

## Session 3-A-1

# Social Security Funded Status and Future Alternatives to Save It

May 8, 2026 | 10:30 AM - 11:45 AM Eastern

May, 4, 6 & 8, 2026

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# How Social Security is Funded

## Social Security Trust Funds

- Two legally distinct trust funds:
  - **OASI** = Old-Age and Survivors Insurance
  - **DI** = Disability Insurance
  - Often referred to together as **OASDI**
- Financial operations are overseen by the Social Security Board of Trustees
- The two funds are often looked at on a theoretical combined basis
  - As of December 31, 2025, the trust funds hold about **\$2.56 trillion** in reserves

## Board of Trustees and Trustees Reports

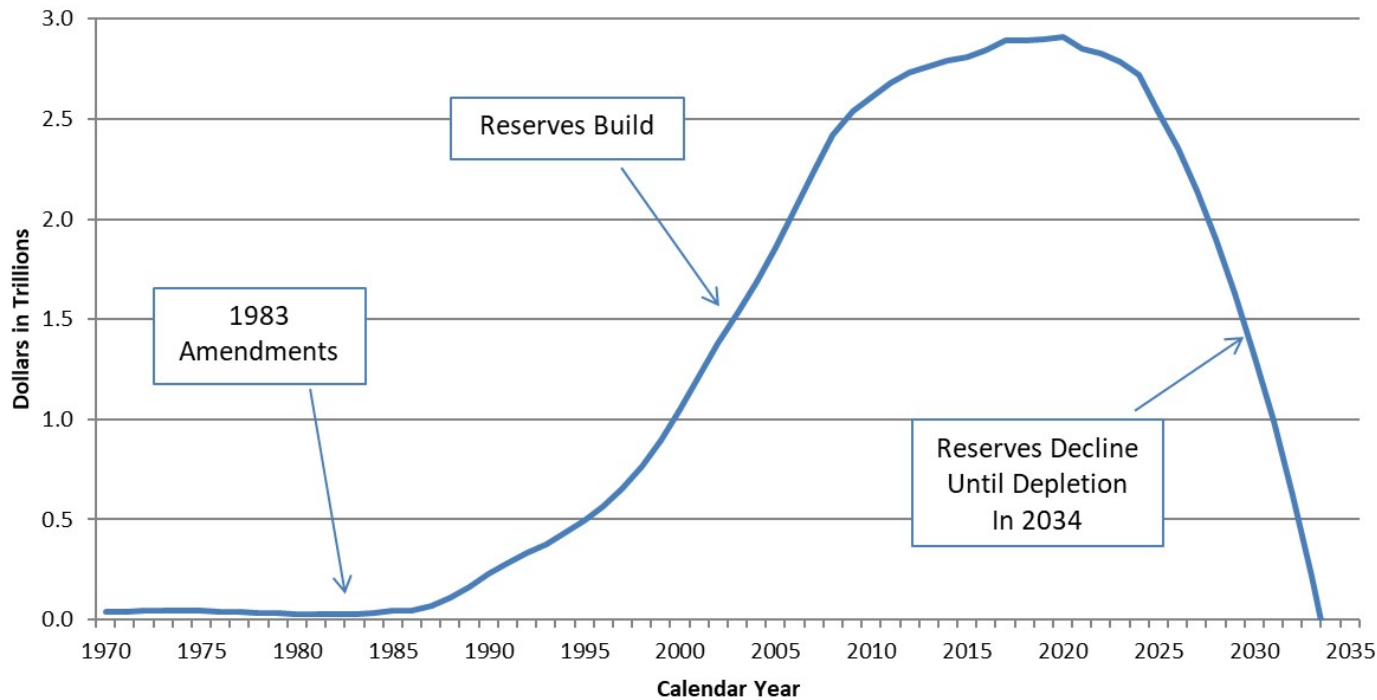
- The Commissioner of Social Security is one of four members of the Social Security and Medicare Boards of Trustees, along with the Secretaries of Treasury (the managing Trustee), Health and Human Services, and Labor
- The Social Security Act requires that the Board of Trustees, among other duties, report annually to the Congress on the actuarial status and financial operations of the OASI and DI Trust Funds
- The Board of Trustees is scheduled to release the annual report in spring 2026 (see the 2025 report at [www.ssa.gov/OACT/TR/2025/index.html](http://www.ssa.gov/OACT/TR/2025/index.html))

