

Session 1-A-1

# Megatrends and Macro Risks for Retirement Plans

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# **Megatrends & Macro Risks**

**(Karen)**

# Social Security Administration (SSA) Actuarial Services

## What Do We Do?

- Actuarial estimates and analyses for the programs administered by SSA:
  - Social Security old-age, survivors, and disability insurance (OASDI)
  - Supplemental Security Income for the disabled and aged (SSI)
  - Estimates under current law and for proposed changes to these programs
- Technical and consultative services on all aspects of these programs to:
  - The Commissioner and SSA leadership
  - The Boards of Trustees of the Social Security and Medicare Trust Funds, and their staffs
  - Members of Congress and their staffs (including testimony at Congressional hearings)
  - Other agencies throughout the executive branch
  - Other organizations outside government
- Maintain comprehensive understanding of:
  - US population
  - US economy
  - Laws and regulations affecting OASDI and SSI
  - SSA operations and policies

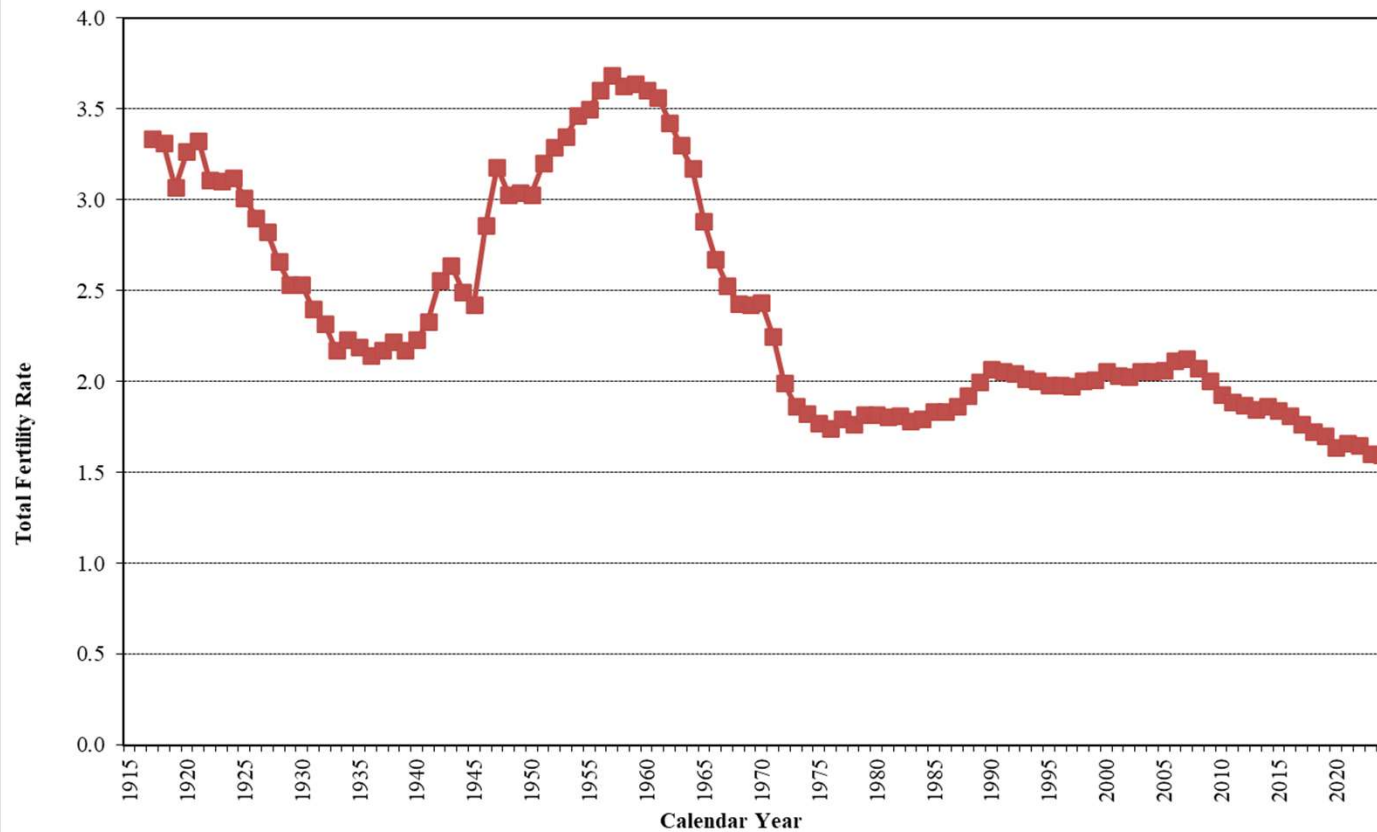
# Birth Rates Over Time

Historical total fertility rates (TFR) were well above 3.0 prior to the 20<sup>th</sup> century but were falling drastically at the turn of the century

The trend of the TFR changed direction as the baby boom set in and leveled out around 2.0 after that

Since 2008, the TFR has been generally dropping, and demographers have been debating what this means for the future

