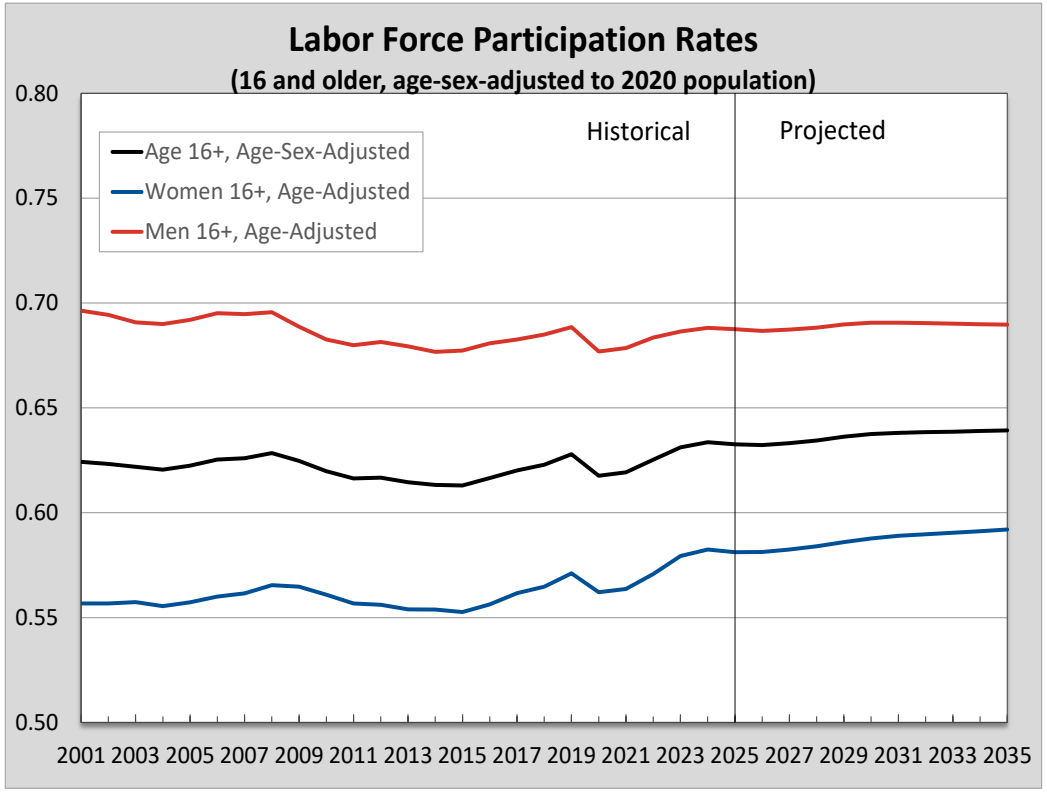
Subsequent GDP growth is slower than in the 2025 TR due to slower growth in population and the labor force, partly offset in the near term due to faster growth in labor productivity.

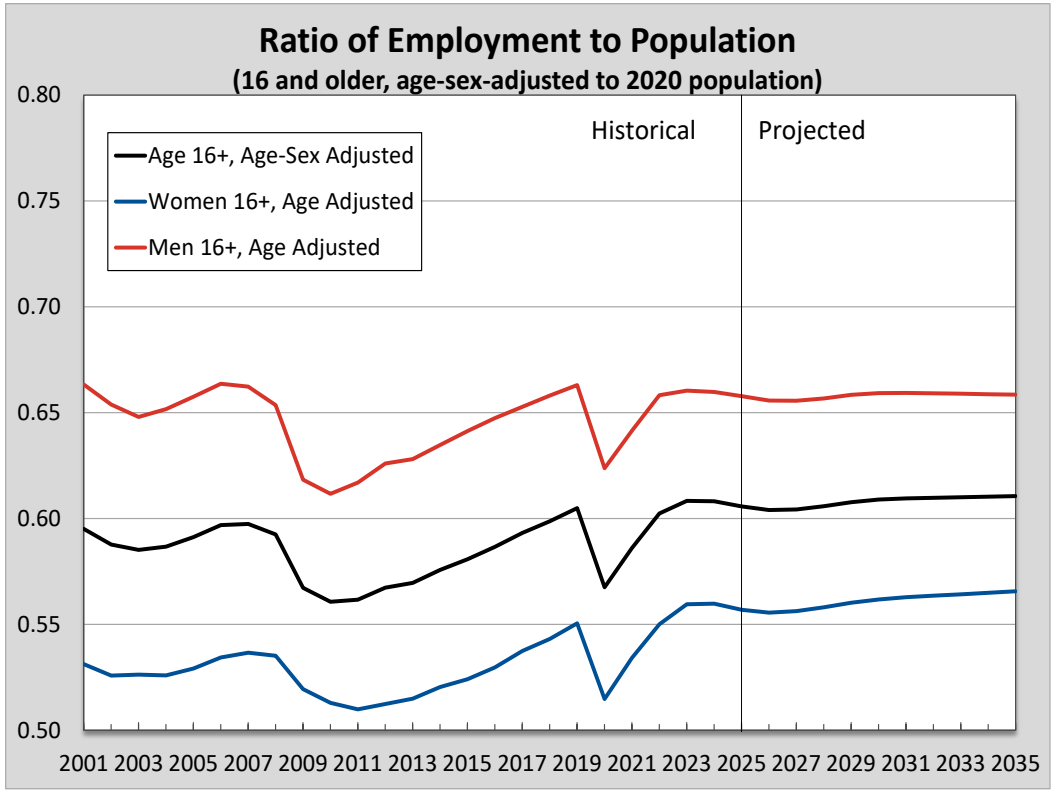
By 2035, the GDP is projected to be 1.5 percent lower than was projected in the 2025 TR.



The Labor Market Has Been Relatively Stable

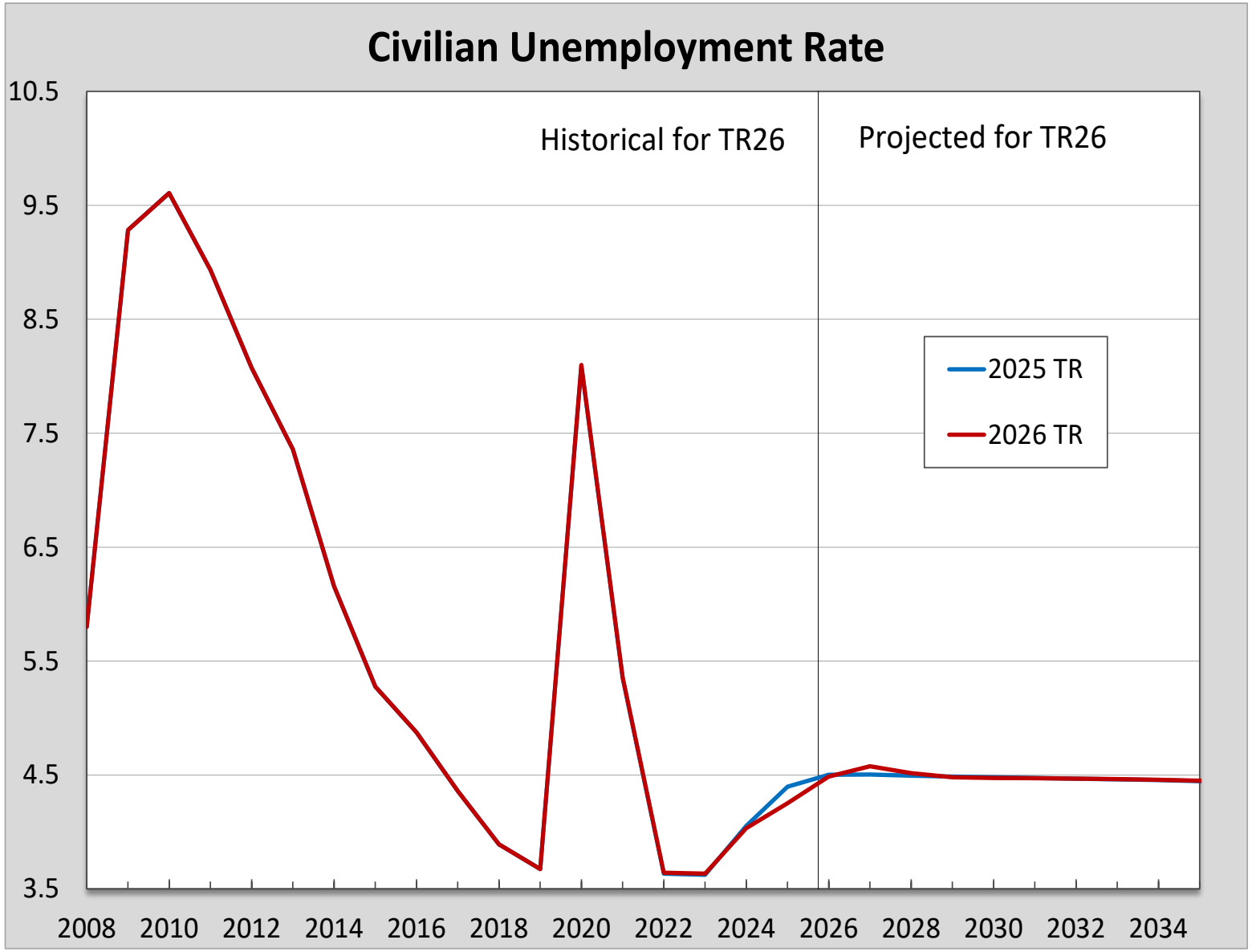
After a strong recovery from the pandemic-induced recession, employment and labor force participation rates have declined somewhat, but remain near sustainable potential levels.