## Social Security Trust Funds: Reserve Levels

- The combined funds ran surpluses since the early 1980s through 2020
- Beginning in 2021, combined OASDI trust fund reserves started to decline—and will continue declining until they become depleted in **2034**, per the projections in the 2025 Trustees Report
- The OASI fund alone was projected to become depleted in **2033**; the DI fund alone was not projected to become depleted over the next 75 years
- **Note:** we project that passage of the One Big Beautiful Bill Act in July 2025 will accelerate depletion by about 2 calendar quarters: OASDI to early 2034, OASI to late 2032 (see [www.ssa.gov/OACT/solvency/RWyden\\_20250805.pdf](http://www.ssa.gov/OACT/solvency/RWyden_20250805.pdf))

# Social Security Trust Funds: Reserve Levels

Combined OASI and DI Trust Fund Reserves  
(end of year), 1970-2035



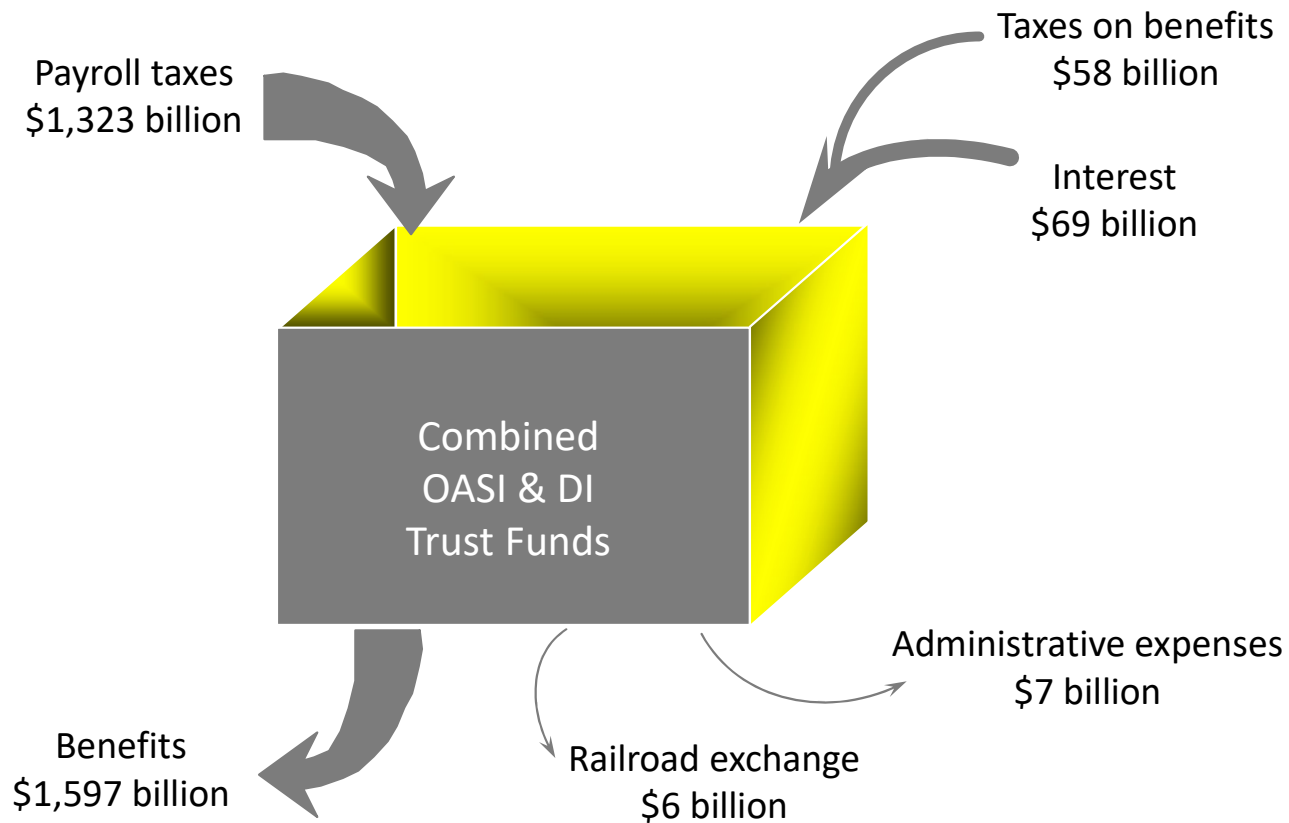
## How Is Social Security Financed (Income)?

