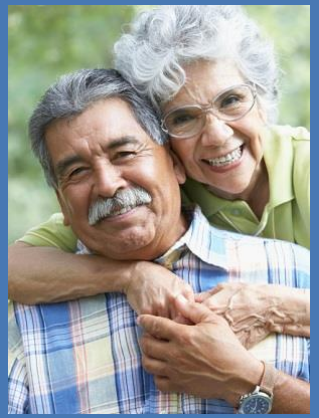

Social Security

Financial Challenges and Reform Options

Amy E. Kemp, MAAA, ASA, EA,
Past Chairperson and Member,
American Academy of Actuaries Social Security Committee

Actuarial Club of Hartford and Springfield

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American Academy of Actuaries

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About the American Academy of Actuaries

Founded 1965

Key goal: maintain and promote actuarial professionalism & self-regulation

Represents qualified actuaries of all specialties

National association for U.S. actuaries & voice on public policy issues

Membership today: >20,000 individual actuaries

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What We'll Be Covering

- Brief Historical Facts
- Overview of Social Security's financial position
- Key drivers of Social Security financing
- Rationales underlying the very significant program reform legislation in 1983
  - why didn't the 1983 solution hold up as planned?
- What kind of program change is needed to make the system sustainable?
  - introducing the Academy's new Social Security Challenge web app

Note: the source for historical and projected data referenced in this report is the 2025 OASDI Trustees Report and intermediate projection assumptions unless otherwise noted.

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Brief Historical Facts

- On August 14, 1935, Franklin Delano Roosevelt signed the Social Security Act in law.
- Taxes under the Act were first collected in January of 1937. In 1937, the original contribution level was 1% of earnings, made by the employee and 1% made by the employer, up to an annual maximum level of earnings of $3,000.
- Benefits starting in 1940 were ONLY available to those who had worked and contributed in at least 2 of the 3 years 1937-1939.
- As time has progressed, the percentages contributed by the employer and employee have increased, as well as the annual maximum level of earnings.
- Currently, the taxes are 6.2% for covered employees and 6.2% for employers, up to a maximum level of earnings each year. In 2025, the maximum is $176,100.
- Automatic annual Cost of Living adjustments were added in 1975; prior to that time, benefits were increased periodically by acts of Congress. The 2025 Cost-of-Living Adjustment is 2.5%.

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Social Security Has Two Trust Funds

- Social Security program is made up of two segments that have separate Trust Funds
  - Old Age and Survivors Insurance, referred to as OASI, which provides retirement and survivor benefits, and
  - Disability Insurance, referred to as DI, which provides disability benefits.
- The two have separate trust funds, but historically, contributions have been reallocated between the OASI and DI funds to avoid depletion.
- The Social Security Trustees Report is a detailed annual assessment by the federal government of the solvency of the Social Security program. Information is available in the Trustees Report outlining the OASI and DI programs separately, but also on a hypothetically combined basis.

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In 2024

- The OASDI combined program was providing benefit payments to about 68 million people at the end of 2024:
  - 54 million retired workers and dependents of retired workers,
  - 6 million survivors of deceased workers, and
  - 8 million disabled workers and dependents of disabled workers.

- During the year, an estimated 184 million people had earnings covered by Social Security and paid payroll taxes on those earnings.

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Guiding Principles

Safety Net

Basic floor of protection against loss of income due to:

- retirement
- disability
- death

Universality

- Nearly everyone both contributes and benefits from the system
- Equal contributions as a percent of covered earnings
- Progressive formula provides more generous benefits for lower-wage earners as a percentage of covered earnings

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Two (Perhaps Conflicting) Policy Objectives

Individual Equity

Benefits based on the level of worker contributions:

- Formula benefits paid regardless of need
- Pre-benefit-commencement, payroll tax rates are a flat percentage of earnings up to a maximum
- Benefit formula provides higher benefits (in $ not % terms) for workers who contribute higher amounts

Social Adequacy

Benefits are scaled to help mitigate old-age poverty:

- Replaces a portion of earned income when a worker retires or dies or becomes disabled
- Provides income to spouses and other dependents
- Benefit formula tilts toward lower-income workers

These concepts are discussed in depth in an Academy Issue Brief: *Individual Equity and Social Adequacy* (March 2021)

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2024 Social Security Financing

INCOME

Payroll Taxes
$1,293.3 B

Taxes on
Soc Sec Benefits
$55.1 B

Trust Fund Interest
$69.1 B

$1,417.8 B for 2024

Trust Fund

$2,788.5 B at YE 2023

OUTFLOW

Benefit Payments
$1,471.4 B

Admin/Other
$13.3 B

$1,484.8 B for 2024

During 2024, $67.0 B reserves were utilized to cover outflow, with a remaining Trust Fund Reserve amount of $2,721.5 B at the end of 2024.

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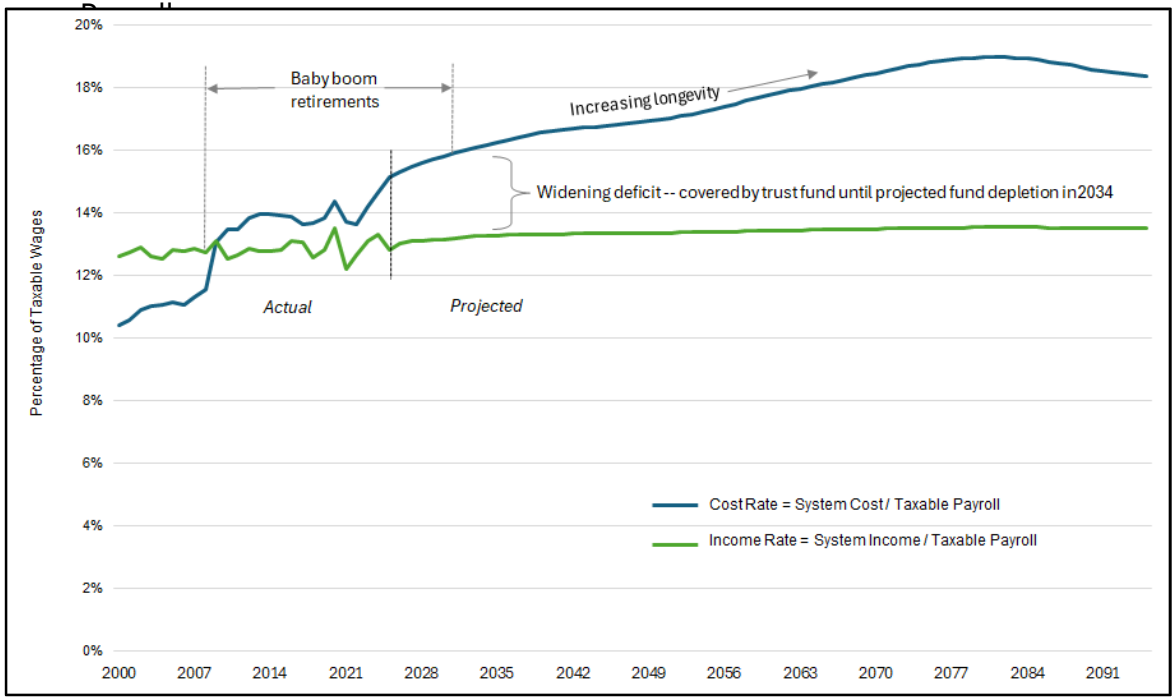
Income and Cost Rates