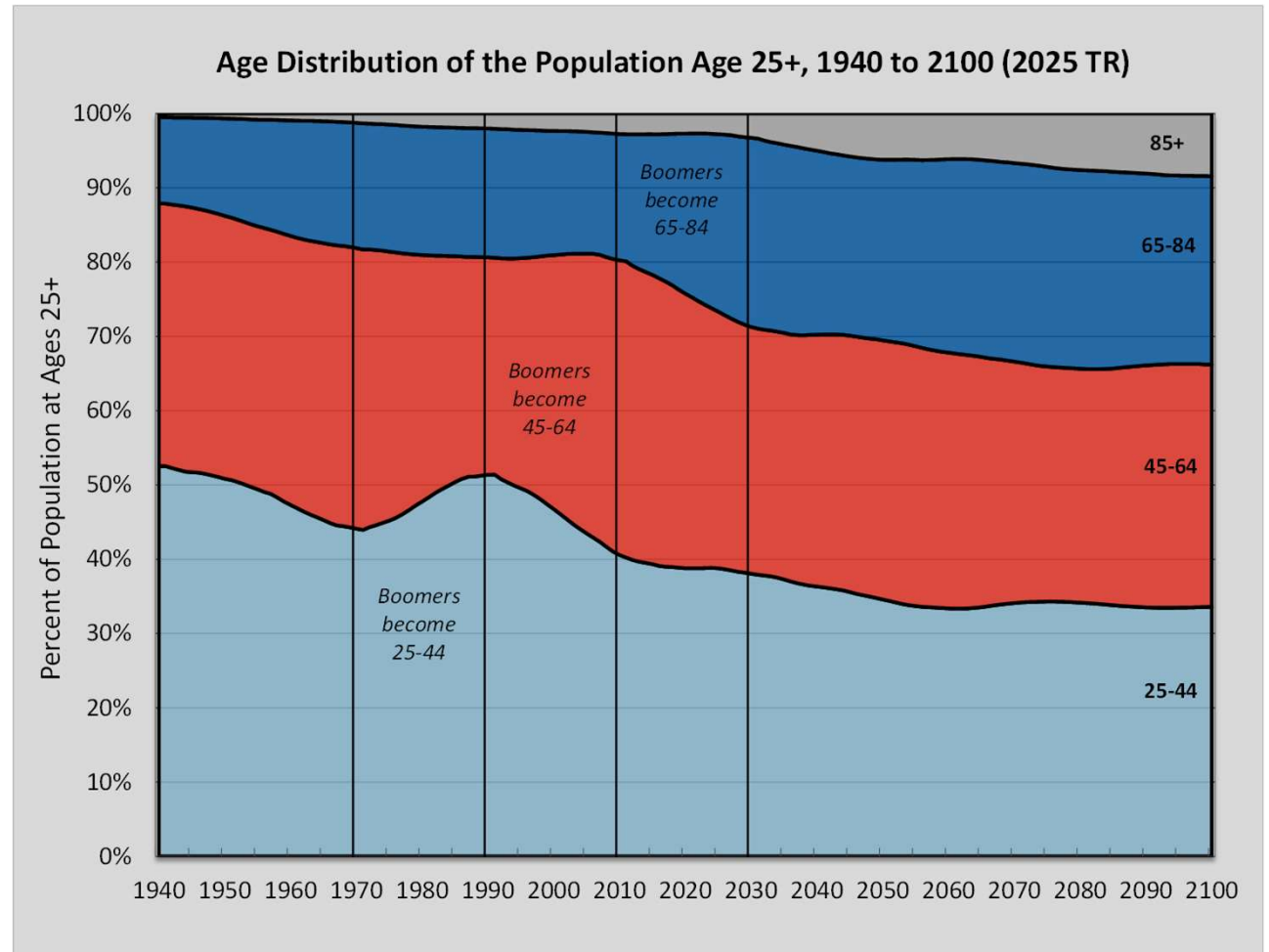
Historical Total Fertility Rates for the United States



# Effect of Changing Birth Rates on the Age Distribution of the US Population

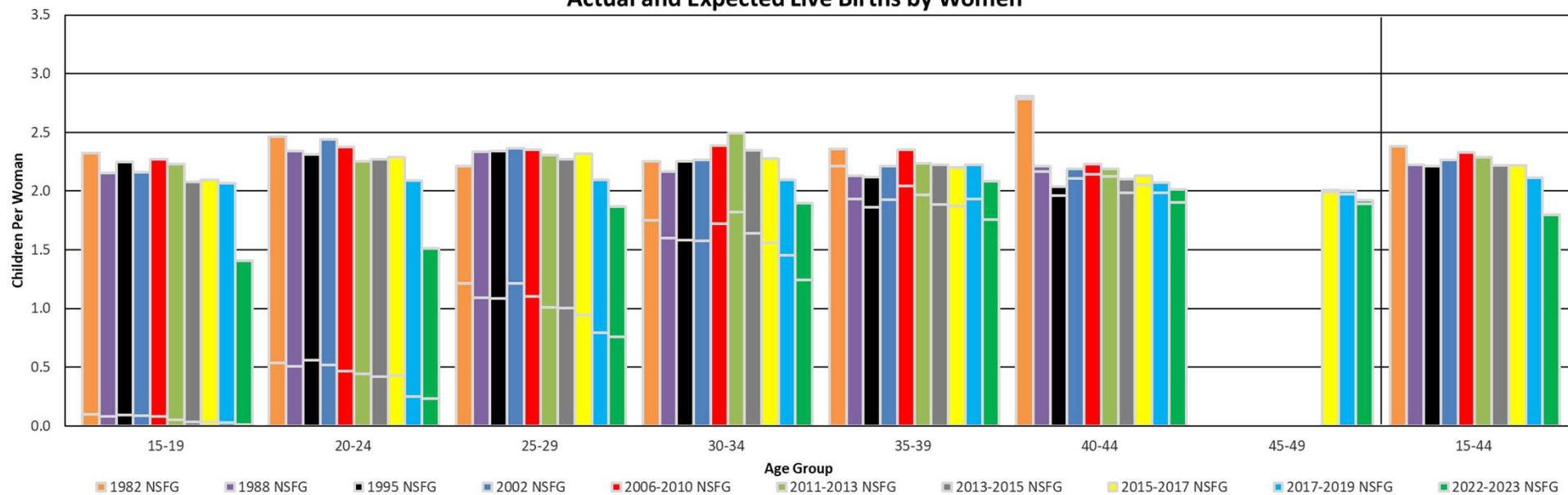
Increasing share of the population at ages 65+