- Payroll taxes
  - Employees and employers each pay **6.2 percent** of covered earnings
  - The self-employed pay **12.4 percent** of covered earnings
  - On earnings up to **\$184,500** in 2026
- Taxes on Social Security benefits
  - Higher-income beneficiaries pay federal income tax on their benefits (but less than prior to implementation of the OBBBA)
- Interest on trust fund reserves
  - Invested only in interest-bearing securities of the US government, by law

## Where Does the Money Go (Outgo)?

- Benefit payments
  - More than **70 million** people getting benefits as of December 2025:
    - **56 million** retired workers and dependents of retired workers
    - **6 million** survivors of deceased workers
    - **8 million** disabled workers and dependents of disabled workers
- Administrative expenses
  - Only about **0.4 percent** of total OASDI outgo in 2025
  - By fund: **0.3 percent** for OASI and **1.6 percent** for DI in 2025

## Income and Outgo, Calendar Year 2025



## Social Security Trust Funds: Why?

- Why do we have trust funds?
  - The trust funds provide an essential reserve so benefits can be paid even when current income alone is not enough
  - Social Security (OASI and DI) cannot borrow; can only spend what has been collected
- Are the trust funds “real”?
  - If reserves become depleted, full benefits cannot be paid
  - The trust funds force Congress to act in order to continue paying benefits on time and in full