Projected Annual Cost and Tax Income as a Percentage of Taxable Payroll



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Key Drivers

In a (primarily) pay-as-you-go system, financial stability reflects a balance of multiple factors:

- **Population growth/longevity**
  - the size of the work-eligible population
  - the period of time spent in retirement/receiving benefits
- **Workforce participation/retirement**
  - these patterns impact the dependency ratio (# workers/# benefit recipients)
- **Workforce productivity/payroll growth**
  - growth of taxable payroll is critical (the offsetting effect on benefits is long-deferred)
- **Trust fund return**
  - reserves are invested in special issue treasuries
  - impacts the growth of the supporting trust funds
  - main impact is during those years when the trust fund has accumulated sizable amounts (late 1990s to late 2020s)

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1983 Reform's Attempt to Address the Financing Issues

- The legislation was developed on a bi-partisan basis, with provisions affecting both benefits and taxes.
- Key features were:
  - increases in payroll tax rates
  - increases in normal retirement age phased in over the following 20-40 years
  - some system benefits made taxable
- The intent was to increase tax income from baby boom workers in advance of system requirements, thus building up a trust fund to address the increasing payout demands as that generation retired.
- This was expected to preserve system solvency until about 2063, at which time the baby boomers would have left the scene and population demographics would have stabilized.
- *But trust fund reserve depletion is now projected in 2034.*

	Tax Rate	Taxable Wage Base
1983	10.8%	$35,700
1984	11.4%	37,800
1988	12.1%	45,000
1990	12.4%	51,300
2000	12.4%	76,200
2012	12.4%	110,100
2025	12.4%	176,100

Year Age 65	Normal Ret. Age
Through 2002	65
2008- 2019	66
2025 and after	67

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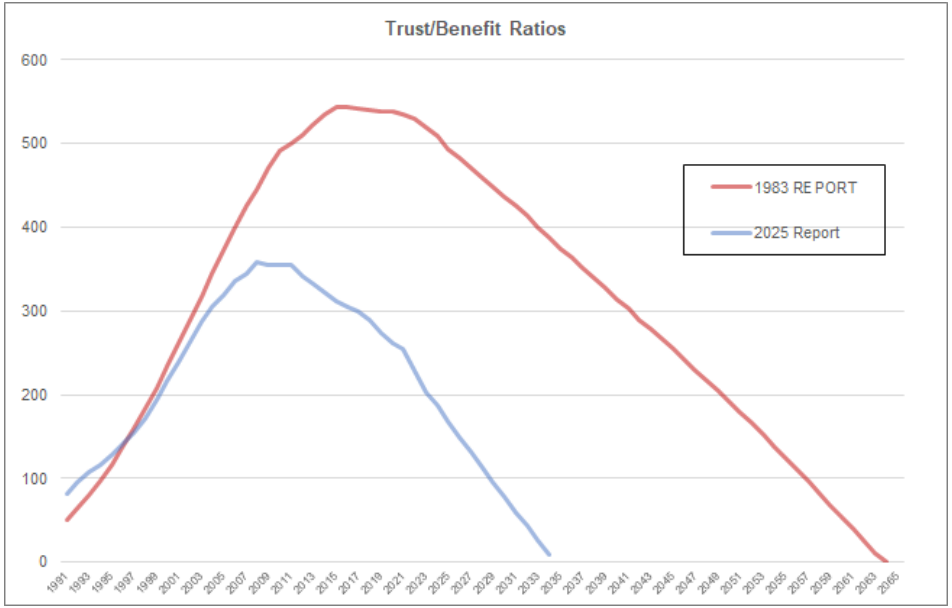
But It's Not Quite Working As Planned

Annual deficits grew faster than anticipated.

Trust fund accumulation was thus lower and peaked earlier than anticipated.



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Why Didn't the 1983 Reform Solution Hold Up?

- Population forecasts made in 1983 were reasonably accurate, but economic forecasts fell short.
- Taxable payroll did not grow at the rate anticipated
  - Largely due to unanticipated growth in income inequality.
- Great Recession and slow recovery.
- Portfolio investment return rates fell short just as the level of assets peaked.

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Addressing the Social Security Imbalance

A Social Security reform package may be a combination of these key elements:

- tax increase—payroll tax rates, taxable wage base, and/or taxation of investment income
- reduced benefits

Reform proposals often include other less significant "fixes":

- increased minimum benefits (offsets impact of retirement age increases)
- reduced inflation-indexing
- increased taxation of benefits

Planning any program change requires sensitivity in that there is strong (practical) interest in maintaining a social pact in which "nearly everyone pays and nearly everyone benefits."

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Shaping a New Reform Solution

- Addressing Social Security's financial status is a major undertaking, addressing a projected deficit that is measured at about 1.3% of the national economy, measured over the 75-year projection period from 2025 to 2099.
- In recent years, Social Security comprehensive reform proposals that would bring sustainable solvency have not been passed into law.
- Reform will involve reducing currently scheduled benefits or raising taxes.
- It's clear that—just as in 1983—any viable reform proposal will need to be a *bipartisan* effort.

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A Few Proposals That Provide Sustainable Solvency

Larson (Dem) Proposal—focuses on tax increases

- major increase in payroll taxes
- minor bump in benefits at low-income levels
- more generous CPI increases (an elderly-focused index)
- slight reduction in benefit taxation

Johnson (Rep) Proposal—focuses on benefit cuts

- more significant bump in benefits at low-income levels
- major reduction in benefits at high-income levels
- increase in normal retirement age to 69 (short transition)
- reduction in inflation indexing (chained CPI, income cap)
- cap on spouse benefit
- major reduction in benefit taxation

Bipartisan Policy Center Proposal—a compromise

- significant increase in payroll taxes
- minor bump in benefits at low-income levels
- significant drop in benefits at high-income levels
- increase in normal retirement age to 69 (by 2070)
- reduction in inflation indexing
- cap on spouse benefit
- reduction to survivor benefit
- minor increase in benefit taxation

Simpson-Bowles Plan—bipartisan

- lower benefits for higher-income earners
- Increase the normal retirement age to 69
- taxes on the first 90% of income, up to increased limit
- minimum benefit of 125% of poverty level, if covered 25 years
- cover newly hired state and local workers
- used chained CPI for cost-of-living increases

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Timing for Action is Becoming Critical…

Any workable long-term solution needs to address disparate interests and views

Changes would necessarily be phased in to:

- avoid economic disruption
- give people time to plan and adjust

Delaying action spreads the pain more narrowly, and thus entails a need for greater tax increases or benefit cuts

What's required to achieve actuarial balance, if changes were made in the year listed

In 2024—increase payroll tax by 3.33%, or cut all benefits by 20.8%

In 2025—increase payroll tax by 3.65%, or cut all benefits by 22.4%

In (projected) 2034—increase payroll tax by 4.27%, or cut all benefits by 25.8%

(If precedent holds, those nearest to and in retirement status will be less impacted by any reductions)

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Crafting a Reform Solution

While the Social Security program is stable for now, changes will need to be made to continue paying full scheduled benefits after 2034.