Unemployment Rates Rising from 2022-23 Lows

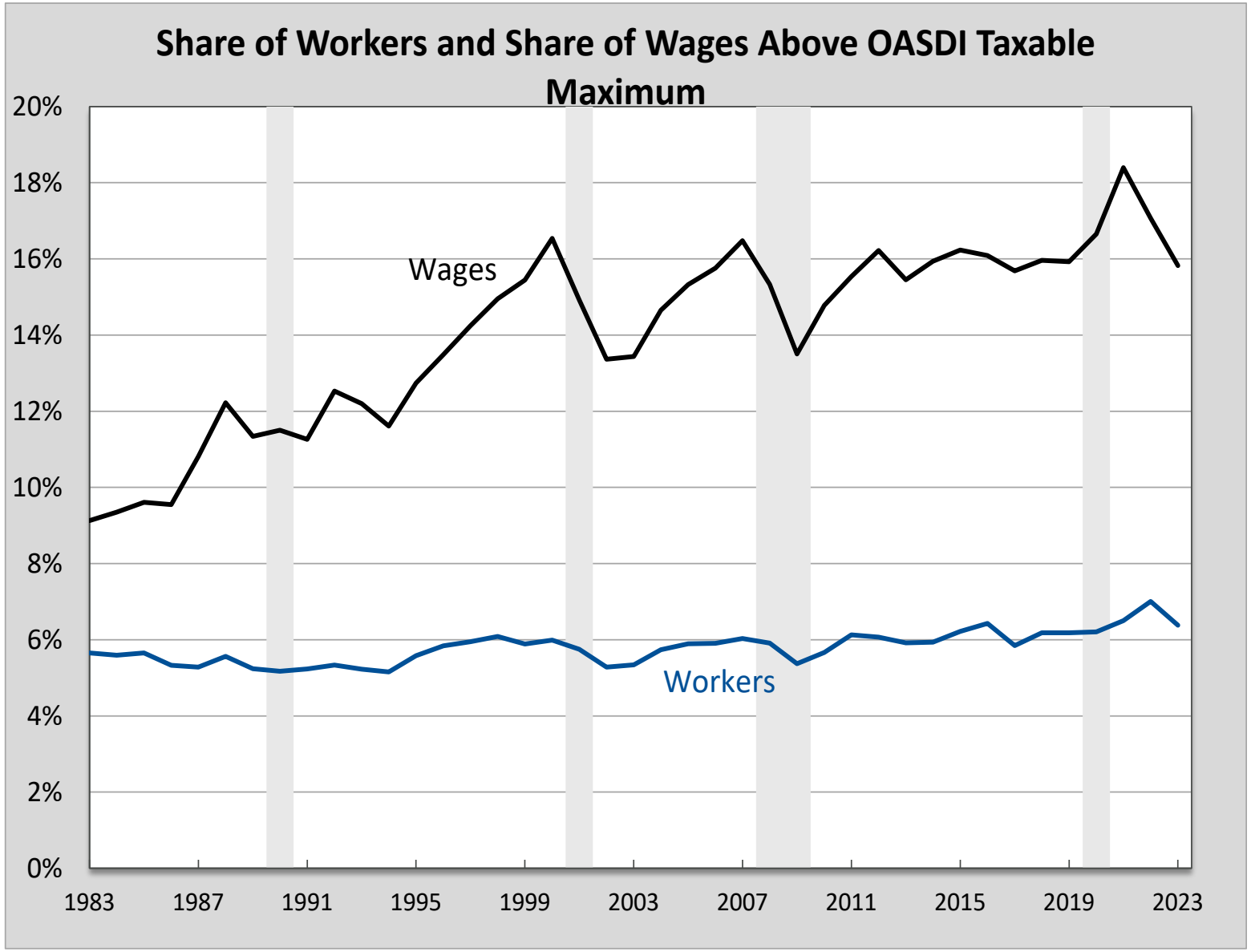
The unemployment rate is projected to continue increasing slightly for another year and then settle at the assumed ultimate level by 2028.



OASDI-Covered Wages in Excess of the Taxable Maximum

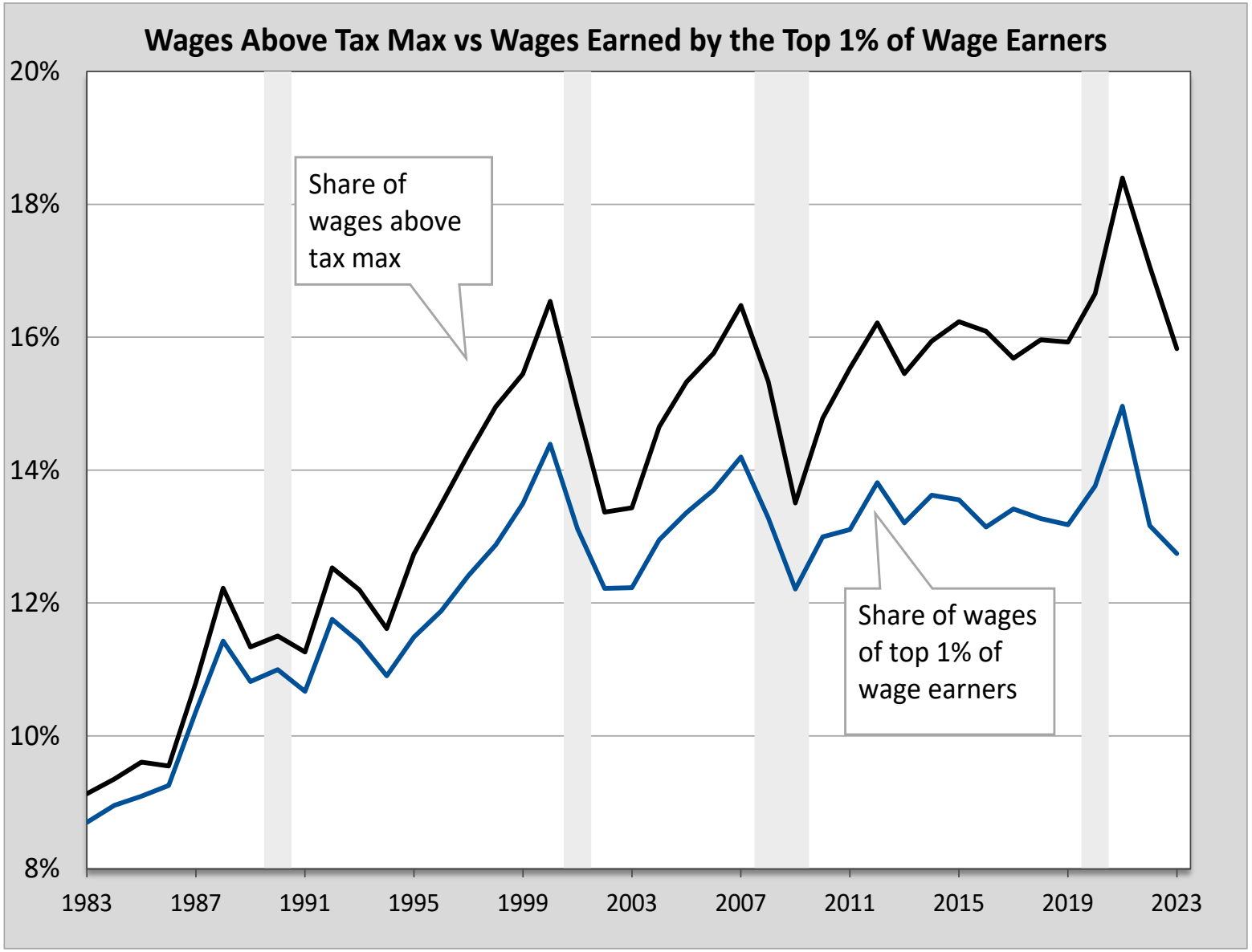
The share of *workers* with wages exceeding the OASDI taxable maximum remained fairly stable around 6 percent.

The share of *wages* in excess of the OASDI taxable maximum has generally risen since 1983 and it stood at 15.8 percent in 2023 (the latest historical data available).