Affects social programs in general and retirement plans specifically



# Birth Expectations Survey Results: National Survey of Family Growth

Actual and Expected Live Births by Women



Notes:

1. The portion of the bar below the horizontal break for each age group shows the average births realized up to that age, while the full height of each bar indicates the total births expected at that age.
2. Surveys through the 2013-2015 wave contain data through age 44. Subsequent surveys contain data through age 49.
3. NCHS warns to exercise caution when comparing results of the 2022-2023 wave to prior waves given the switch to multimode data collection from just face-to-face data collection.

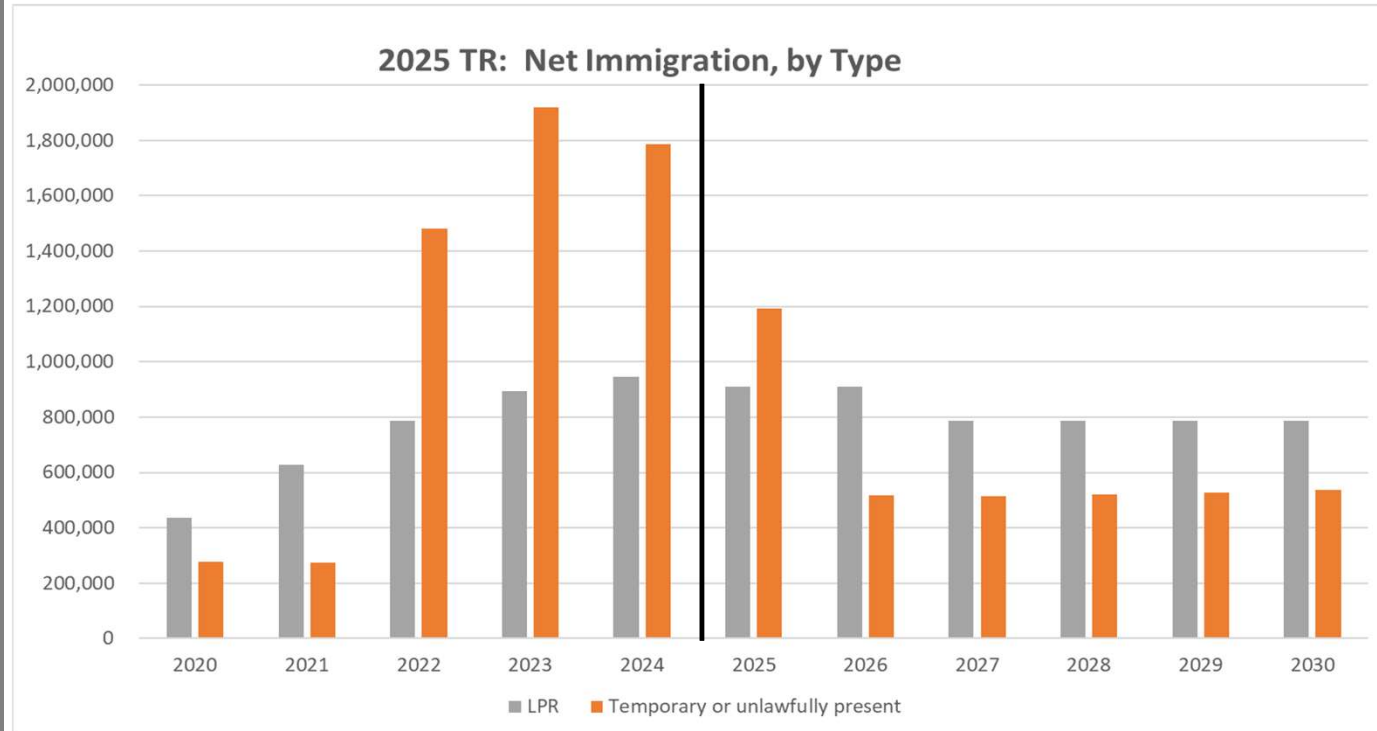
## Birth Rates: Current Experience and the Future

- Birth rates remain well below the 2025 Trustees Report's long-term assumption of 1.9 children per woman
- The total fertility rate for 2024 was 1.60; the rate for 2025 is estimated at 1.58
- Although recent low birth rates don't necessarily mean that birth rates will be low forever
- There is evidence that women are choosing to delay births to older ages, which temporarily depresses annual birth rates ("tempo effects")
- However, there is also evidence that there have been societal changes in the US (and around the world) related to family formation and the desire for children

