



MEMORANDUM

April 28, 2026

TO : Actuarial Advisory Committee

FROM : Keith T. Sartain
Chief Actuary

SUBJECT: Select Period Economic and Employment Assumptions

We are providing this memo in advance of our May 5 meeting to review and discuss select period economic and employment scenario assumptions reflecting experience realized since last year's valuation. These assumptions will be reflected in the interim 2026 Section 502 Report (measurement date December 31, 2024), which updates the prior year's 2025 Section 502 Report (measurement date December 31, 2023) and the full 29th Actuarial Valuation (measurement date December 31, 2022).

We previously decided on ultimate economic and demographic assumptions and the employment scenario model for the 29th Actuarial Valuation. These ultimate assumptions will typically not change until the 30th Actuarial Valuation in 2027. We may phase into the ultimate economic assumptions from current experience over a year or two.

Select Period and Ultimate Economic Assumptions

A comparison of the proposed select period economic assumptions with those used in the prior reports is shown below: (a) = actual and (p) = preliminary. Note that Cost of Living Adjustment (COLA) is shown for the year for which it applies to benefits – the CPI-W change is measured for the prior third quarter over the year before third quarter.

Proposed for 2026 Report

Table with 4 columns: Projection Year, COLA (applied), Base Wage Increase, Investment Return. Rows include years 2025 through 2030 and later.

2025 Report

Projection Year	COLA (applied)	Base Wage Increase	Investment Return
2024	3.2% (a)	2.1% (p)	9.8% (a)
2025	2.5% (a)	3.5%	7.0%
2026	3.2%	3.5%	7.0%
2027	2.9%	3.5%	7.0%
2028	2.7%	3.5%	7.0%
2029 and later	2.5%	3.5%	7.0%

29th Actuarial Valuation

Projection Year	COLA (applied)	Base Wage Increase	Investment Return
2023	8.7% (a)	11.4% (p)	12.8% (a)
2024	3.2% (a)	1.5%	7.0%
2025	3.0%	3.5%	7.0%
2026	2.8%	3.5%	7.0%
2027 and later	2.5%	3.5%	7.0%

The following reasoning led to our recommendations for select period assumptions.

The cost-of-living adjustment (COLA) for benefits paid in 2025 (the December 2024 COLA) was 2.5% and for benefits paid in 2026 (the December 2025 COLA) was 2.8%. This most recent COLA was higher than the preceding year but not as high as we assumed it might be.

The COLA for 2027 (the December 2026 COLA) will be based on the increase in the average CPI-W from the quarter July-September 2025 to the quarter July-September 2026. This increase will first be applied to the December 2026 benefits paid in January 2027.

The CPI-W increase from 2025 Q3 to 2026 Q1 is only 1.0% but most of that increase came in the last month. The CPI-W for March 2026 is 323.500, which represents a 1.3% increase over the prior month, mostly driven by energy prices, and a 1.7% increase from the prior September 2025 index.

CPI-W	AVERAGE	Change from prior Quarter
2024 Q3	308.729	0.23%
2024 Q4	309.141	0.13%
2025 Q1	312.294	1.02%
2025 Q2	315.009	0.87%
2025 Q3	317.265	0.72%
2025 Q4	317.214 *	(0.02%)
2026 Q1	320.288	0.97%

* No value is available for October 2025 due to the government shutdown

We propose the following COLA assumption for the 2026 Section 502 report:

- Extend the 1.7% increase experienced since last September to project the next 6 months (April 2026 through September 2026), resulting in a 3.4% COLA to be applied to December 2026 benefits paid in January 2027.
- Phase into the ultimate COLA over the next few years using 3.1% for 2028 benefits, 2.8% for 2029 benefits, and reaching the ultimate COLA of 2.5% for 2030 benefits and beyond.

Our typical practice is to base our first-year wage increase assumption on preliminary compensation reports that are available by April. Based on preliminary information, we estimate a 2025 base wage increase of 3.4%, comparable to last year's valuation assumption of 3.5% base wage increase, which is also our long-term assumption.