Share of Wages Earned by the Top 1% of Wage Earners

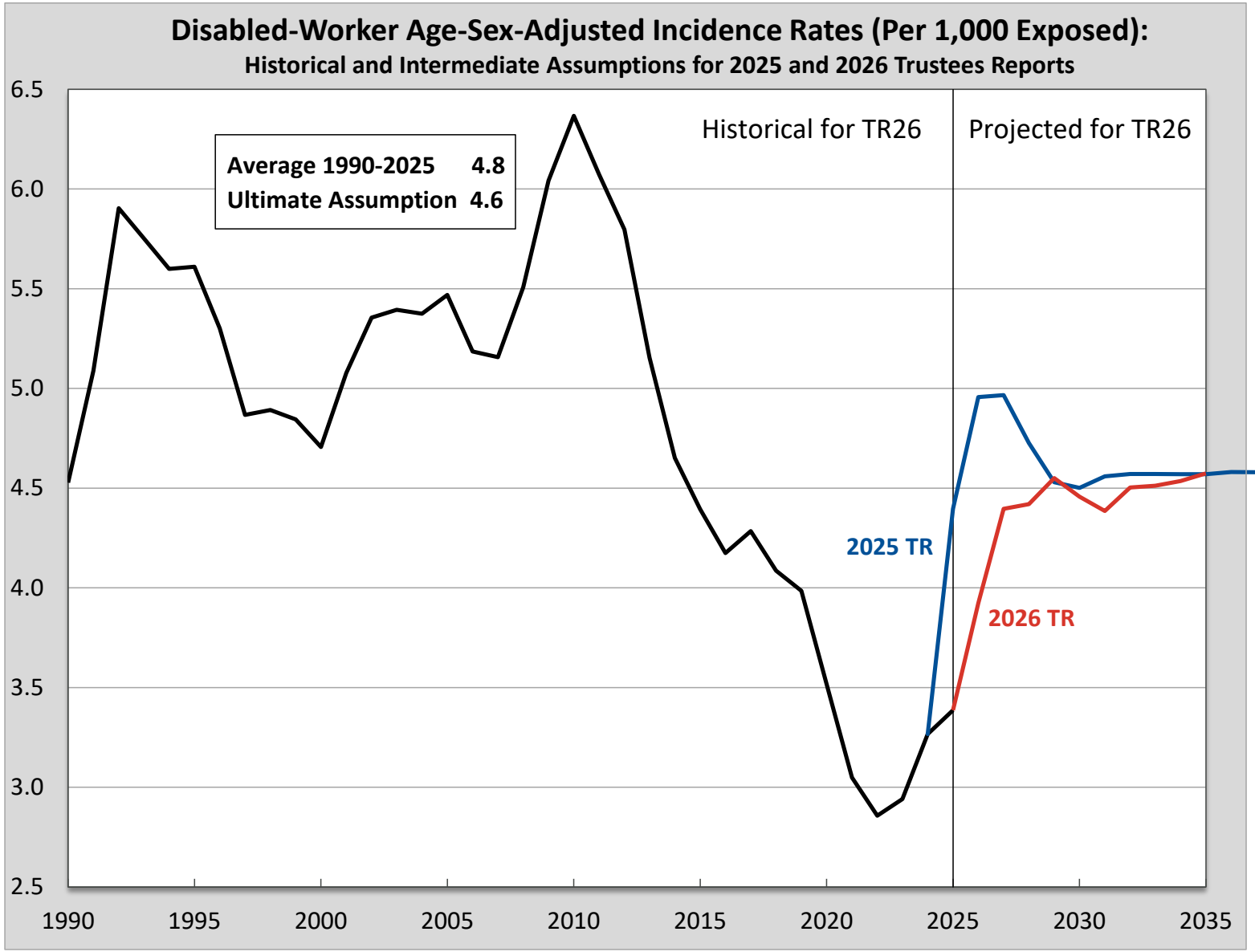
The trend and fluctuations in wages earned by the top 1% significantly influence the trend and fluctuations of all wages above the taxable maximum.



Disabled-Worker Incidence Rate Remains Near Historically Low Level

The disabled-worker incidence rate rose sharply in the 2008 recession and has declined since the peak in 2010 to extraordinarily low levels in 2016 through 2022.

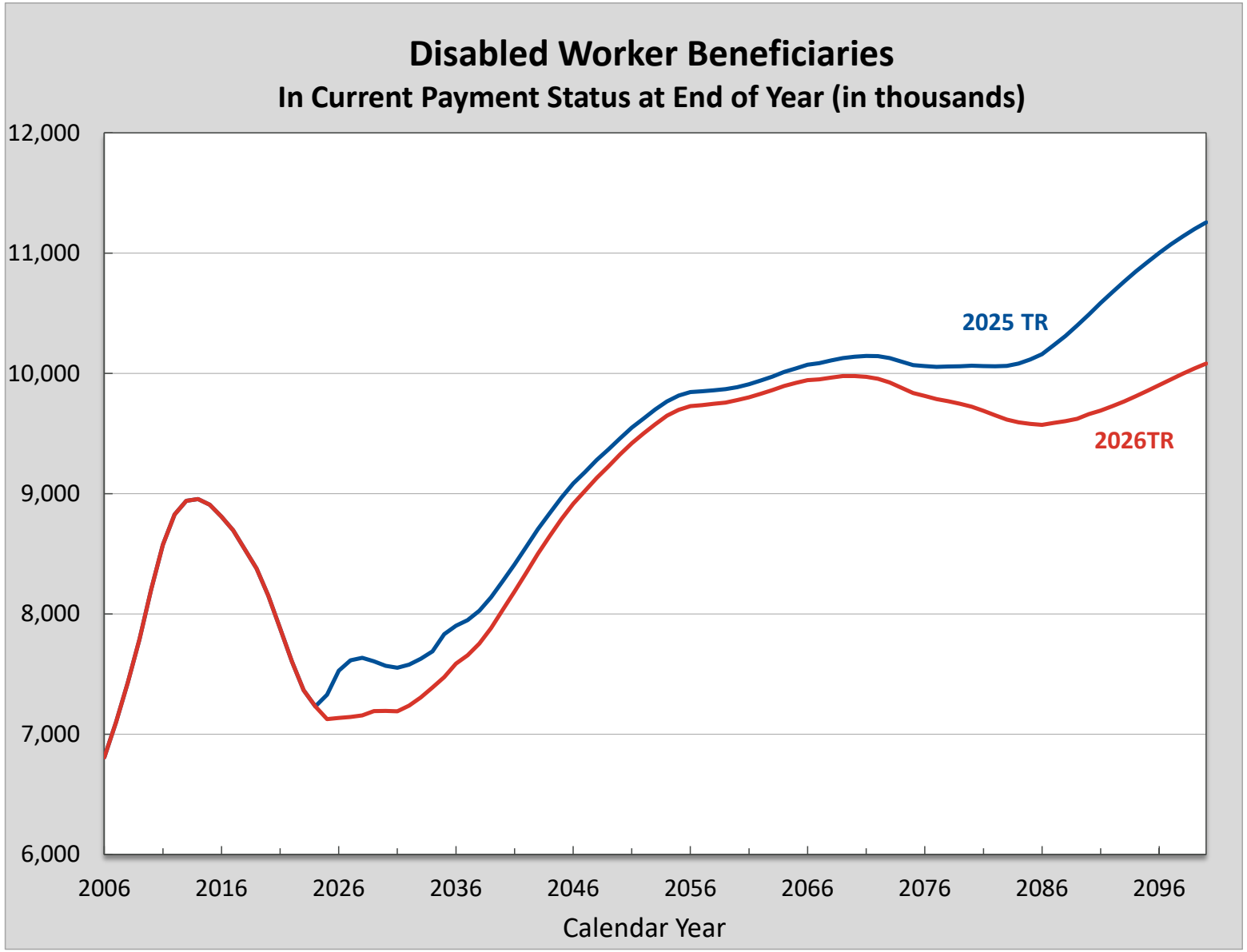
Incidence rates increased slightly in 2023 through 2025 and are projected to rise in order to reduce pending claims.