## Immigration Patterns: Both Lawful and Unlawful (as of the 2025 Trustees Report)

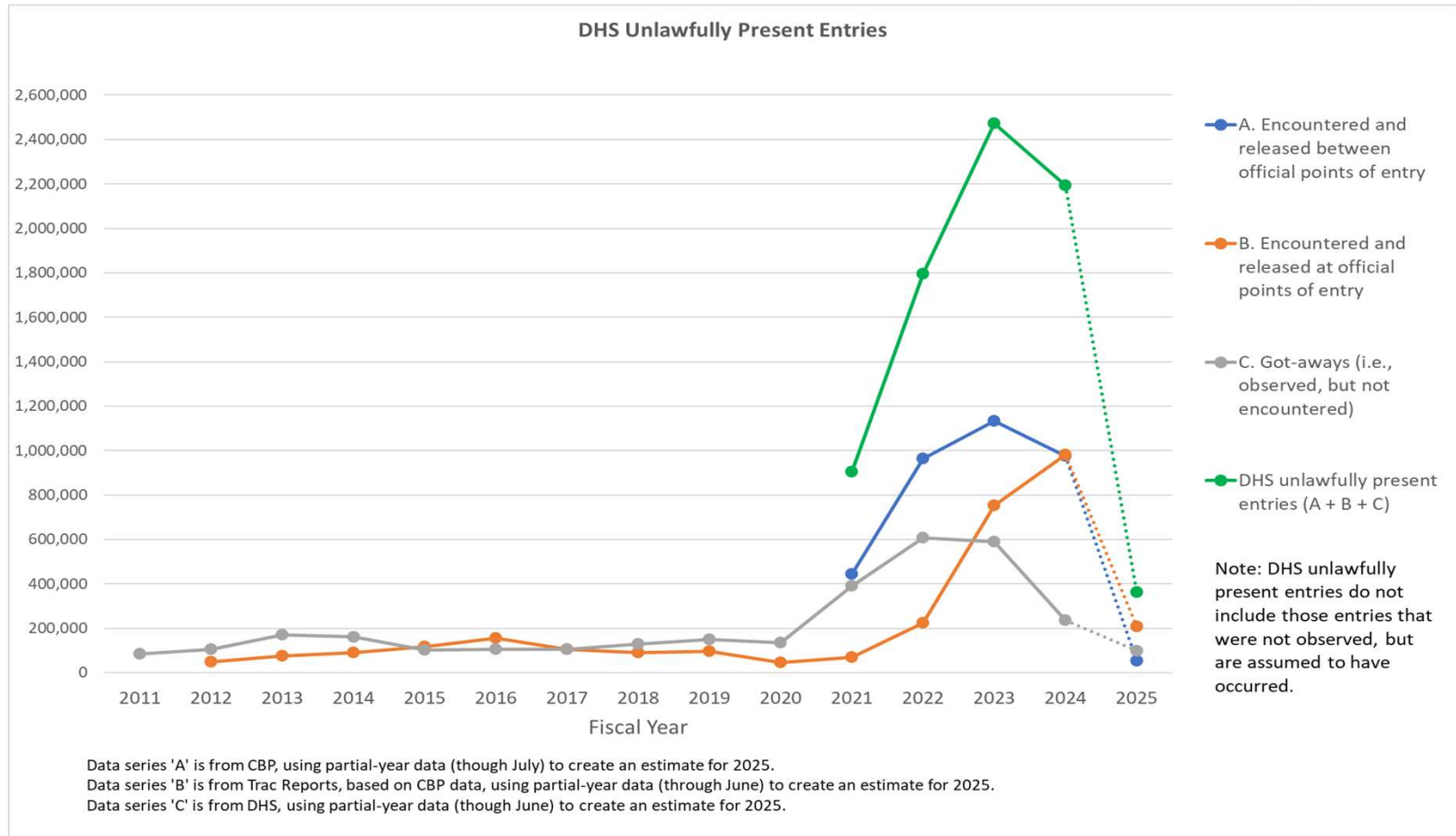
Important note: recent historical levels, especially for the unlawfully present population, are very uncertain and subject to change as more data becomes available

For example, see the next slide...



Note: Historical levels (through 2024) are based on data from the Department of State, Department of Homeland Security, and the Census Bureau; 2025+ levels are projections.