Given all the conflicting objectives, how hard will it be to solve Social Security's financial problems?

The American Academy of Actuaries' **Social Security Challenge** allows you to review an array of options for Social Security reform and consider how changes will affect younger workers, near-term retirees and the program's long-term health.

https://socialsecurity.actuary.org/

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Cost of Living Adjustments

Change		% of Shortfall Resolved
A2	Reduce COLA by 0.5%	27%
A3	Use Chained CPI	16%
A6	Use CPI for the Elderly	-11%
A5	Increase COLA by 1.0% if age is past 65 plus life exp	-3%

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Normal Retirement Age

Change		% of Shortfall Resolved
C1.2	Increase by 2 months/year until age 68	12%
C1.4	Increase by 2 months/year until is age 69, then 1 month every 2 years	36%
C2.7	Increase NRA and EEA by 3 months per year until NRA is 69 and ERA is 64 in 2032	24%

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Family Benefits

Change		% of Shortfall Resolved
D2	Reduce 50% spouse benefit by 1% per year until it is 33%	2%
D4	Change surviving spouse benefit to 75% of sum of survivor benefit and deceased spouse benefit (if greater)	-3%
	Both of the above	-1%

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Increasing Some Benefits

Change		% of Shortfall Resolved
B5.2	Increase minimum benefit to 125% of poverty for people with 30 years of coverage	-3%
B4.4	For a parent with no earnings providing care to child under age 6, allow up to 5 years to reduce the 35-year requirement	-1%
	Both of the above	-4%

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Reduce Benefits for Future Retirees

Change		% of Shortfall Resolved
B7.2	Reduce benefit by 5% for all future retirees	16%
B7.7	Reduce benefits in 2030 for those with income in excess of $60k/$120k	17%

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Change the Benefit Formula

Change		% of Shortfall Resolved
B4.2	Phase in a 5-year increase in the number of years used to calculate benefits (40 instead of 35)	12%

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Change the Payroll Tax Rate

Change		% of Shortfall Resolved
E1.1	Immediate increase in combined employee and employer rate from the current 12.4% to 16.0%	102%
E1.4	Increase by 0.1% per year starting 2029 until it is 14.4%	39%
E1.8	Increase by 0.1% per year starting in 2026 until it is 13%	14%

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Contribution and Benefit Base

Change		% of Shortfall Resolved
E2.1	Eliminate the base entirely, and provide no additional benefit credit	67%
E2.2	Eliminate the base entirely, and provide benefit credit for all earnings	49%
E3.1	Increase the base to cover 90% of earnings and provide benefit credit up to the new limit	22%
E2.14	Tax earnings above $250k and provide some benefit credit	62%

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Additional Revenue for Social Security

Change		% of Shortfall Resolved
F3	Include employer and employee premiums for employer health insurance as covered taxable earnings	28%
F6	Apply 6.2% on investment income as defined in ACA	18%
	Both of the above	46%

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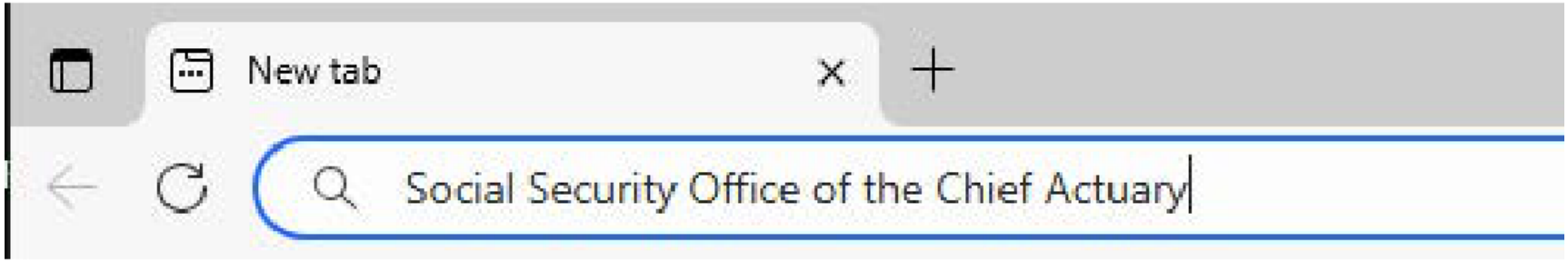

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The United States Social Security Administration
https://www.ssa.gov › OACT

Actuarial Services -- Home Page

Actuarial publications include Trustees Reports, SSI Annual Reports, **Actuarial** Studies and Notes, ...

Proposals to Change Social Sec...

The Office of the Chief Actuary also develops estimates of proposals to ...

Benefit Calculators

Retirement Benefit Calculationmy Social Security Retirement Estimate Compare ...

Beneficiaries

Monthly Social Security benefits are payable from the Old-Age and ...

Trust Funds

The Social Security Trust Funds are the Old-Age and Survivors Insurance ...

Actuarial Publications

Annual Report on the financial status of the Social Security program, published ...

Reports From The Board of Trus...

Detailed reports on the financial Outlook for Social Security's Old-Age, Survivors, ...