Disabled Worker Beneficiaries

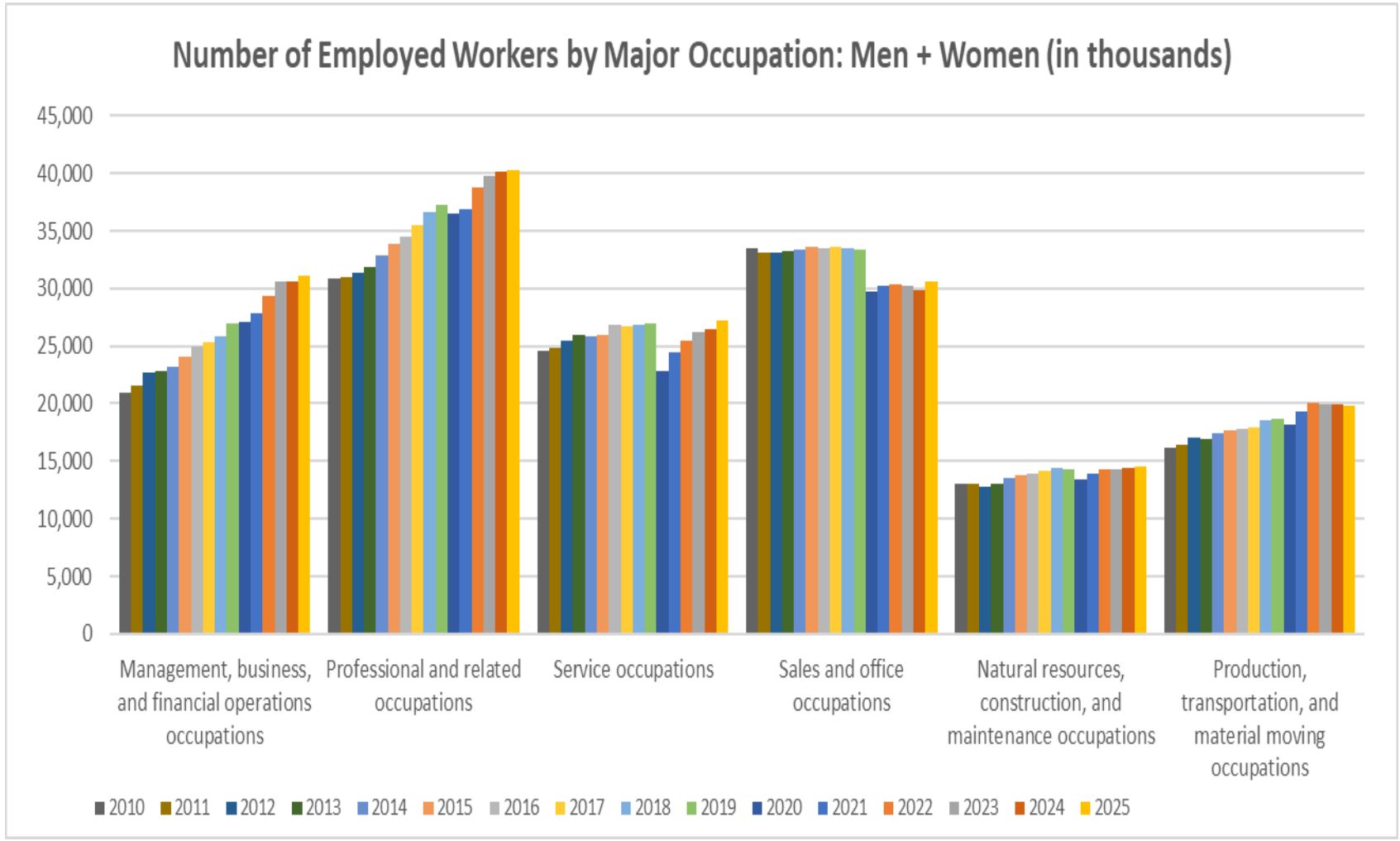
The near-term projections are significantly lower than in last year's report based on more recent data and assumptions for the next few years.

Thereafter, the projections are slightly lower in the long-term based on updated near-term incidence rates.



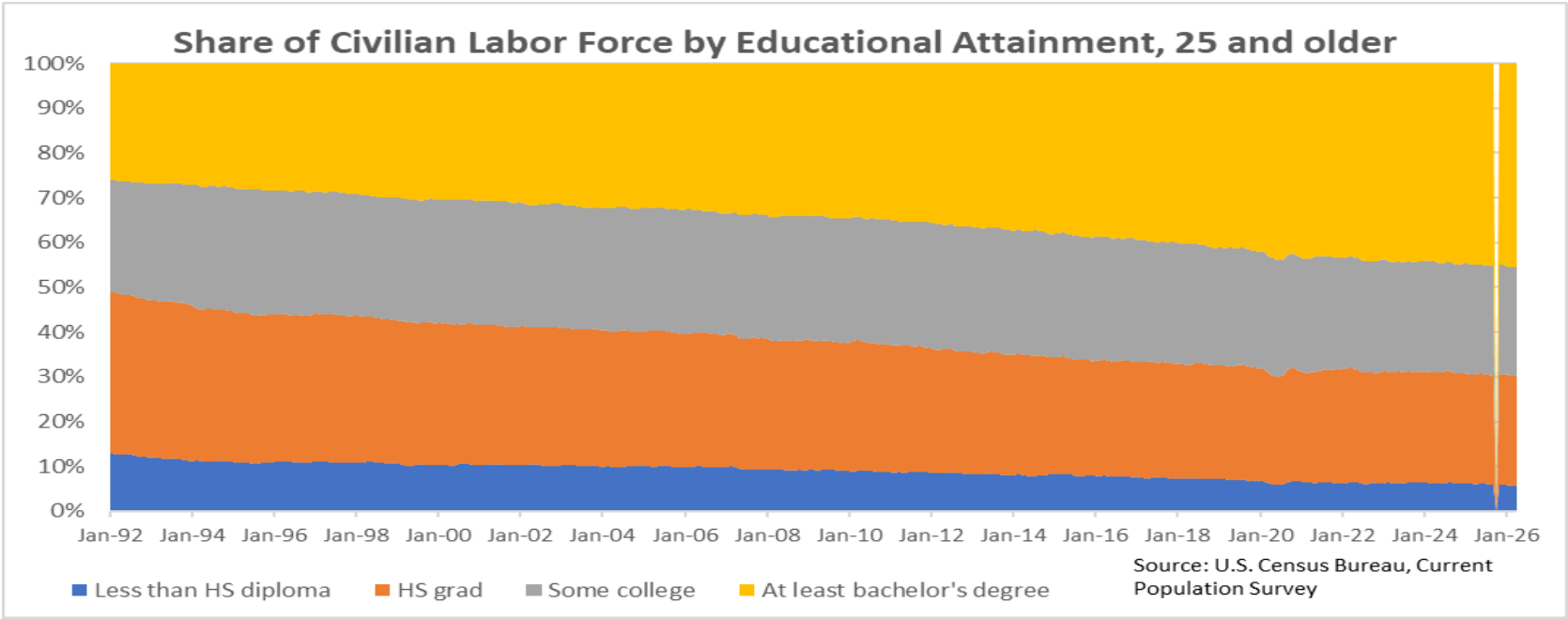
Changing Nature of Work: Trends in Employment by Occupation

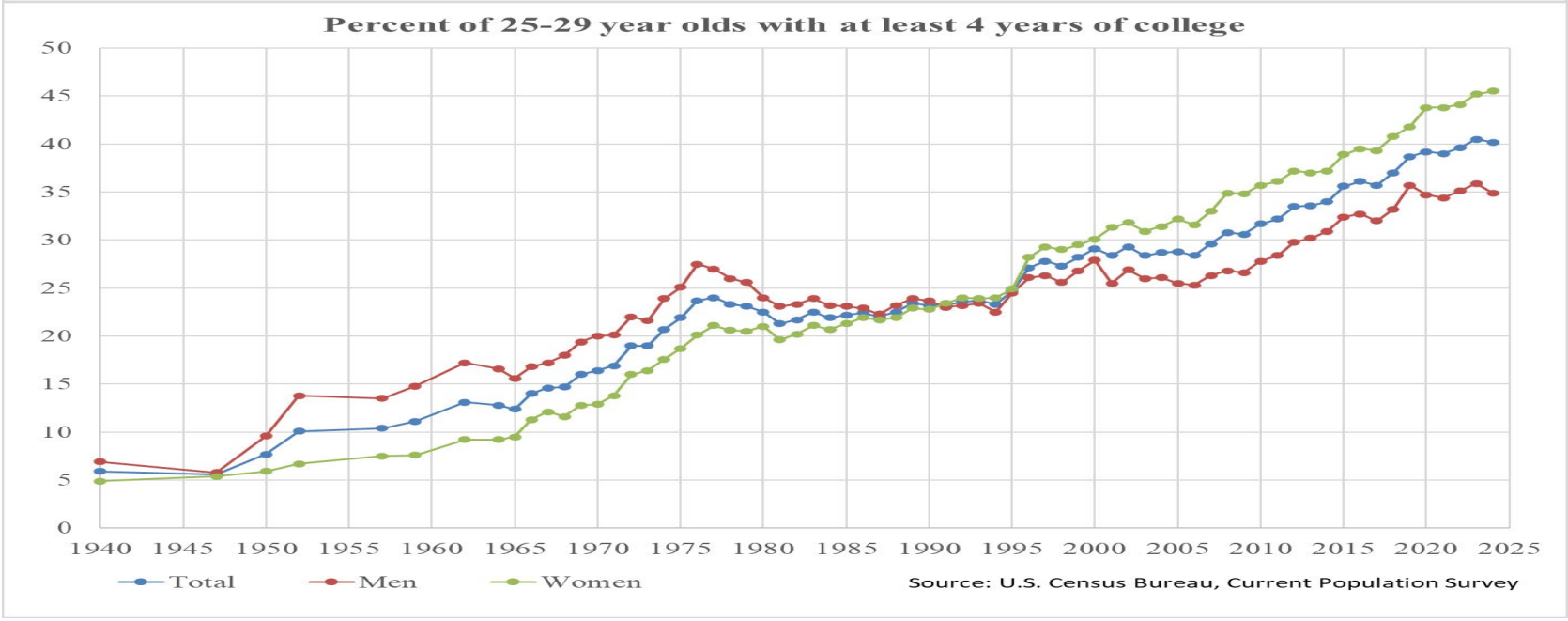
- Employment effects in all areas in 2020; share for management and professional, highly paid, increased (BLS cpsaat09)
- Will trends continue?
- Will these shifts continue with technology, automation, and increasing education levels?
- Might increases in infrastructure spending or AI adoption change these trends?
- Also, changes in how job-specific tasks are performed.