# Border Crossings and Encounters Dropped Dramatically in 2025



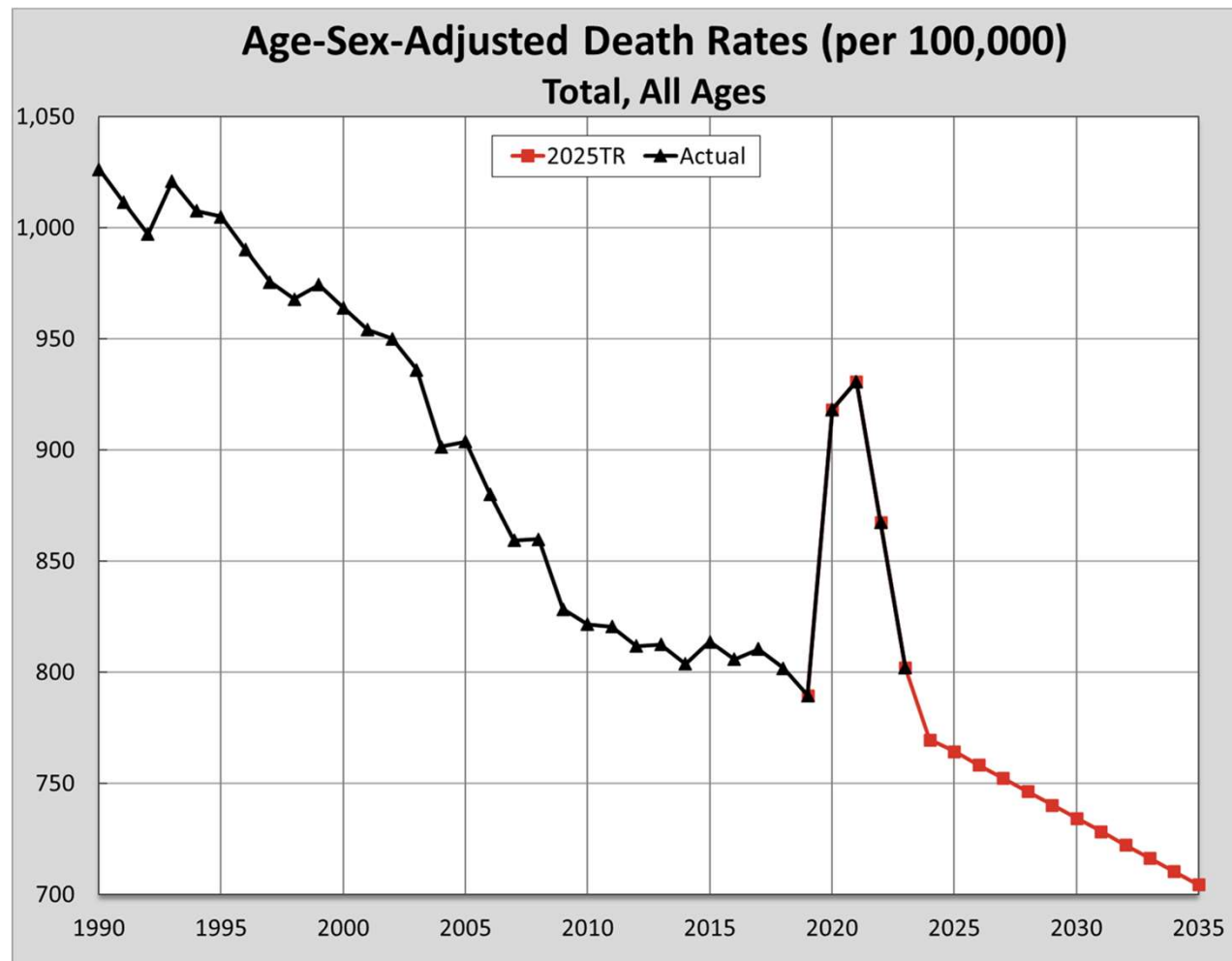
## Immigration: Current Experience and the Future

- The Trump administration has issued several executive actions related to immigration ([www.whitehouse.gov/presidential-actions/](https://www.whitehouse.gov/presidential-actions/)), which are expected to lower immigration and increase emigration for immigrants without lawful status
- Unlawful immigrant entries were extremely low in 2025, and will likely stay low in the near-term
- Immigration, both lawful and unlawful, is overall a positive for Social Security's financial status (see [www.ssa.gov/OACT/NOTES/pdf\\_notes/note151.pdf](https://www.ssa.gov/OACT/NOTES/pdf_notes/note151.pdf))

# Mortality Experience: All Ages

The recent historical experience shows generally declining death rates, with a slowdown in the decline since about 2009

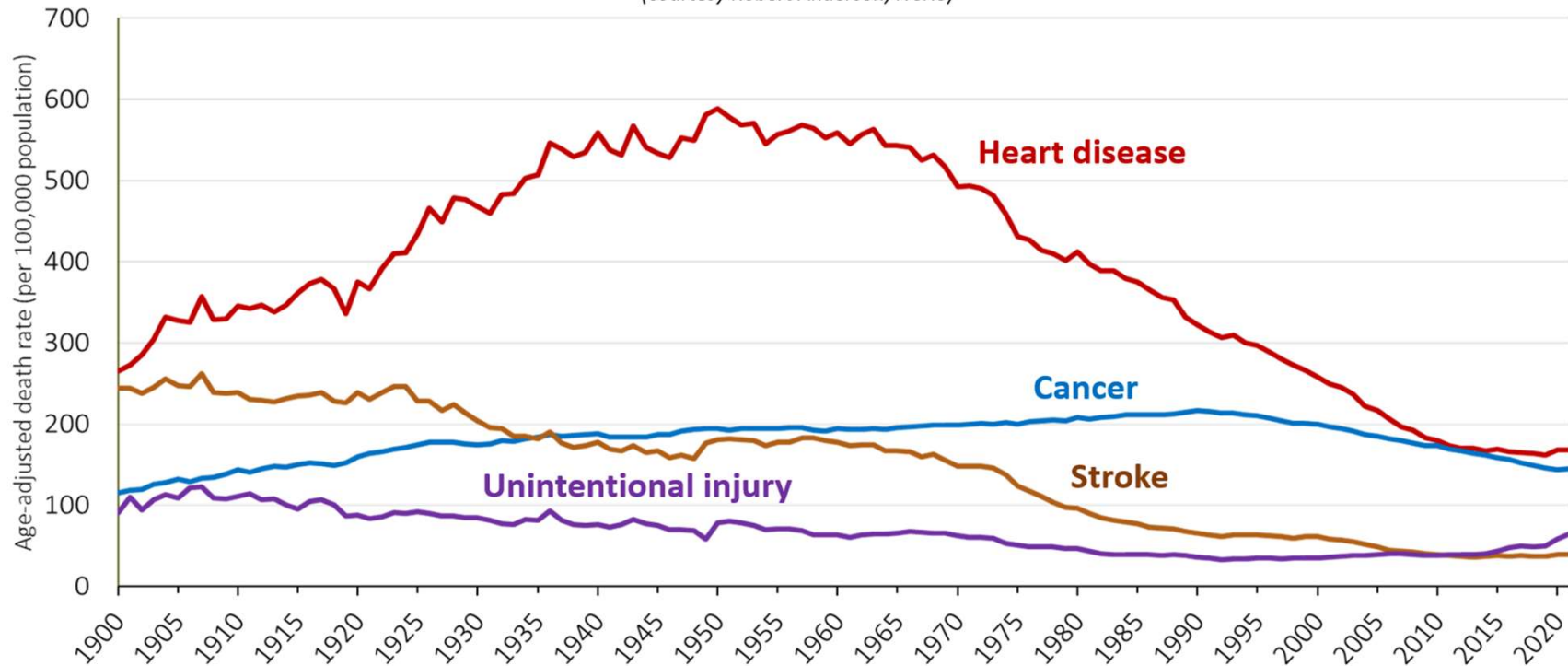
COVID-19 had a huge effect on the age-sex-adjusted death rates