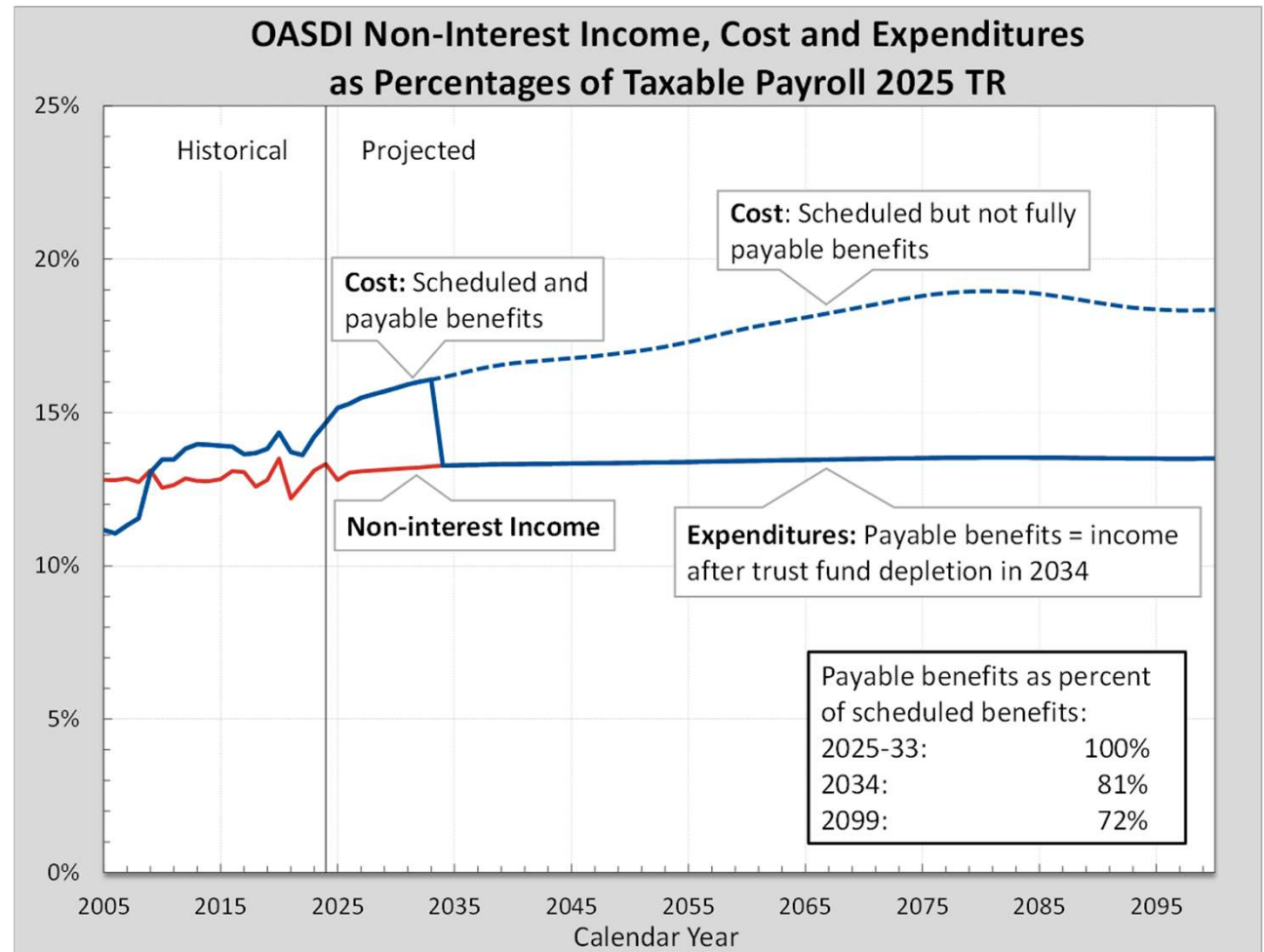
## Trust Fund Financing

- How is the future shortfall expressed?
- To make shortfalls comparable over years, they are often scaled as a **percent of taxable payroll**
  - The amount of earnings taxable by the program for a time period
- For example, in **2050**:
  - Taxable payroll is expected to be about \$28.3 trillion
  - Income to the program is expected to be about \$3.78 trillion, or **13.36** percent of taxable payroll