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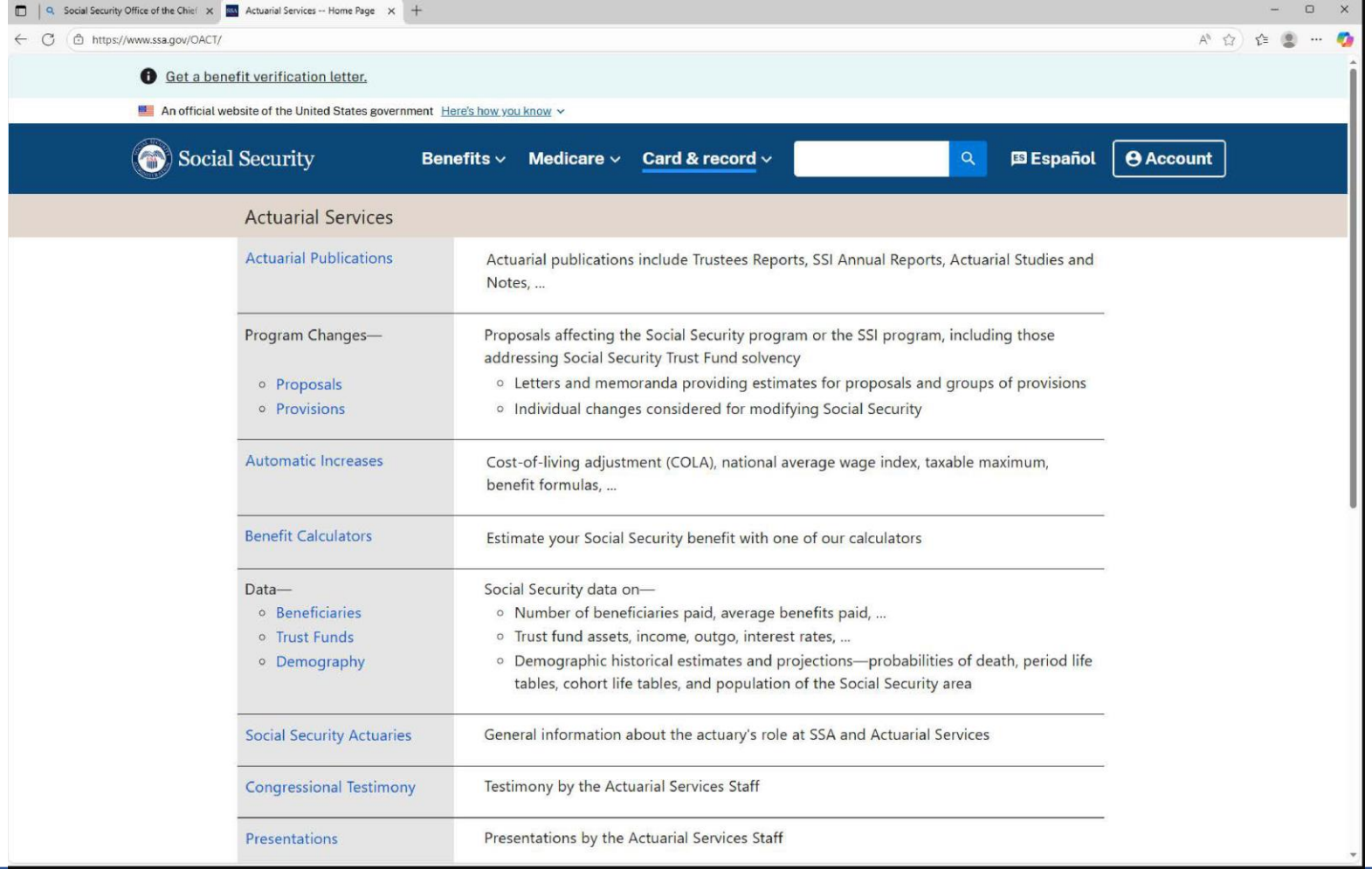

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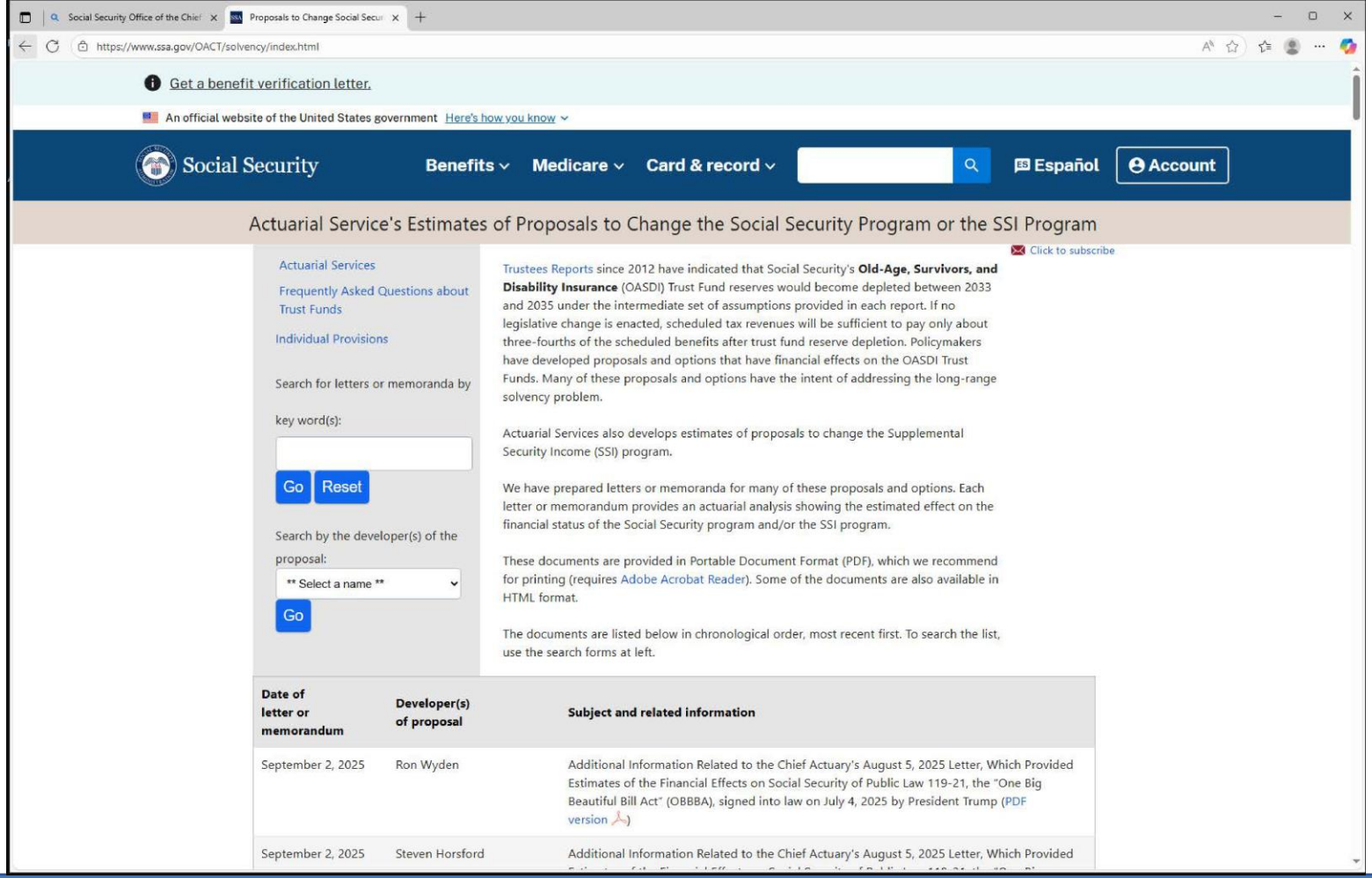