# Declines in Death Rates Have Been Slowing With Remaining Causes Harder to Address: Cancer, Violence, Dementia

Age-Adjusted Death Rates for Heart Disease, Cancer, Stroke, and Unintentional Injuries: United States, 1900-2021

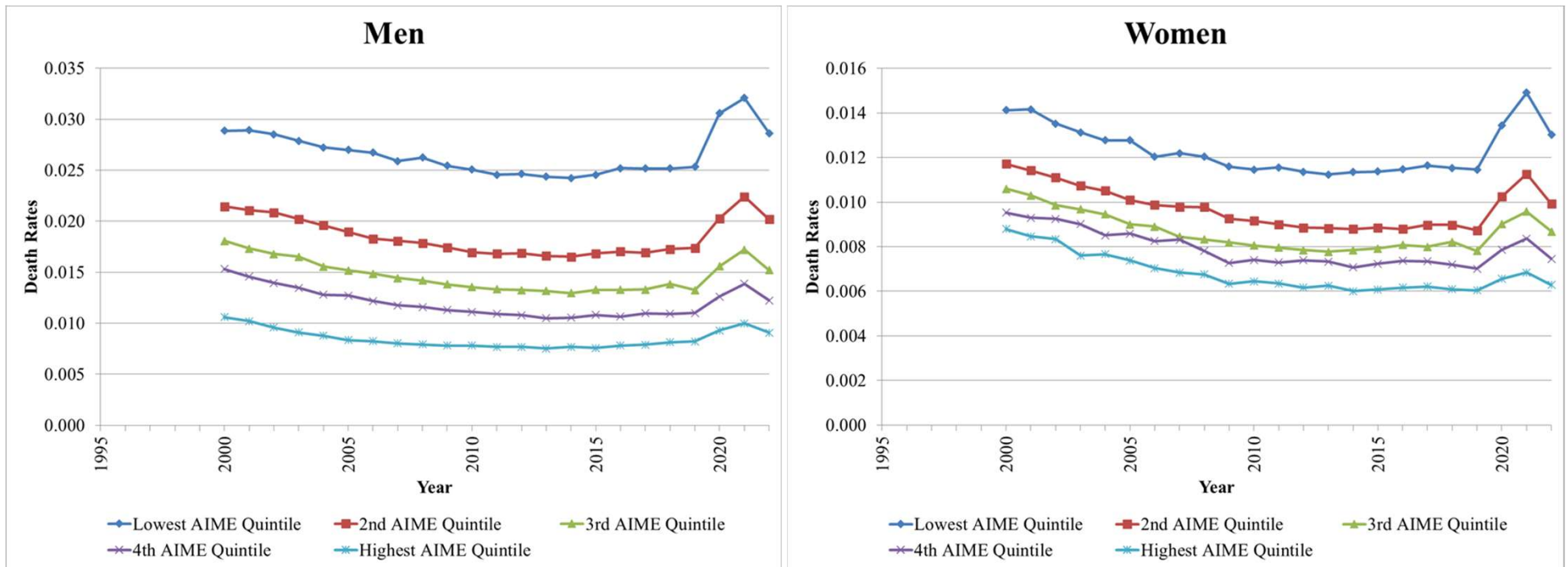
(courtesy Robert Anderson, NCHS)



Notes: Data are from the National Vital Statistics System. Prior to 1933, data are for death-registration States only. Data for 2021 are provisional.

# Differential Effects by Earnings Level— Consider Your “Block of Business”

Death rates for retired-worker beneficiaries in age group 65-69, by career average earnings (AIME) quintile, from December 2024 study by Tiffany Bosley: [https://www.ssa.gov/OACT/NOTES/pdf\\_studies/study129.pdf](https://www.ssa.gov/OACT/NOTES/pdf_studies/study129.pdf)