  - The cost of the program is expected to be about \$4.80 trillion, or **16.97** percent of taxable payroll
  - So the shortfall is **3.61** percent (16.97 – 13.36)

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

Persistent negative annual cash-flow balance starting in 2010

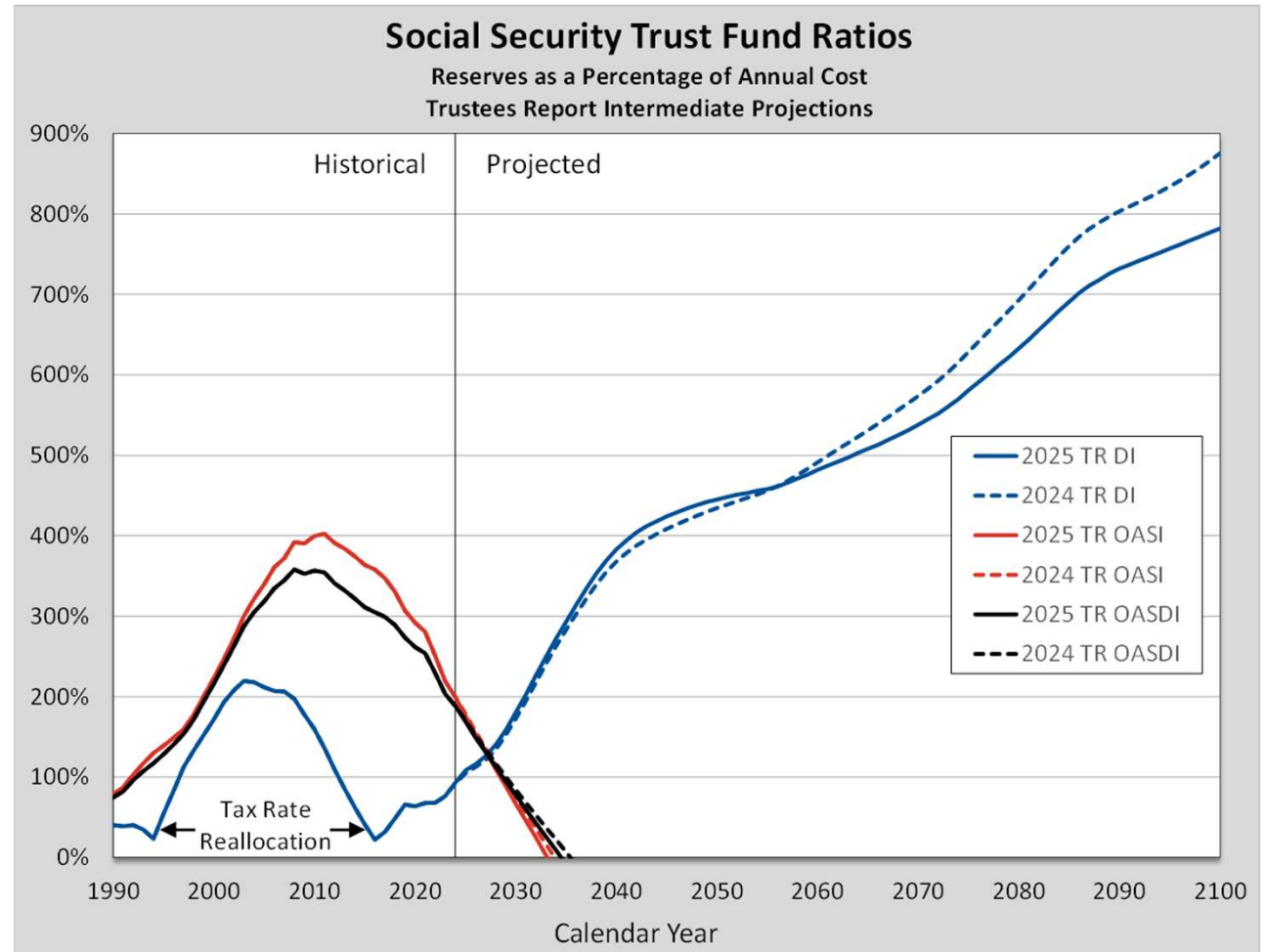
81 percent of scheduled benefits still payable at trust fund reserve depletion in 2034, declining to 72 percent for 2099