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Date of letter or memorandum	Developer(s) of proposal	Subject and related information
September 2, 2025	Ron Wyden	Additional Information Related to the Chief Actuary's August 5, 2025 Letter, Which Provided Estimates of the Financial Effects on Social Security of Public Law 119-21, the "One Big Beautiful Bill Act" (OBBBA), signed into law on July 4, 2025 by President Trump (PDF version)
September 2, 2025	Steven Horsford	Additional Information Related to the Chief Actuary's August 5, 2025 Letter, Which Provided Estimates of the Financial Effects on Social Security of Public Law 119-21, the "One Big Beautiful Bill Act" (OBBBA), signed into law on July 4, 2025 by President Trump (PDF version)
August 7, 2025	Mazie Hirono	Estimates of the Financial Effects on Social Security from enacting S. 2614, the "Protecting and Preserving Social Security Act", introduced on July 31, 2025 by Senator Mazie Hirono (PDF version)
August 5, 2025	Ron Wyden	Estimates of the Financial Effects on Social Security of Public Law 119-21, the "One Big Beautiful Bill Act" (OBBBA), signed into law on July 4, 2025 by President Trump (PDF version)
August 5, 2025	Steven Horsford	Estimates of the Financial Effects on Social Security of Public Law 119-21, the "One Big Beautiful Bill Act" (OBBBA), signed into law on July 4, 2025 by President Trump (PDF version)
May 20, 2025	Gwen Moore	Estimates of the Financial Effects on Social Security of the "Social Security Enhancement and Protection Act of 2025," introduced on May 20, 2025 by Representative Gwen Moore (PDF version)
April 14, 2025	Angie Craig	Estimates of the Financial Effects on Social Security of the "You Earned It, You Keep It Act", introduced on April 14, 2025 by Representative Angie Craig (PDF version)
January 3, 2025	Steny Hoyer, Wendell Primus	Estimates of the Financial Effects on Social Security of potential legislation to improve the solvency of the Social Security Trust Funds, requested by Representative Steny Hoyer and Wendell Primus (PDF version)
November 8, 2024	William Villafañe Ramos	Estimated Change in Federal SSI Program Cost for Expanding SSI Eligibility to Residents of Puerto Rico, and Estimated Change in OASDI Program Cost for Eliminating the Application of WEP and GPO Provisions for OASDI Beneficiaries Receiving a Pension Based on Work in Puerto Rico That Was Not Covered Under the OASDI Program, requested by William Villafañe Ramos (PDF version)
September 25, 2024	Peter Welch	Estimate of the Financial Effects on the Social Security Trust Funds of the "Social Security Survivor Benefits Equity Act," introduced on September 25, 2024 by Senator Peter Welch (PDF

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SOCIAL SECURITY
Office of the Chief Actuary

August 7, 2025

The Honorable Mazie K. Hirono
United States Senate
Washington, D.C. 20510

Dear Senator Hirono:

I am writing in response to your request for our estimates of the financial effects on Social Security of enacting S.2614, the *Protecting and Preserving Social Security Act*, which you introduced on July 31, 2025. The estimates provided here reflect the intermediate assumptions of the 2025 Trustees Report and an updated baseline that incorporates the effects of Public Law 119-21, the One Big Beautiful Bill Act, which the President signed into law on July 4, 2025.[1]

S.2614 (hereafter referred to as the proposal) includes three provisions with direct effects on the Social Security trust funds. We have enjoyed working with Ben Strand of your staff in gaining a full understanding of the intent of the proposal. The estimates and analysis provided here reflect the combined effort of many in the Office of the Chief Actuary, but most particularly Daniel Nickerson, Kyle Burkhalter, Anna Kirjusina, Mike Li, and Tiffany Bosley.

The enclosed tables provide estimates of the effects of the three provisions on the cost, income, and combined trust fund reserves for the Old Age, Survivors, and Disability Insurance (OASDI) program, as well as estimated effects on retired worker benefit levels for selected hypothetical workers and effects on payroll tax levels. In addition, tables 1b and 1b.n provide estimates of the federal budget implications of these three provisions with direct effects on the OASDI program.

We estimate that enactment of these provisions would extend the ability of the OASDI program to pay scheduled benefits in full and on time for an additional 11 years. That is, the date of projected depletion of the combined OASI and DI Trust Fund reserves would be moved from 2034 under current law to 2045 assuming enactment of the proposal, under the intermediate assumptions of the 2025 Trustees Report.

The proposal includes three provisions with direct effects on the OASDI program. The following list briefly describes these provisions:

[1] For additional details about the updated baseline, see our August 5, 2025, letters to Senator Ron Wyden and Representative Steven Horsford at www.ssa.gov/OACT/solvency/index.html.

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Section 102. Use the increase in the Consumer Price Index for the Elderly (CPI-E) rather than the increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to calculate the cost-of-living adjustment (COLA), effective for December 2027 and later COLAs. We assume this change would increase the COLA by an average of 0.2 percentage point per year.

Section 201 and Section 202. Eliminate the OASDI taxable maximum in 2026 with the tax rate above the current-law maximum increasing in seven approximately equal steps starting for 2026 and reaching the full 12.4 percent for 2032 and later. Establish a second component of the primary insurance amount using a secondary average indexed monthly earnings ("AIME+") reflecting only additional earnings taxed above the current-law taxable maximum.

The balance of this letter provides a summary of the effects of the three provisions on the actuarial status of the OASDI program, our understanding of the specifications and intent of each of the three provisions, and descriptions of our detailed financial estimates for trust fund operations, benefit levels, and implications for the federal budget. See the "Specification for Provisions of the Proposal" section of this letter for a more detailed description of these three provisions.

Summary of Effects of the Proposal on OASDI Actuarial Status

Figure 1 illustrates the projected OASDI trust fund ratio through 2099 under current law and assuming enactment of the proposal. The trust fund ratio is defined here as the combined OASI and DI Trust Fund reserves expressed as a percent of annual program cost. Assuming enactment of the proposal, the combined OASI and DI Trust Funds are expected to be able to pay scheduled benefits in full and on time for an additional 11 years, under the intermediate assumptions of the 2025 Trustees Report.

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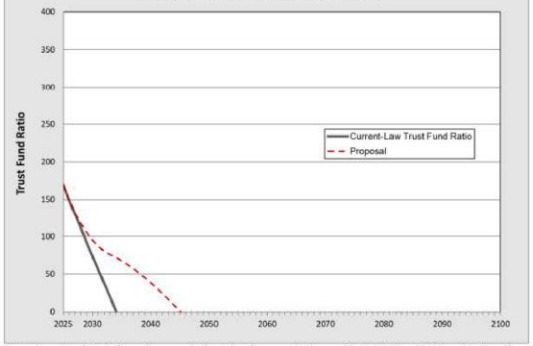
Figure 1. Current-Law and Proposal OASDI Trust Fund Reserves as a Percentage of Annual Cost: 2025 TR Intermediate Assumptions



Note: *Trust Fund Ratio* for a given year is the ratio of reserves in the combined OASI and DI Trust Funds at the beginning of the year to the cost of the program for the year.

Under current law, 80 percent of scheduled benefits are projected to be payable on a timely basis in 2034 after depletion of the combined trust fund reserves, with the percentage payable declining to 71 percent for 2099. Under the proposal, 91 percent of scheduled benefits are projected to be payable on a timely basis in 2045 after depletion of the combined trust fund reserves, with the percentage payable declining to 83 percent for 2099.

Enactment of the three provisions of this proposal would decrease the long-range OASDI actuarial deficit from 3.98 percent of taxable payroll under current law to 2.05 percent of payroll under the proposal.

Figure 2 illustrates annual projected levels of cost, expenditures, and non-interest income as a percentage of the current-law taxable payroll. The projected level of cost reflects the full cost of scheduled benefits under both current law and the proposal. After trust fund reserve depletion, projected expenditures under current law and under the proposal include only amounts payable from projected tax revenues (non-interest income), which are less than projected cost.