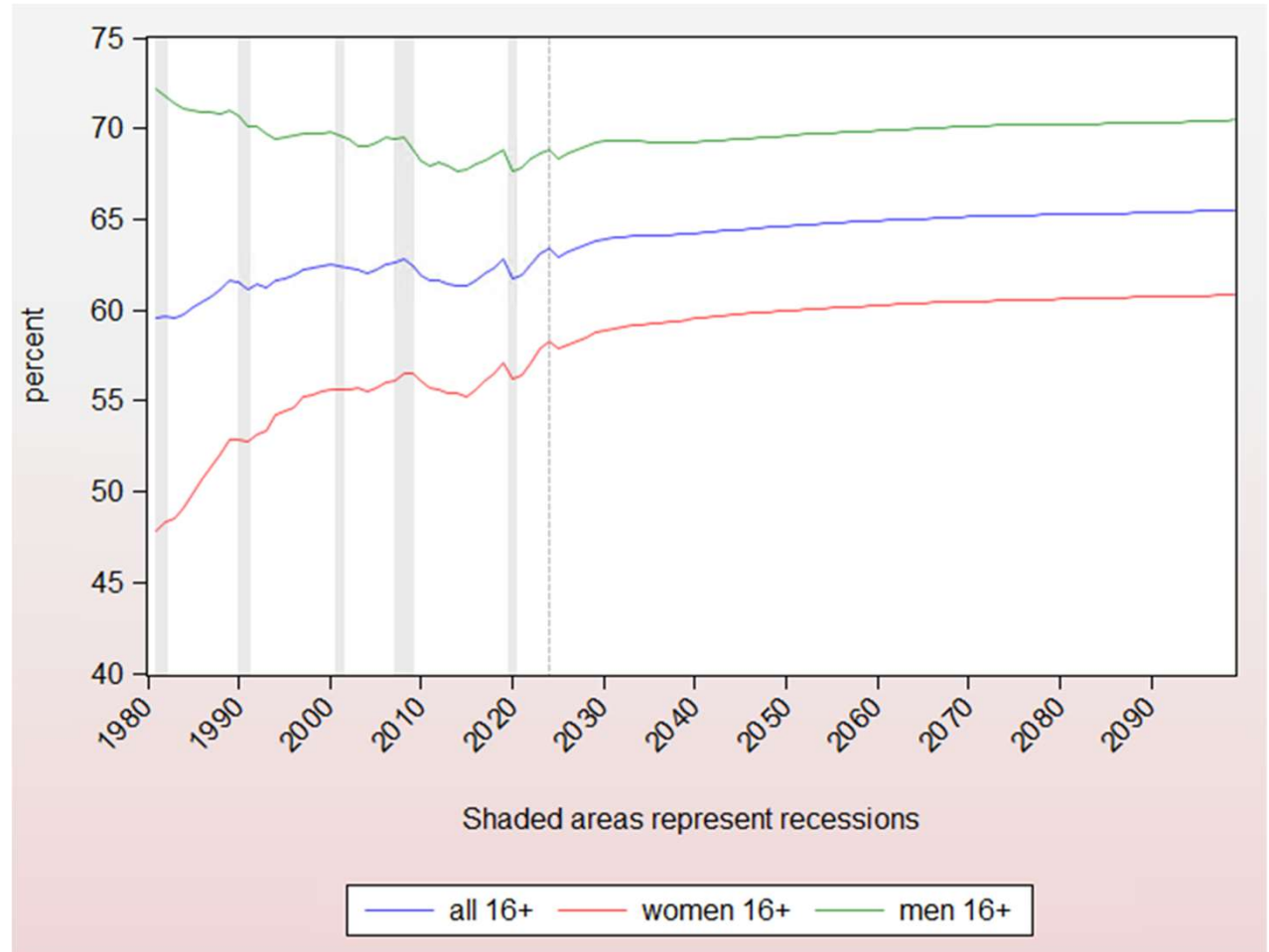


# Labor Force and Employment Projections

The overall age-sex adjusted labor force participation rate has exceeded its level in 2019, the peak of the last economic cycle, and is projected to continue rising

The age-adjusted LFPR for men is projected to exceed its 2019 level by 2028, while the age-adjusted LFPR for women has already exceeded it