Changing Educational Attainment

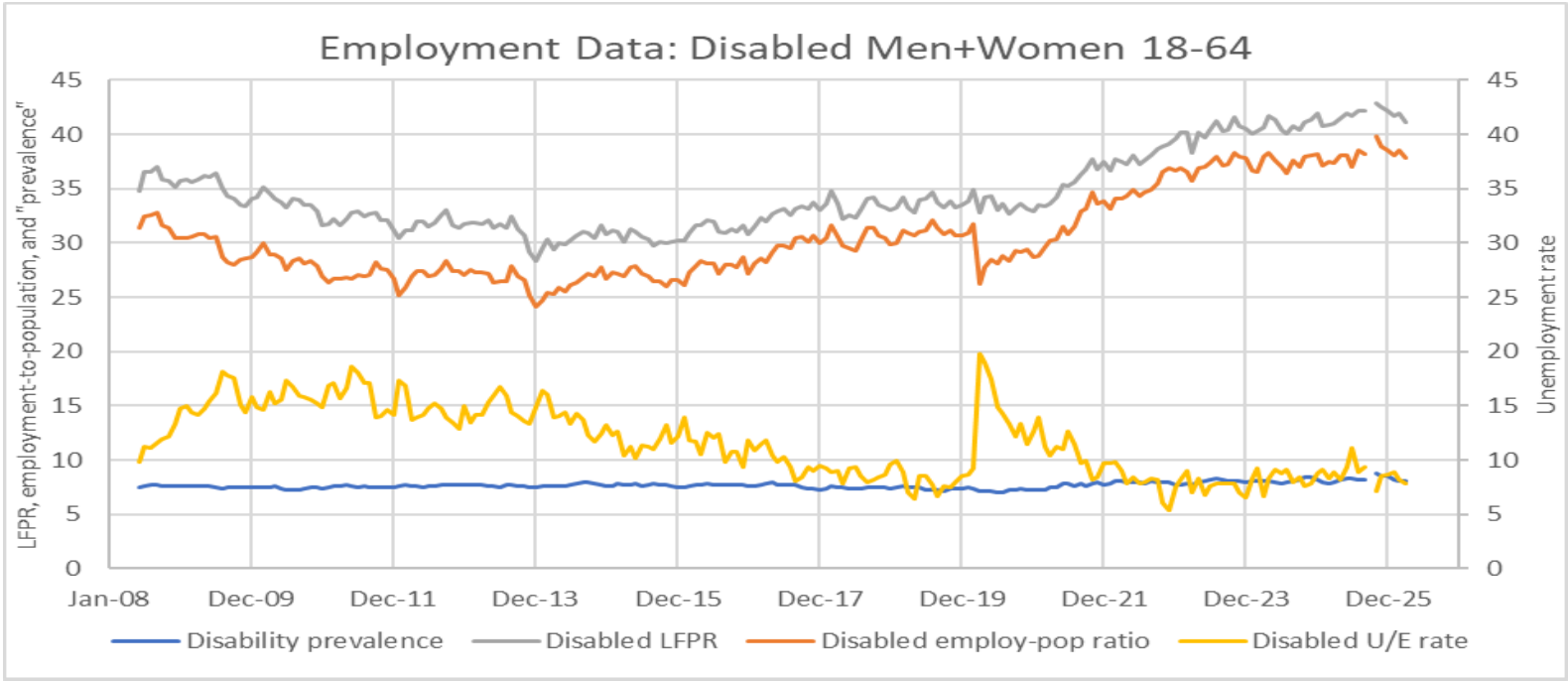
- Increasing share of labor force has at least a bachelor's degree— around 25 percent in 1992 to about 45 percent in 2025.
- By birth cohort, for those born in the early 1900s, about 5 percent had at least 4 years of college, increasing to 40 percent for those born in the 1990s.
- Women have increased attainment more than men.

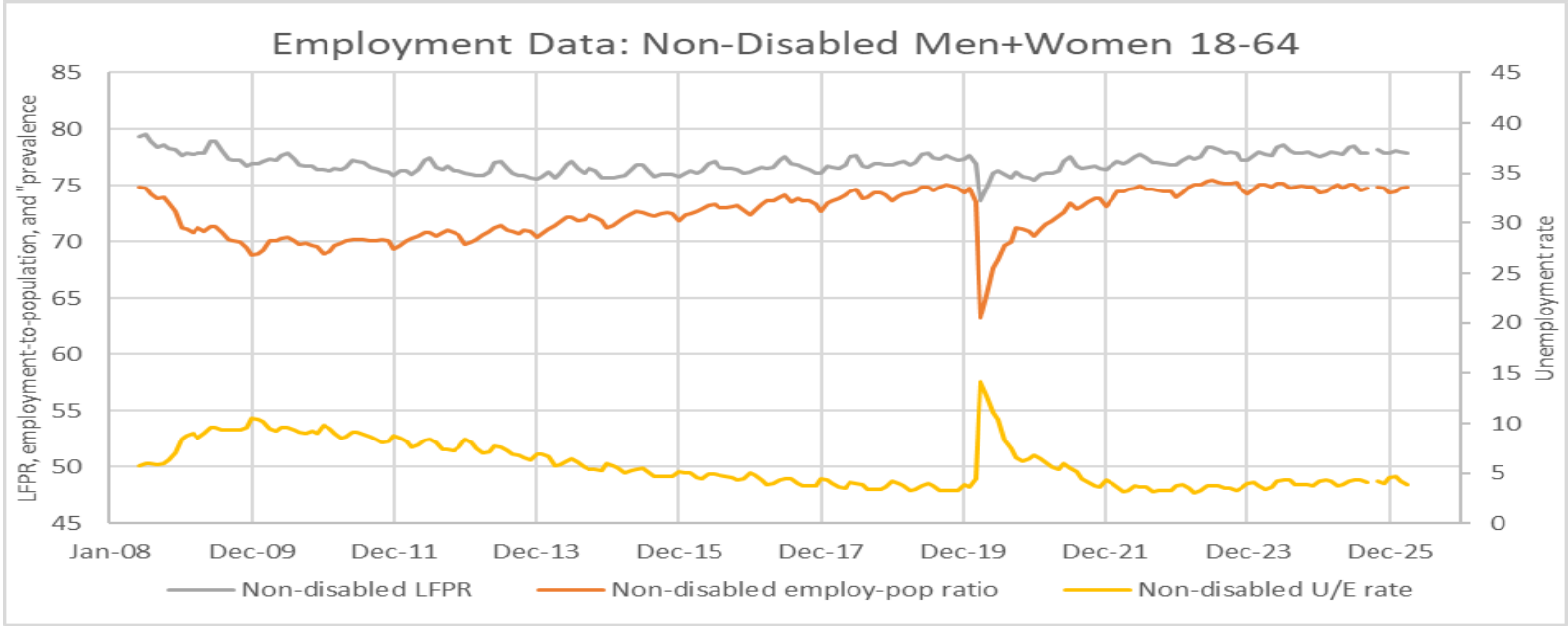




Employment of the Disabled

- Employment of individuals self-identifying as disabled appears to be gradually rising from low rates experienced in 2013-15.
- Current rates of employment are at the highest levels since the beginning of 2008. Will this continue to increase or level out?
- Note that this is self-identification of disability by CPS survey respondents, so the definition of disability may greatly differ from what is used for the OASDI program.





How to Eliminate the Social Security Long-Term Actuarial Deficit

People Say… Myths and Facts

- Myth: the Trustees' assumptions make the shortfall look smaller (or bigger) than it really is
  - Fact: maybe—but the Trustees' assumptions and projections are generally in line with other forecasters
  - Fact: any projection of the future is uncertain
- Myth: faster economic growth would eliminate the shortfall
  - Fact: real wage growth would have to triple, or more—not realistic
  - Fact: varying any of the major assumptions (within reason) doesn't move the needle on the 2034 depletion date or come close to eliminating the 75-year shortfall

People Say… Myths and Facts (cont'd)

- Myth: eliminating the taxable maximum would eliminate the shortfall
  - Fact: it would eliminate at most about 60% of the 75-year shortfall
- Myth: reducing benefits for billionaires would eliminate the shortfall
  - Fact: zeroing out their benefits would mean a roughly $30 million benefit reduction in 2026, compared to $1.7 trillion benefits paid in total in 2026
- Myth: the program is inherently unsustainable
  - Fact: we just need some rebalancing, to bring future cost and income in line
  - Fact: there are many ways to combine legislative options that would eliminate the shortfall for 75 years and beyond

Long-Term Projections Inform Policymakers

- The Trustees consistently advise that Congress should act sooner rather than later
- Straightforward solutions:
  - Raise scheduled revenue by 2034 by about one-third
  - Reduce scheduled benefits by 2034 by about one-fourth
  - Or some combination of the two
  - Comprehensive changes ***implemented*** by 2034 (by 2032 for OASI alone)
- Also consider adequacy of benefits?