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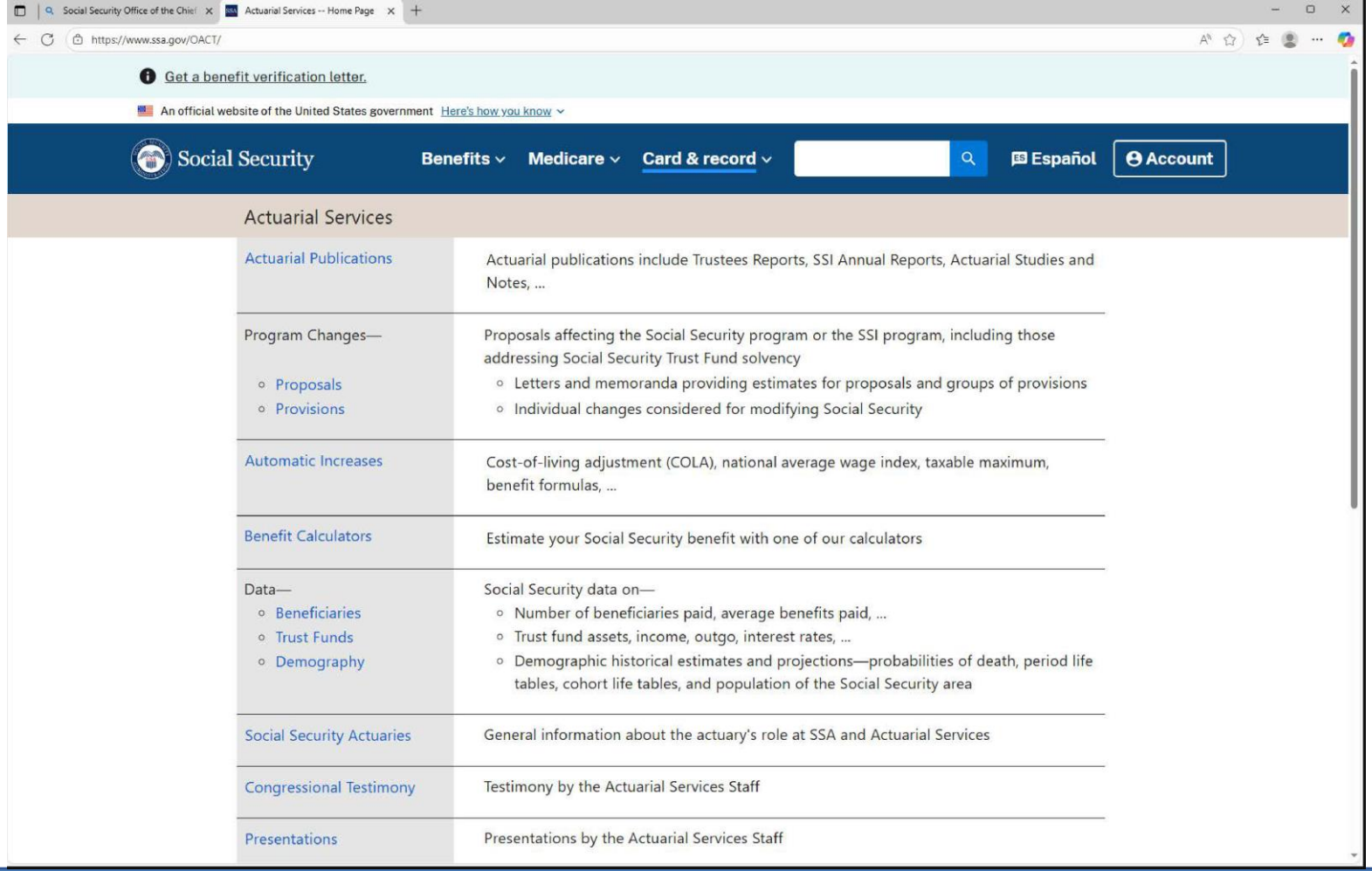

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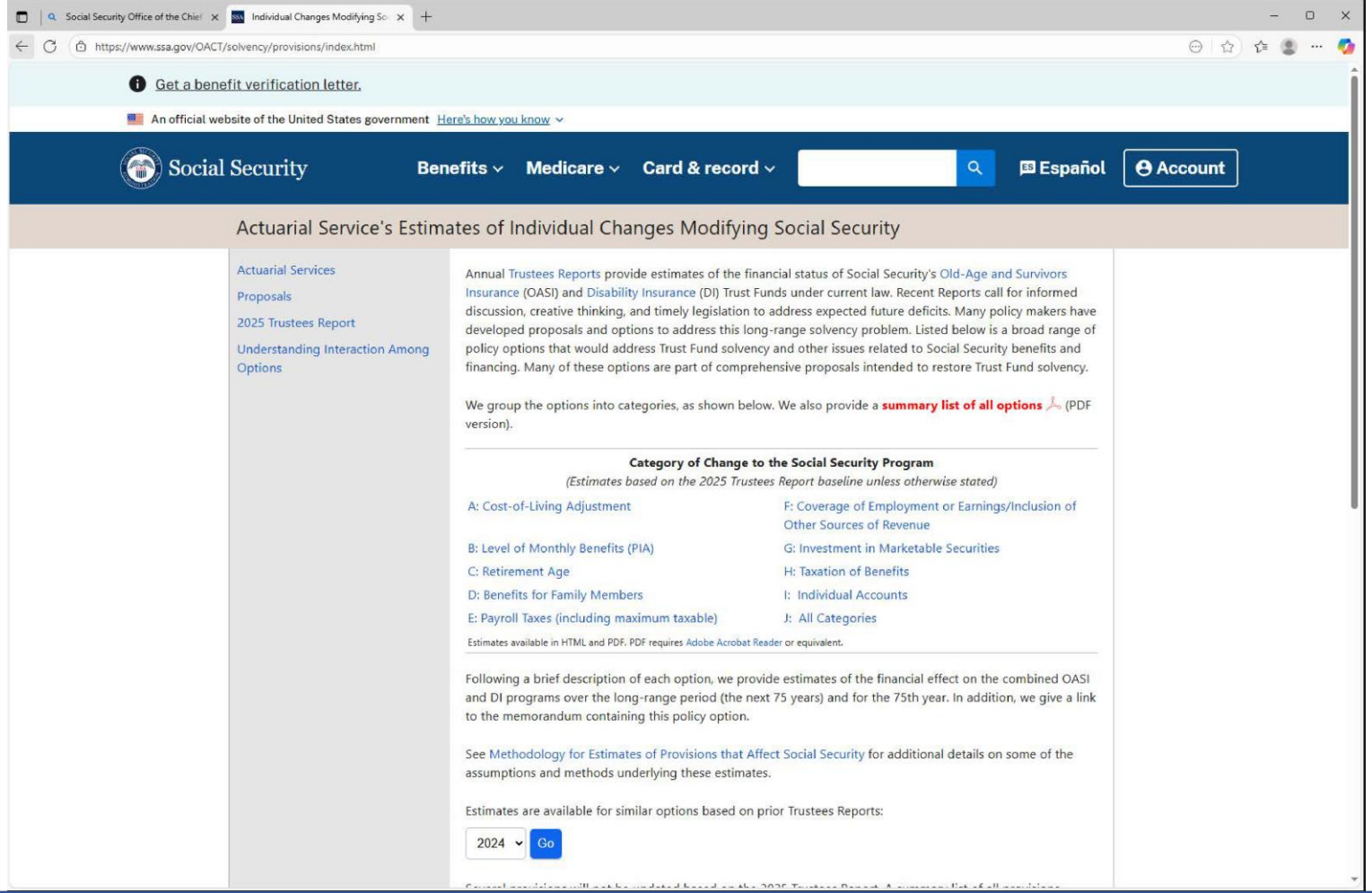