# Solvency: OASDI Trust Fund Reserve Depletion in 2034

OASDI reserve depletion date has varied from 2033 to 2035 in reports over the last 14 years (2012-2025) and from 2029 to 2042 in reports over the last 35 years (1991-2025)

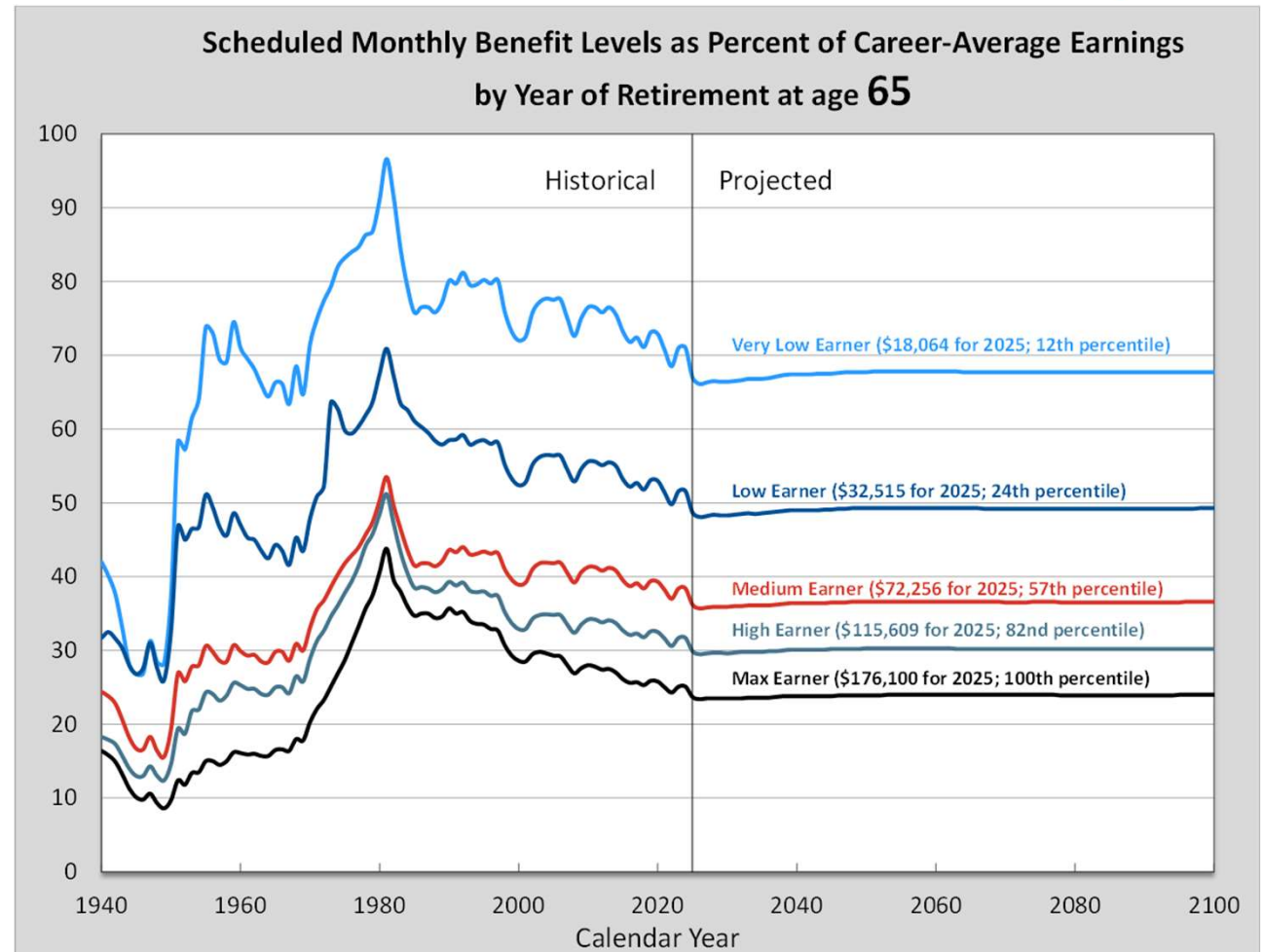
OASI reserve depletion date is 2033; DI reserves do not become depleted through 2099



# How to Eliminate the Social Security Long-Term Funding Shortfall

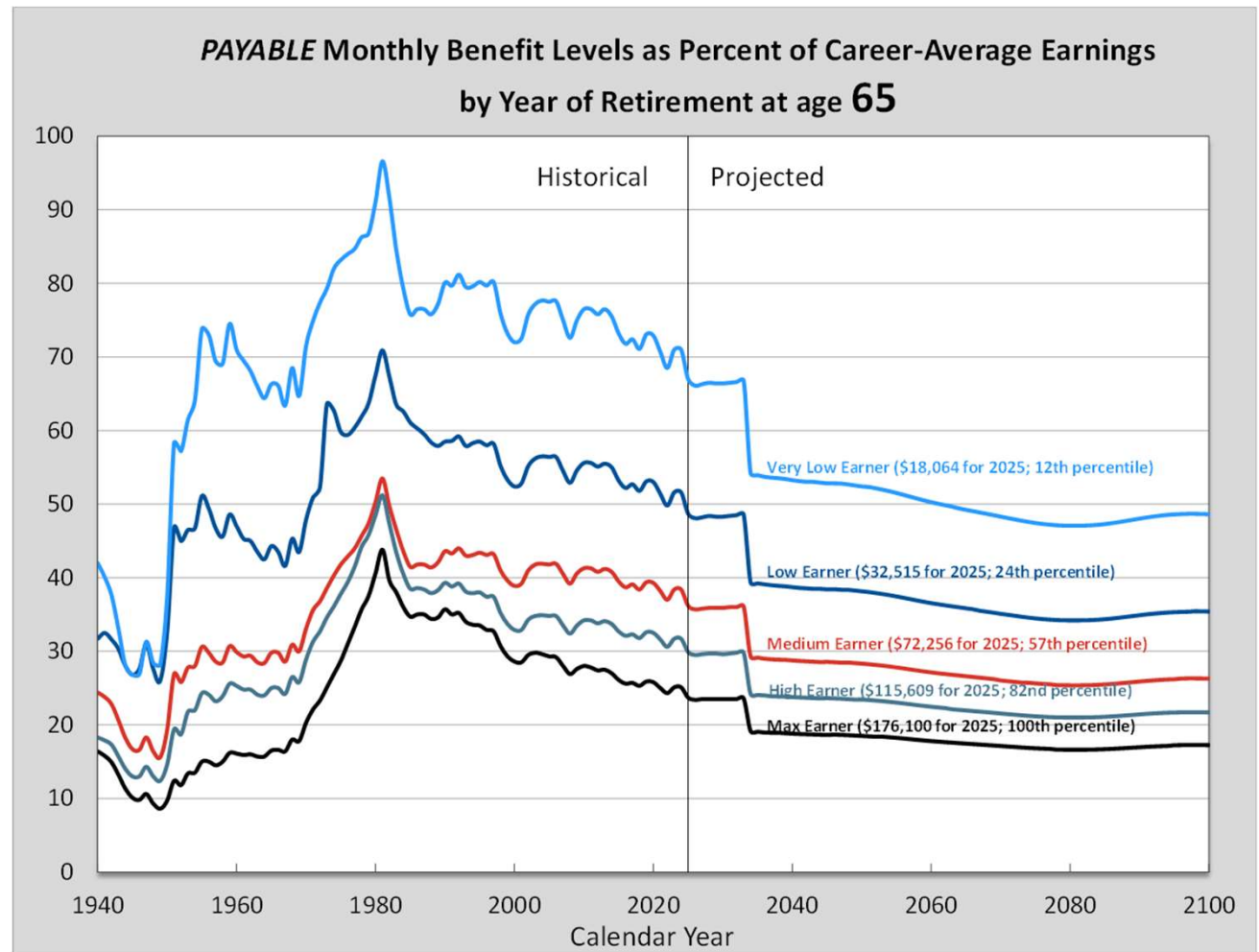
- Make choices addressing OASDI shortfall 2034-2099:
  - Raise scheduled revenue by 2034 by about one-third
  - Reduce scheduled benefits by 2034 by about one-fourth
  - Or some combination of the two
- Also consider benefit adequacy?