Sample Options:* Increase the Normal Retirement Age

- The normal (or full) retirement age is age 67 for everyone born in 1960 or later
- As life expectancy continues to increase, is 67 still the right age for full benefits?
- Historical perspective: the 1983 Amendments didn’t raise the normal retirement age for anyone older than 45 at the time, and the full effect only applied to people 23 or younger

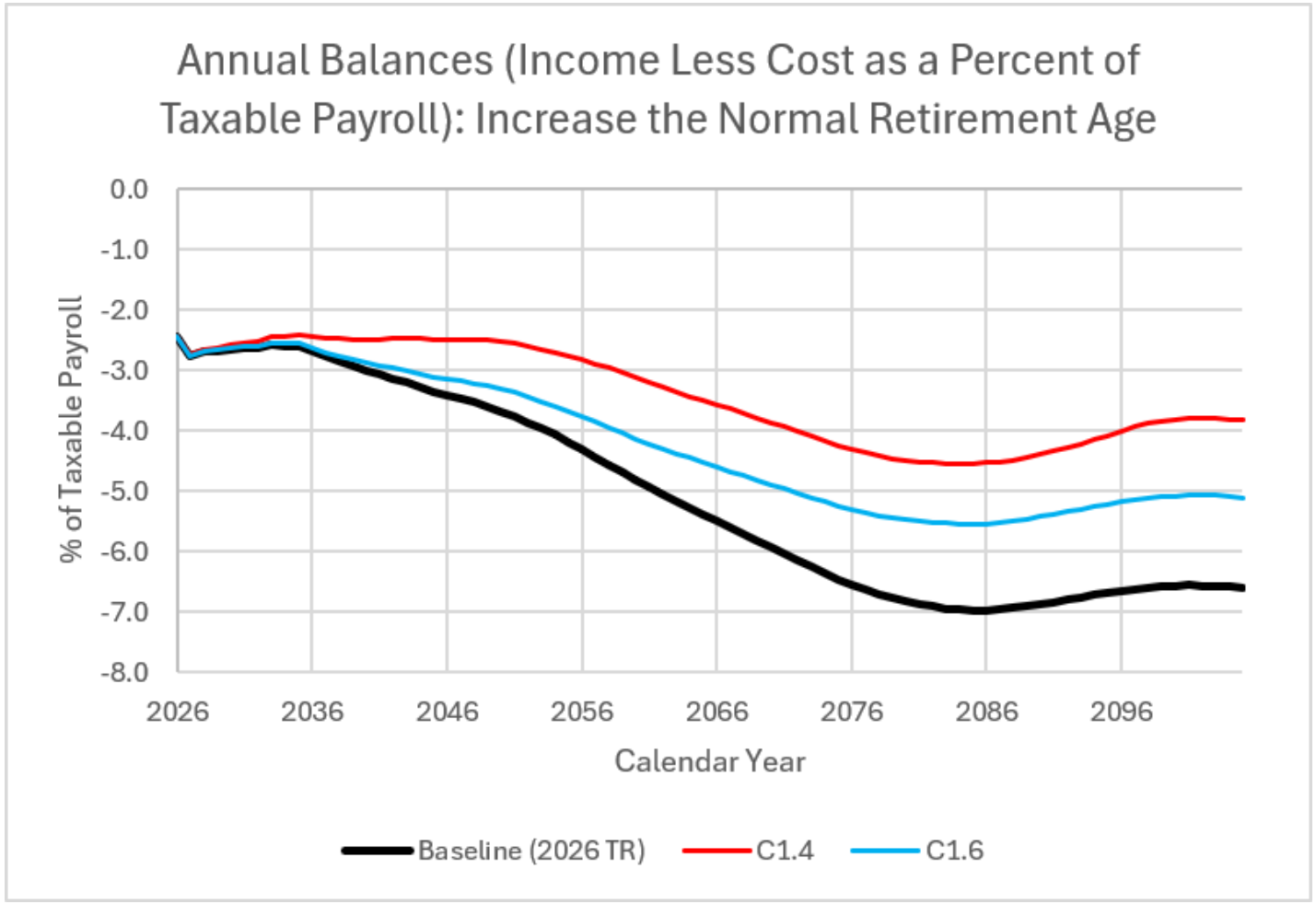
**Important note: The sample options presented in this slide deck are intended to illustrate a broad range of options that have been proposed by policymakers. We aren't advocating for or against any of them.*

Sample Options: Increase the Normal Retirement Age

C1.4: Increase the normal retirement age (NRA) 2 months per year for those age 62 starting in 2027 and ending in 2038 (NRA reaches 69 for those age 62 in 2038). Thereafter, increase the NRA 1 month every 2 years. No change to earliest eligibility age.

C1.6: Starting with those age 62 in 2027, increase the NRA 1 month every 2 years until the NRA reaches 69 in 2073. Also increase the age up to which the delayed retirement credit may be earned at the same rate (from 70 to 72). No change to earliest eligibility age (62).

Option	OASDI Depletion Year	% of 75-Year Shortfall Eliminated
Baseline (2026 TR)	2034	N/A
C1.4	2034	32%
C1.6	2034	15%



Sample Options: Change the COLA Computation

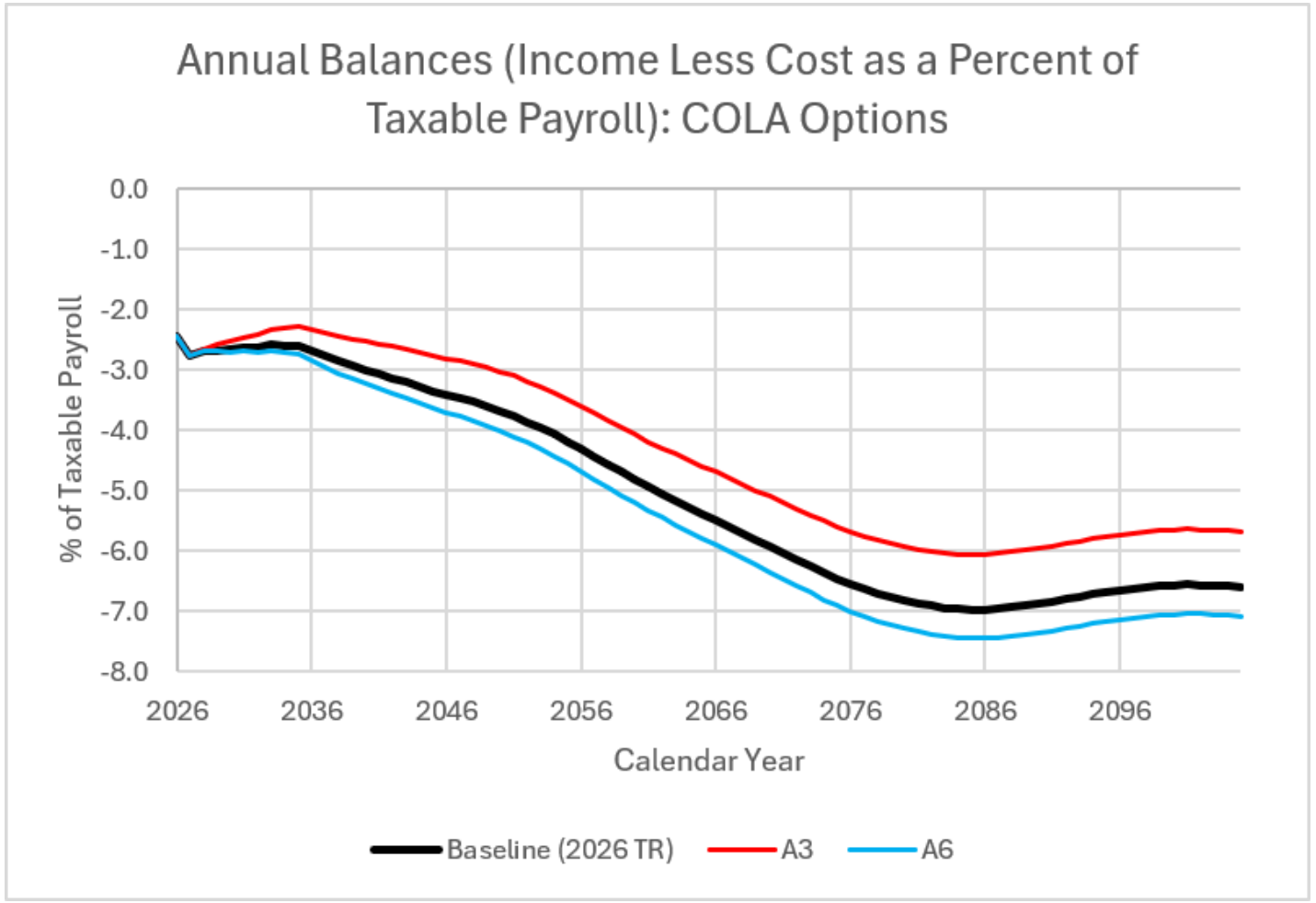
- SSA uses the CPI-W to determine the annual COLA
- Some economists say that the chained CPI is a more accurate measure of inflation, better accounting for substitution
- Switching to the chained CPI would reduce annual COLAs by about 0.3 percentage points, on average, thus reducing the growth in benefits
- On the other hand—some say that the CPI-E better captures changes in the goods and services purchased by Social Security beneficiaries
- Switching to CPI-E would increase annual COLAs by about 0.15 percentage points, on average

Sample Options: Change the COLA Computation

A3: Starting December 2027, compute the COLA using a chained version of the consumer price index for wage and salary workers (CPI-W). We estimate this new computation will reduce the annual COLA by about 0.3 percentage points, on average.