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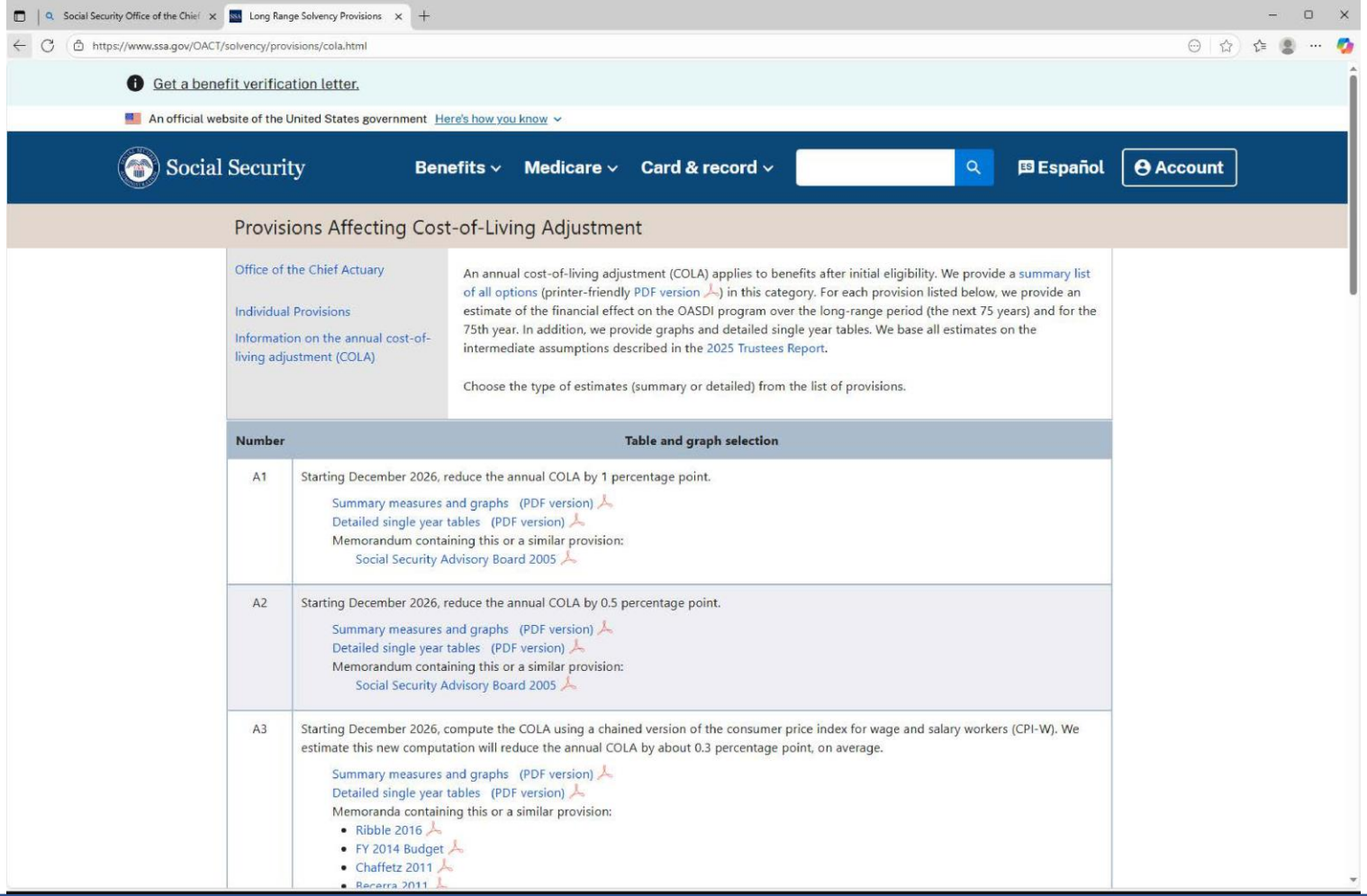

Social Security Office of the Chief | Long Range Solvency Provisions

https://www.ssa.gov/OACT/solvency/provisions/cola.html

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Provisions Affecting Cost-of-Living Adjustment

Office of the Chief Actuary

Individual Provisions

Information on the annual cost-of-living adjustment (COLA)

An annual cost-of-living adjustment (COLA) applies to benefits after initial eligibility. We provide a summary list of all options (printer-friendly PDF version) in this category. For each provision listed below, we provide an estimate of the financial effect on the OASDI program over the long-range period (the next 75 years) and for the 75th year. In addition, we provide graphs and detailed single year tables. We base all estimates on the intermediate assumptions described in the 2025 Trustees Report.

Choose the type of estimates (summary or detailed) from the list of provisions.

Number	Table and graph selection
A1	Starting December 2026, reduce the annual COLA by 1 percentage point. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: Social Security Advisory Board 2005
A2	Starting December 2026, reduce the annual COLA by 0.5 percentage point. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: Social Security Advisory Board 2005
A3	Starting December 2026, 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 point, on average. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memoranda containing this or a similar provision: • Ribble 2016 • FY 2014 Budget • Chaffetz 2011 • Becerra 2011

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A4	Starting December 2028, 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 point, on average. The new COLA will not apply to DI benefits. It will apply to OASI benefits, except for those of formerly disabled-workers who converted to retired-worker status. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: National Research Council & National Academy of Public Administration 2010
A5	Starting December 2026, add 1 percentage point to the annual COLA for beneficiaries who have lived past a "specified age". The "specified age" is the sum of: (1) 65 and (2) the unisex cohort life expectancy at age 65. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: Senate Special Committee on Aging 2010
A6	Starting December 2027, 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 0.2 percentage point, on average. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memoranda containing this or a similar provision: • Hirono, Tokuda 2024 • Sanders 2023 • Deutch, Hirono 2022 • Sanders, DeFazio 2022 • Lawson 2021 • Larson, Blumenthal, Van Hollen September 2019 • Deutch, Hirono 2019 • Sanders, DeFazio 2019 • Larson, Blumenthal, Van Hollen January 2019 • Deutch, Hirono 2017 • Lawson 2017 • Larson 2017 • Sanders, DeFazio 2017 • Sanchez 2016 • Sanders 2016 • Schatz 2015 • Deutch 2015 • DeFazio 2015 • Sanders 2015 • Larson 2015 • Larson 2014