# Replacement Rates Based on the 2025 Trustees Report



Source: Annual Recurring Actuarial Note #9 at [www.ssa.gov/oact/NOTES/ran9/index.html](http://www.ssa.gov/oact/NOTES/ran9/index.html)

# Payable Benefits Under the Law, After Trust Fund Reserves Become Depleted, Are Even Lower

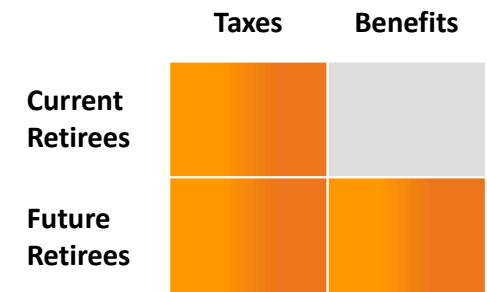


## The Bottom Line

- Long-term projections provide information to assess solvency and changes needed to eliminate shortfalls
- If trust fund reserves were to become depleted:
  - Full benefits could not be paid on time
  - No pressure on the Budget or Federal debt
  - So Congress must act, as it always has
- Straightforward solutions:
  - Add revenue and/or lower cost for OASDI
  - Comprehensive changes *implemented* by 2034

## A Real-Life Example: Hoyer/Primus, January 2025

Reference (section of proposal)	Change	Time period	Impact on long range actuarial balance
1	Increase taxable maximum to cover 90% of all earnings and maintain thereafter	2027+	19%
4,7	Place all income taxation of SS benefits, including retro, into OASDI; alter taxation % and thresholds	2027+	30%
5	Add immigration pathways and increase caps	2027+	9%
8	Increase computation years from 35 to 40	2032-2040	11%
9,11	End benefits for children of retirees and reduce dependent spouse benefits	2027+	6%
10	Increase NRA for top 40% of earnings distribution	2036+	16%
Plus several smaller revenue raisers, benefit cuts, and benefit increases to address adequacy concerns...			
<b>Total</b>			<b>104%</b>



Source: [http://www.ssa.gov/OACT/solvency/HoyerPrimus\\_20250103.pdf](http://www.ssa.gov/OACT/solvency/HoyerPrimus_20250103.pdf)