A6: Starting December 2028, compute the COLA using the Consumer Price Index for the Elderly (CPI-E). We estimate this new computation will increase the annual COLA by about 0.15 percentage points, on average.

Option	OASDI Depletion Year	% of 75-Year Shortfall Eliminated
Baseline (2026 TR)	2034	N/A
A3	2034	15%
A6	2034	-7%



Sample Options: Change the Benefit Formula

- There are many ways to change the benefit calculation itself
- Options include:
  - Across-the-board reduction (or increase) in the level of benefits for those newly eligible (and potentially for those already receiving benefits)
  - Making the benefit formula more progressive: less to higher earners, more or the same to lower earners
  - Means testing

Sample Options: Change the Benefit Formula

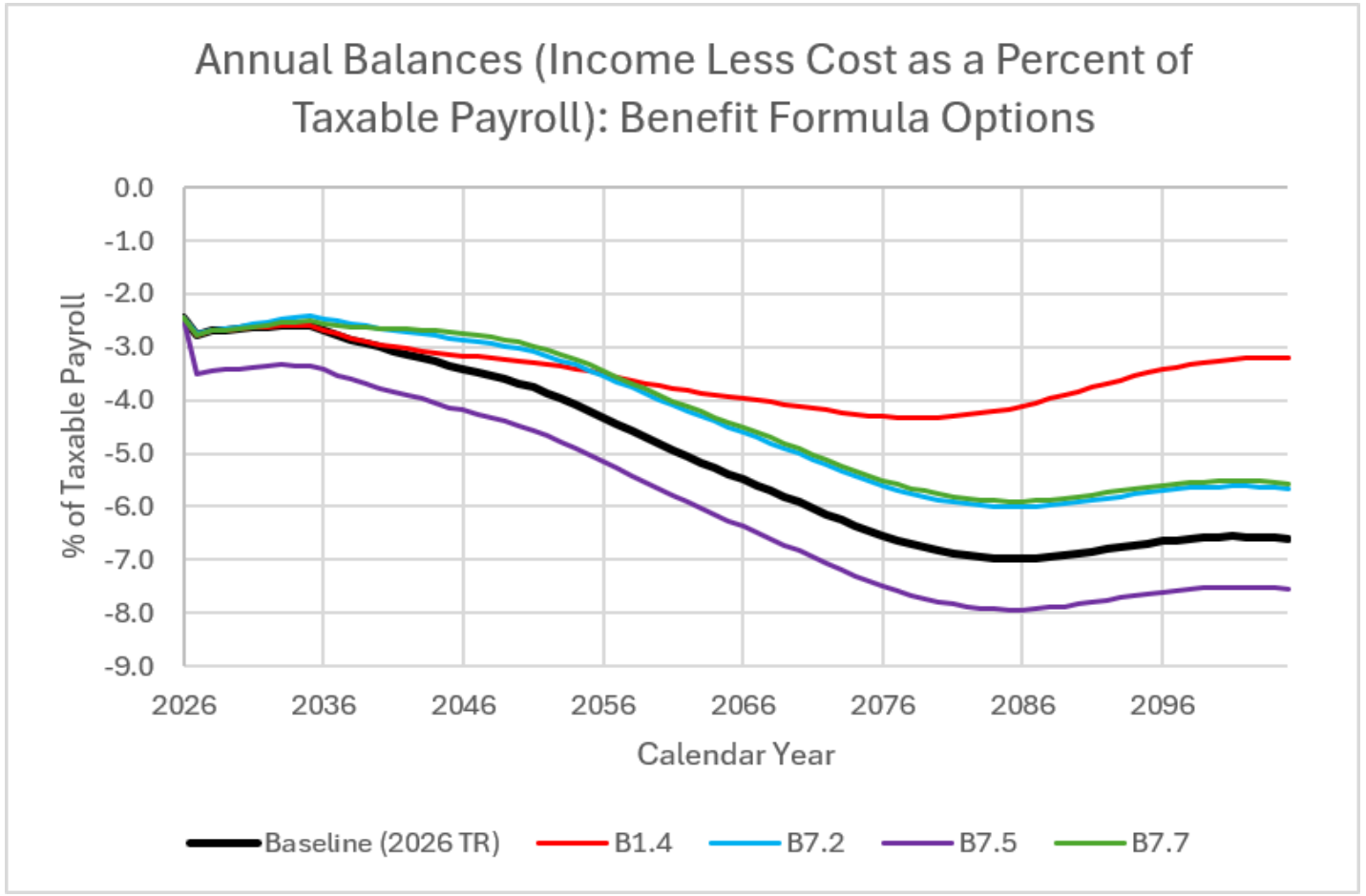
B1.4: Progressive price indexing of PIA factors beginning with individuals newly eligible for OASDI benefits in 2033: Create a new bend point at the 50th percentile of the AIME distribution of newly retired workers. Maintain current-law benefits for earners at the 50th percentile and below. Reduce the 32 and 15 percent factors above the 50th percentile such that the initial benefit for a worker with AIME equal to the taxable maximum grows by price inflation rather than the average wage index.

B7.2: Reduce benefits by 5 percent for those newly eligible for benefits in 2027 and later.

B7.5: Increase benefits by 5 percent for all beneficiaries as of the beginning of 2027 and for those newly eligible for benefits after the beginning of 2027.

B7.7: For newly eligible beneficiaries in 2031 and beyond, reduce individual Social Security benefits if modified adjusted gross income, or MAGI is above $60K for single taxpayers or $120K for taxpayers filing jointly. The percentage reduction increases linearly up to 50 percent for single/joint filers with MAGI of $180K/$360K or above. Index the MAGI thresholds for years after 2031, based on changes in the average wage index.

Option	OASDI Depletion Year	% of 75-Year Shortfall Eliminated
Baseline (2026 TR)	2034	N/A
B1.4	2034	27%
B7.2	2034	15%
B7.5	2032	-19%
B7.7	2034	16%



Sample Options: Raise or Eliminate the Taxable Maximum

- The Social Security payroll tax is applied to earnings up to the taxable maximum level ($184,500 for 2026)
- The tax max increases by *average* wages each year
- As more earnings fall above the tax max, the OASDI trust funds receive less tax revenue proportionately
- Note that the Medicare payroll tax is applied to *all* earnings