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- Larson 2017
- Sanders, DeFazio 2017
- Sanchez 2016
- Sanders 2016
- Schatz 2015
- Deutch 2015
- DeFazio 2015
- Sanders 2015
- Larson 2015
- Larson 2014
- Harkin 2013
- Harkin 2012
- Becerra 2011
- Deutch 2010

A7	Starting December 2026, reduce the annual COLA by 1 percentage point, but not to less than zero. In cases where the unreduced COLA is less than 1 percentage point, do not carry over the unused reduction into future years. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: Hutchison 2011
A8	Starting December 2026, for OASI beneficiaries only (DI beneficiaries would only be affected when their benefit converts to OASI at NRA), the annual COLA would be based on the chain-weighted version of the CPI-U. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memoranda containing this or a similar provision: • Bipartisan Policy Center October 2016 • Bipartisan Policy Center June 2016
A9	For single/head-of-household/married-filing-separate taxpayers with modified adjusted gross income (MAGI) below $114,100 and for joint filers with MAGI below $228,100 for December 2027 ($85,000 and $170,000 multiplied by estimated CPI-U for 2018-2027), use the chain-weighted version of the Consumer Price Index for All Urban Consumers (C-CPI-U) to calculate the cost-of-living adjustment (COLA), beginning with the December 2027 COLA. For those beneficiaries whose MAGI is above these thresholds, provide no COLA. Use prior tax year income data for this determination. Use the chain-weighted CPI for the COLA for years prior to benefit receipt. Index the eligibility income threshold amounts to the CPI-U after December 2027. Summary measures and graphs (PDF version) Detailed single year tables (PDF version) Memorandum containing this or a similar provision: Johnson 2016
	Summary list of all options in this category

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Summary of Provisions That Would Change the Social Security Program

Office of the Chief Actuary

Individual Provisions

Description of Proposed Provisions:
Cost-of-Living Adjustment

Estimates based on the intermediate assumptions of the 2025 Trustees Report

Printer-friendly Version (PDF)

		Change from current law (percent of payroll)		Shortfall eliminated	
		Long-range actuarial balance	Annual balance in 75th year	Long-range actuarial balance	Annual balance in 75th year
Current law shortfall in long-range actuarial balance is **3.82** percent of payroll and in annual balance for the 75th year is **4.84** percent of payroll.					
A1	Starting December 2026, reduce the annual COLA by 1 percentage point. graph | table | pdf-graph | pdf-table | memo (Social Security Advisory Board 2005)	1.96	2.56	51%	53%
A2	Starting December 2026, reduce the annual COLA by 0.5 percentage point. graph | table | pdf-graph | pdf-table | memo (Social Security Advisory Board 2005)	1.02	1.35	27%	28%
A3	Starting December 2026, 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 point, on average. graph | table | pdf-graph | pdf-table | memo (Ribble 2016) | memo (FY 2014 Budget) | memo (Chaffetz 2011) | memo (Becerra 2011) | memo (Fiscal Commission 2010) | memo (Bipartisan Policy Center 2010) | memo (Social Security Advisory Board 2005)	0.63	0.82	16%	17%
A4	Starting December 2028, 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 point, on average. The new COLA will not apply to DI benefits. It will apply to OASI benefits, except for those of formerly disabled workers who converted to retired-worker status. graph | table | pdf-graph | pdf-table | memo (NRC/NAPA 2010)	0.49	0.66	13%	14%
A5	Starting December 2026, add 1 percentage point to the annual COLA for beneficiaries who have lived past a "specified age". The "specified age" is the sum of: (1) 65 and (2) the unisex cohort life expectancy at age 65. graph | table | pdf-graph | pdf-table | memo (Senate Special Committee on Aging 2010)	-0.12	-0.14	-3%	-3%
A6	Starting December 2027, 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 0.2 percentage point, on average. graph | table | pdf-graph | pdf-table | memo (Hirono, Tokata 2024) | memo (Sanders 2023) | memo (Deutch, Hirono 2022) | memo (Sanders, DeFazio 2022) | memo (Lawson 2021) | memo (Larson, Blumenthal, Van Hollen September 2019) | memo (Deutch, Hirono 2019) | memo (Sanders, DeFazio 2019) | memo (Larson, Blumenthal, Van Hollen January 2019) | memo (Deutch, Hirono 2017) | memo (Lawson 2017) | memo (Larson 2017) | memo (Sanders, DeFazio 2017) | memo (Sanchez 2016) | memo (Sanders 2016) | memo (Schatz 2015) | memo (Deutch 2015) | memo (DeFazio 2015) | memo (Sanders 2015) | memo (Larson 2015) | memo (Larson 2014) | memo (Harkin 2013) | memo (Harkin 2012) | memo (Becerra 2011) | memo (Deutch 2010)	-0.43	-0.58	-11%	-12%
A7	Starting December 2026, reduce the annual COLA by 1 percentage point, but not to less than zero. In cases where the unreduced COLA is less than 1 percentage point, do not carry over the unused reduction into future years. graph | table | pdf-graph | pdf-table | memo (Hutchison 2011)	1.85	2.41	48%	50%
A8	Starting December 2026, for OASI beneficiaries only (DI beneficiaries would only be affected when their benefit converts to OASI at NRA), the annual COLA would be based on the chain-weighted version of the CPI-U. graph | table | pdf-graph | pdf-table | memo (Bipartisan Policy Center October 2016) | memo (Bipartisan Policy Center June 2016)	0.55	0.72	14%	15%
A9	For single/head-of-household/married-filing-separate taxpayers with modified adjusted gross income (MAGI) below $114,100 and for joint filers with MAGI below $228,100 for December 2027 ($85,000 and $170,000 multiplied by estimated CPI-U for 2016-2027), use the chain-weighted version of the Consumer Price Index for All Urban Consumers (C-CPI-U) to calculate the cost-of-living adjustment (COLA), beginning with the December 2027 COLA. For those beneficiaries whose MAGI is above these thresholds, provide no COLA. Use prior tax year income data for this determination. Use the chain-weighted CPI for the COLA for years prior to benefit receipt. Index the eligibility income threshold amounts to the CPI-U after December 2027. graph | table | pdf-graph | pdf-table | memo (Johnson 2016)	1.41	2.43	37%	50%

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Questions?

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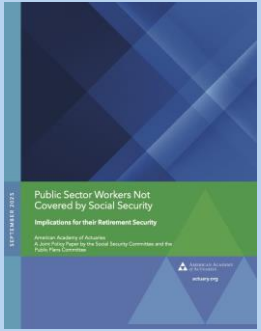

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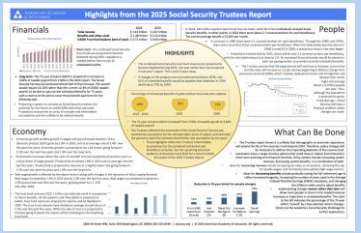

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