Labor Force Participation Rate, age-sex-adjusted

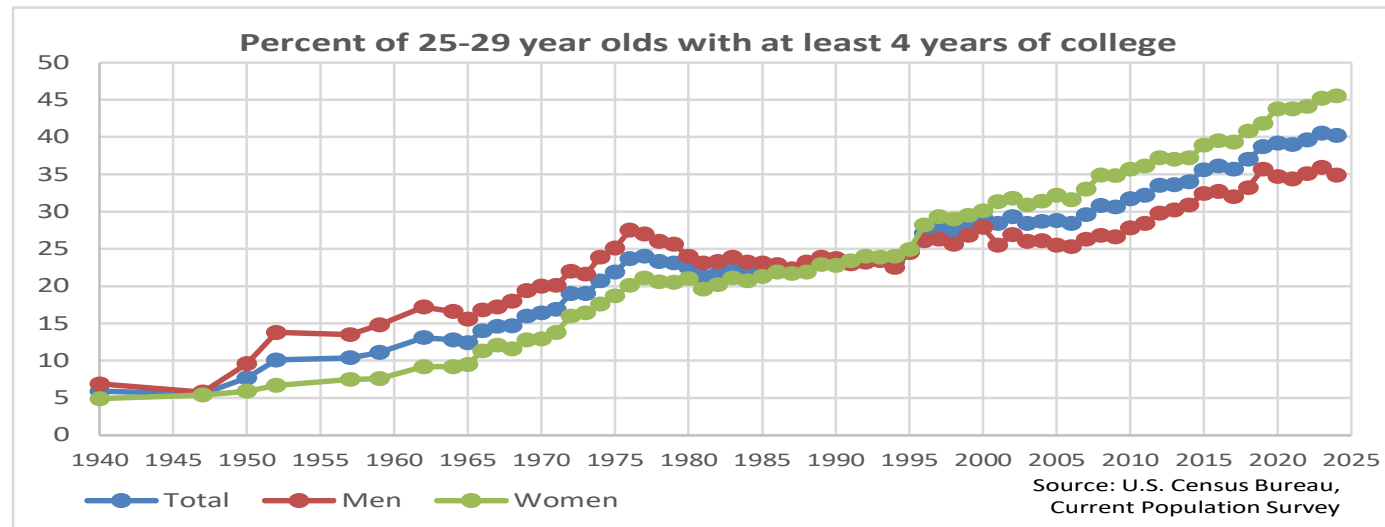
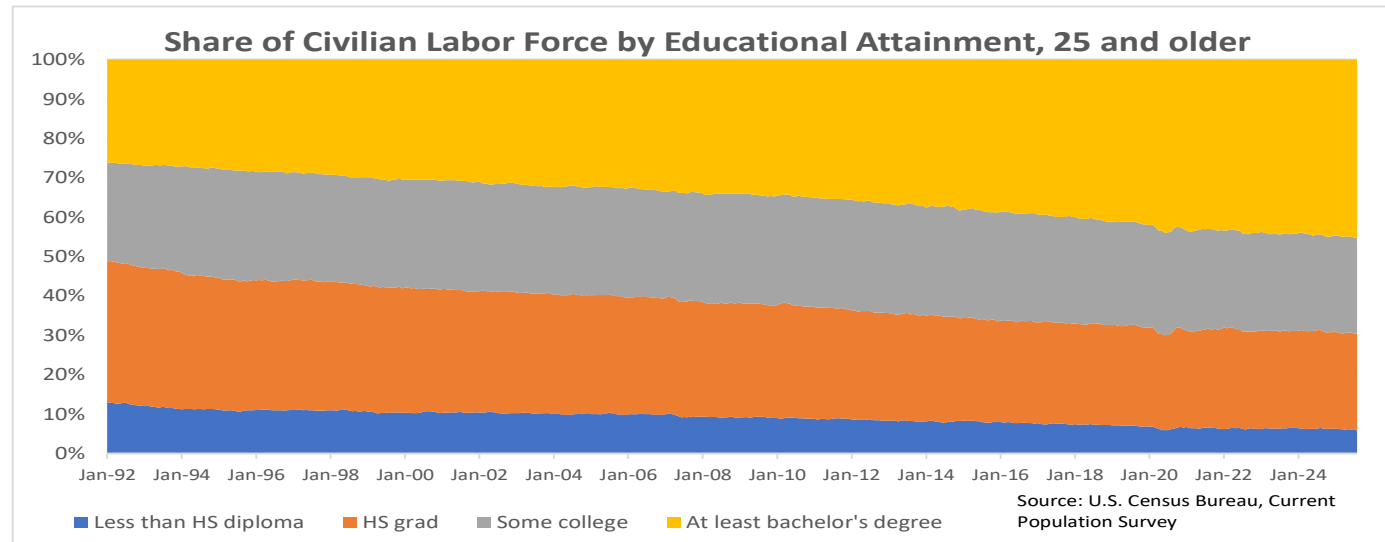


# Changing Educational Attainment

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



## Other Trends Affecting Employment

- **Artificial intelligence: effect on employment is unclear**
  - AI may be a substitute for workers more than most technologies
  - It still may generate new jobs in new fields
  - Most “pre-AI” job growth in the near to intermediate future is in fields not easily affected by AI, such as home health aides
- **“Gig economy”: definition varies widely**
  - Not clear that it has been growing as a share of the labor market (again depends on the definition)
  - The proportion of workers with multiple jobs hasn’t changed much in recent decades, and neither has the self-employed percentage
  - Some “gig economy” may be unreported, although the Bureau of Economic Analysis estimate of the percentage of earnings that are not reported has been steady for a while
- **Retirement behavior**
  - There has been a trend towards working longer since the 1990s
  - Parallel trend toward later claiming of Social Security retirement benefits: almost one-half of workers claimed at age 62 in 2000 vs. about one-quarter now
  - These trends are related to increasing life expectancy

## Productivity Growth Projections from the Trustees and Other Forecasters

Source / Date	Nonfarm Business Productivity (output per hour worked) annual growth rate	Total-economy Productivity (real GDP per hour worked) annual growth rate
2025 Trustees' Assumption	2.00%	1.63%
FY26 Budget / Mar 2025		2.36%
CBO / Mar 2025		1.32%
Moody's Analytics / Aug 2025	2.06%	
S&P Global / May 2025	2.10%	

Notes:

- For Moody's, S&P Global, and CBO, the average rate of growth for the 20 years starting 10 years from the date of each forecast is shown.
- For FY26 Budget, growth rate for the 10th calendar year of the projection is shown.

## Productivity Growth in the Future

- AI is the elephant in the room:
  - Most expect it to increase future productivity compared to recent decades, although estimates of the magnitude of the effect differ
  - AI will affect the nature of many jobs and the type of skills that are in demand; continuing education?
  - What would the broad adoption of AI do to labor earnings?
  - Will higher productivity lead to more employment and higher wages, or to the erosion of jobs and concentration of income towards firms and capital owners?
- Potential headwinds to productivity growth:
  - Changes in immigration flows
  - Recalibration of international trade
  - Limits on research & development