Sample Options: Raise the Taxable Maximum

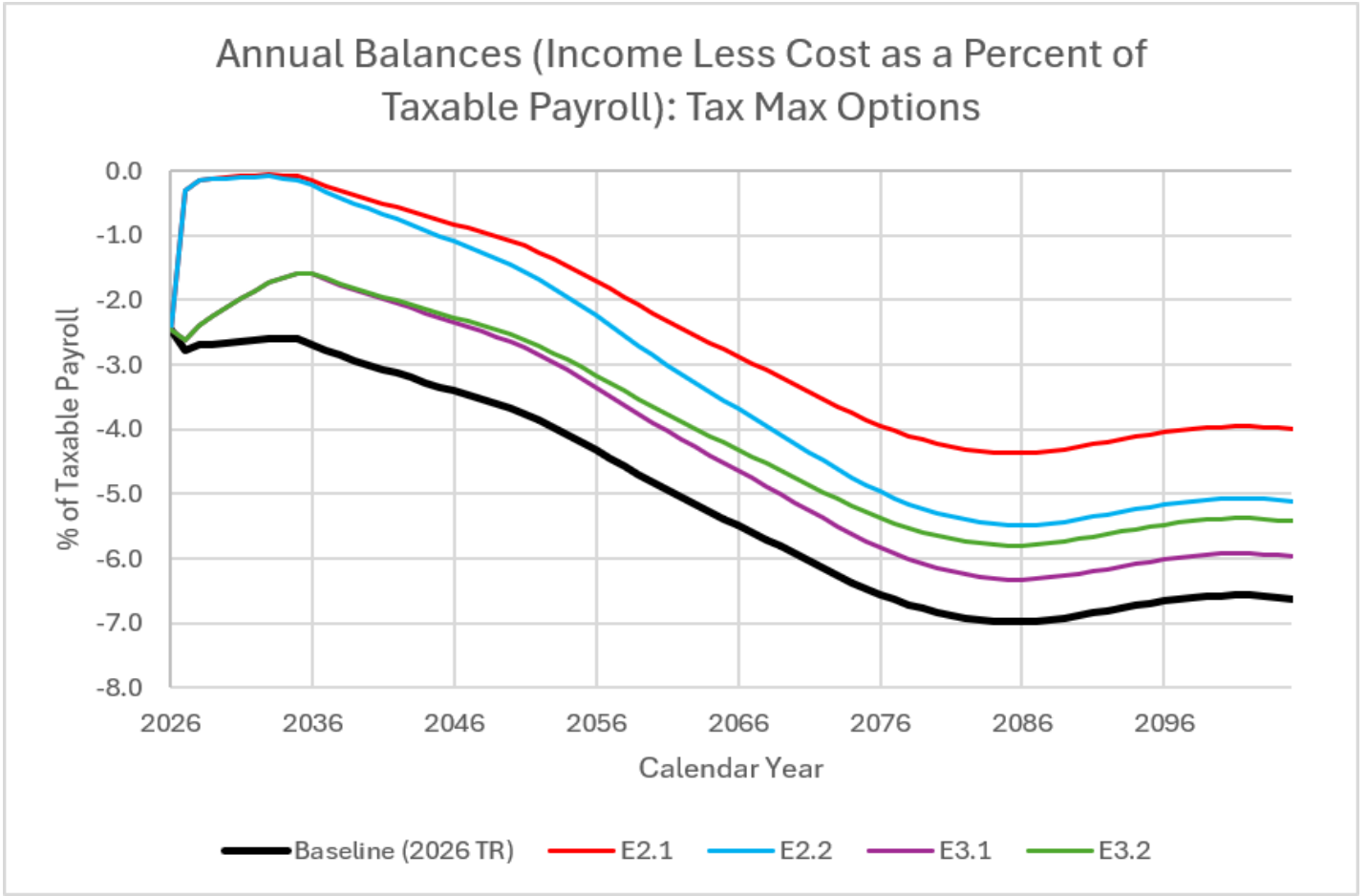
E2.1: Eliminate the tax max starting in 2027. Do not provide benefit credit for additional earnings taxed.

E2.2: Eliminate the tax max starting in 2027. Provide benefit credit for additional earnings taxed.

E3.1: Increase the tax max such that 90% of earnings would be subject to the payroll tax (phased in 2027-2036). Provide benefit credit for additional earnings taxed. For reference, taxing 90% of earnings in 2026 would raise the tax max from $184,500 to $384,000.

E3.2: Increase the tax max such that 90% of earnings would be subject to the payroll tax (phased in 2027-2036). Do not provide benefit credit for additional earnings taxed.

Option	OASDI Depletion Year	% of 75-Year Shortfall Eliminated
Baseline (2026 TR)	2034	N/A
E2.1	2058	58%
E2.2	2055	45%
E3.1	2036	19%
E3.2	2037	24%



Sample Options: Broaden the Tax Base

- Some suggest bringing other sources of revenue into the trust funds, as corporate profits have increased and the share of GDP that goes toward worker earnings has decreased
- Could begin taxing income that isn't currently subject to the payroll tax, such as:
  - Employer-sponsored group health insurance premiums
  - Income of S-corporation officers and limited partners
  - Investment income, including capital gains

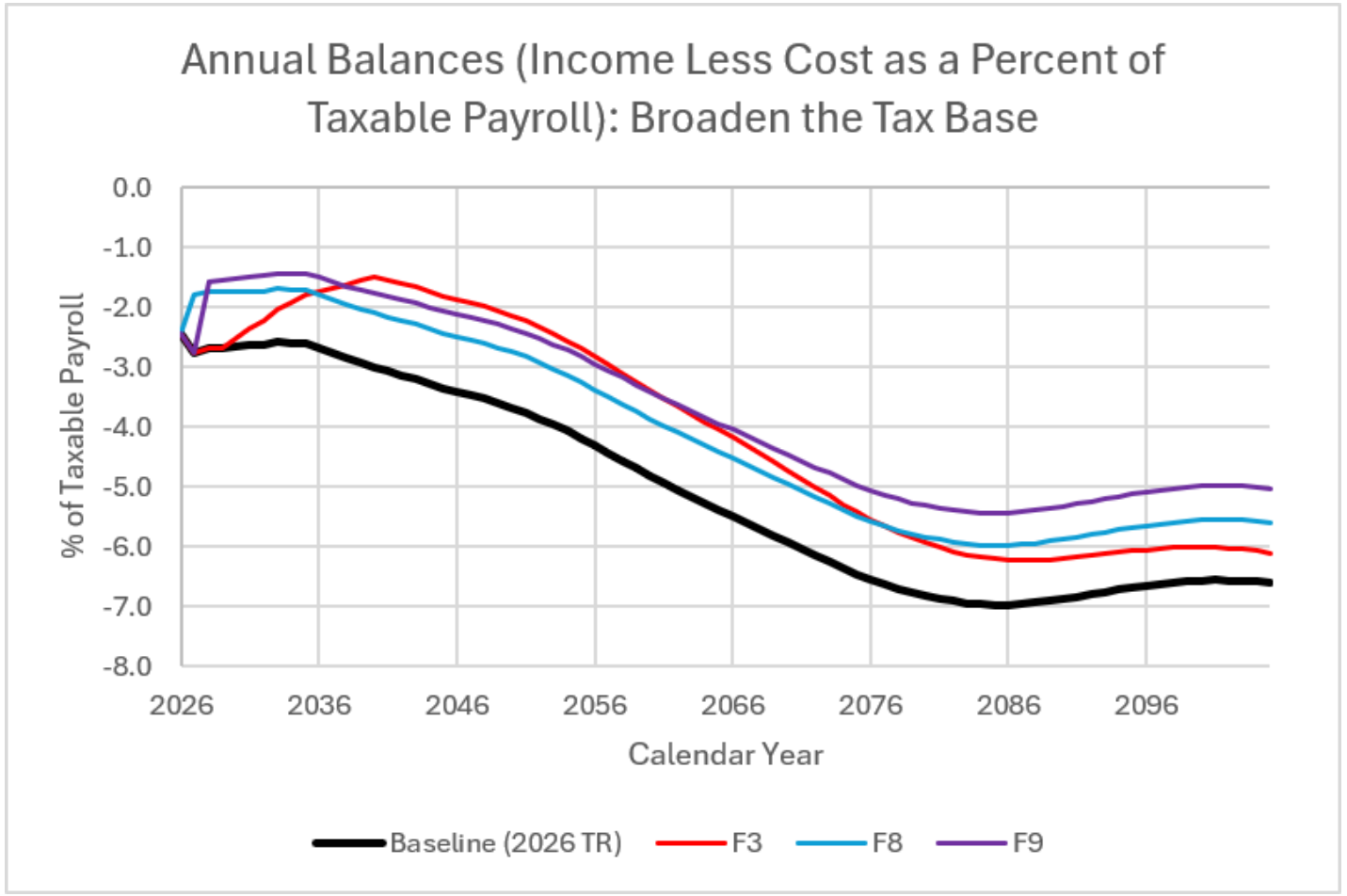
Sample Options: Broaden the Tax Base

F3: Expand covered earnings to include employer and employee premiums for employer-sponsored group health insurance (ESI). Phase in from 2030-2040.

F8: Apply a 12.4% payroll tax on passthrough income of S-corporation officers and limited partners above $200K for individuals ($250K for married filing joint). Proceeds go to the OASDI trust funds.

F9: Apply an additional 12.4% payroll tax on investment income as defined in the Affordable Care Act (ACA) above $200K for individuals ($250K for married filing joint). Proceeds go to the OASDI trust funds.

Option	OASDI Depletion Year	% of 75-Year Shortfall Eliminated
Baseline (2026 TR)	2034	N/A
F3	2035	23%
F8	2038	21%
F9	2039	30%



Putting It All Together

- These and other options can be combined to come up with a comprehensive package and scored with interactions between the options
- The effect of a comprehensive package can be roughly estimated by adding up the effects of each option; this approach ignores any interactions
- Although it has never done it before, Congress could pass legislation to allow the trust funds to borrow from the Treasury general fund to get through any near-term shortfalls, with full payment in the future
- In the early 1980s, Congress did pass legislation temporarily allowing for borrowing among the OASI, DI, and HI trust funds

For More Information, Go to https://www.ssa.gov/oact/

- There you will find:
  - The 2026 and all prior OASDI Trustees Reports
  - Detailed single-year tables for recent reports
  - Our estimates for comprehensive proposals and individual provisions
  - Actuarial notes
  - Actuarial studies
  - Extensive databases
  - Congressional testimonies
  - Presentations by Actuarial Services employees