We continue to see new Class 1 union contract extensions replacing the nationally negotiated contracts ending in 2025. These contracts continue to provide aggregate wage increases of about 18% over 5 years or about 3.5% - 4% per year.

- [6,600 Union Pacific Teamsters Ratify Contract - International Brotherhood of Teamsters](#)
- [Rail News - TWU members ratify contract with Conrail. For Railroad Career Professionals](#)
- [SMART-TD Members Vote to Ratify National Agreements with the NCCC | NRLC](#)

We propose using the ultimate 3.5% assumption for 2026 and later years.

The actual investment return for the combined assets was +13.4% in calendar year 2025, which is compared to +9.8% in calendar year 2024 and exceeded our 7.0% assumption. The investment return has been negative for the first three months of 2026, incorporating losses and significant volatility in March. However, returns are back up in April so far. Based on a lack of any foresight or expectations to the contrary for the remainder of 2026, we propose using the ultimate 7.0% investment rate for this year and future years, as has been the typical practice.

Employment Assumption Scenarios

The preliminary employment estimate for 2025 is 198,000 employees, which is subject to revision at the end of 2026. This average is slightly higher than projected using the moderate employment assumption in the 2025 report where we projected a range of 199,000 (optimistic), 197,200 (moderate), and 194,900 (pessimistic). This gain is primarily due to an upward revision of the initial 2024 average employment.

Across 2025 and during 2026 so far, monthly average employment has been stable but slowly decreasing from about 199,000 in the first half of 2025 to about 194,000 across the first quarter of 2026: [Average Railroad Employment, by Month \(01-2025 to 03-2026\)](#)

We anticipate railroad employment will remain stable during 2026 due to improving manufacturing and shipping volumes but there remains a high level of economic and political uncertainty.

In this year's employment model, we start with the preliminary 2025 average employment of 198,000, then apply the model's three assumed rates of decline to project future employment

under three employment scenarios. We propose starting with passenger employment at 48,000 for 2025 compared to 46,000 in the prior valuation, which reflects growth at Amtrak and other commuter lines over the last few years. Passenger employment remains constant under scenarios I and II but declines to 38,000 by 400 per year under scenario III (pessimistic). The starting other railroad employment proposed for 2025 is 150,000, which is equal to 198,000 total less 48,000 for passenger employment.

We propose making a -1.0% downward adjustment to the initial projected 2025 freight employment numbers produced by the model under all scenarios to bring the projected 2025 employment under scenario II (moderate) down to the preliminary employment estimate for first quarter of 2026. This downward adjustment reflects our expectation of stable employment during the rest of the year.

The table below shows the proposed employment levels (in thousands) for the 2026 Section 502 report over the next few years under assumption scenario I (optimistic), II (moderate), and III (pessimistic). The projected employment for the prior two reports is shown as comparison.

Proposed for 2026 Report

Projection Year	Scenario I	Scenario II	Scenario III
2024 (actual)	201.5	201.5	201.5
2025 (prel)	198.0	198.0	198.0
2026	196.2	194.4	192.2
2027	195.9	192.4	188.2
2028	195.6	190.5	184.3
2029	195.4	188.7	180.6

2025 Report

Projection Year	Scenario I	Scenario II	Scenario III
2023 (actual)	199.7	199.7	199.7
2024 (prel)	200.8	200.8	200.8
2025	199.0	197.2	194.9
2026	198.7	195.1	190.7
2027	198.4	193.1	186.7
2028	198.1	191.2	182.9

29th Actuarial Valuation

Projection Year	Scenario I	Scenario II	Scenario III
2023 (prel)	198.2	198.2	198.2
2024	200.0	198.2	195.9
2025	199.7	196.1	191.7
2026	199.4	194.1	187.7
2027	199.1	192.2	183.9
2028	198.9	190.3	180.2

Chart 1 shows the proposed average employment assumptions to be used for the 2026 Section 502 Report. For comparison, Chart 2 shows the average employment assumptions that were used for the 2025 Section 502 Report updated with recent employment data.

Table 1 shows the proposed employment and economic assumptions for 75 years.

Chart 1. 2026 Section 502 Employment Assumptions (in 000s)

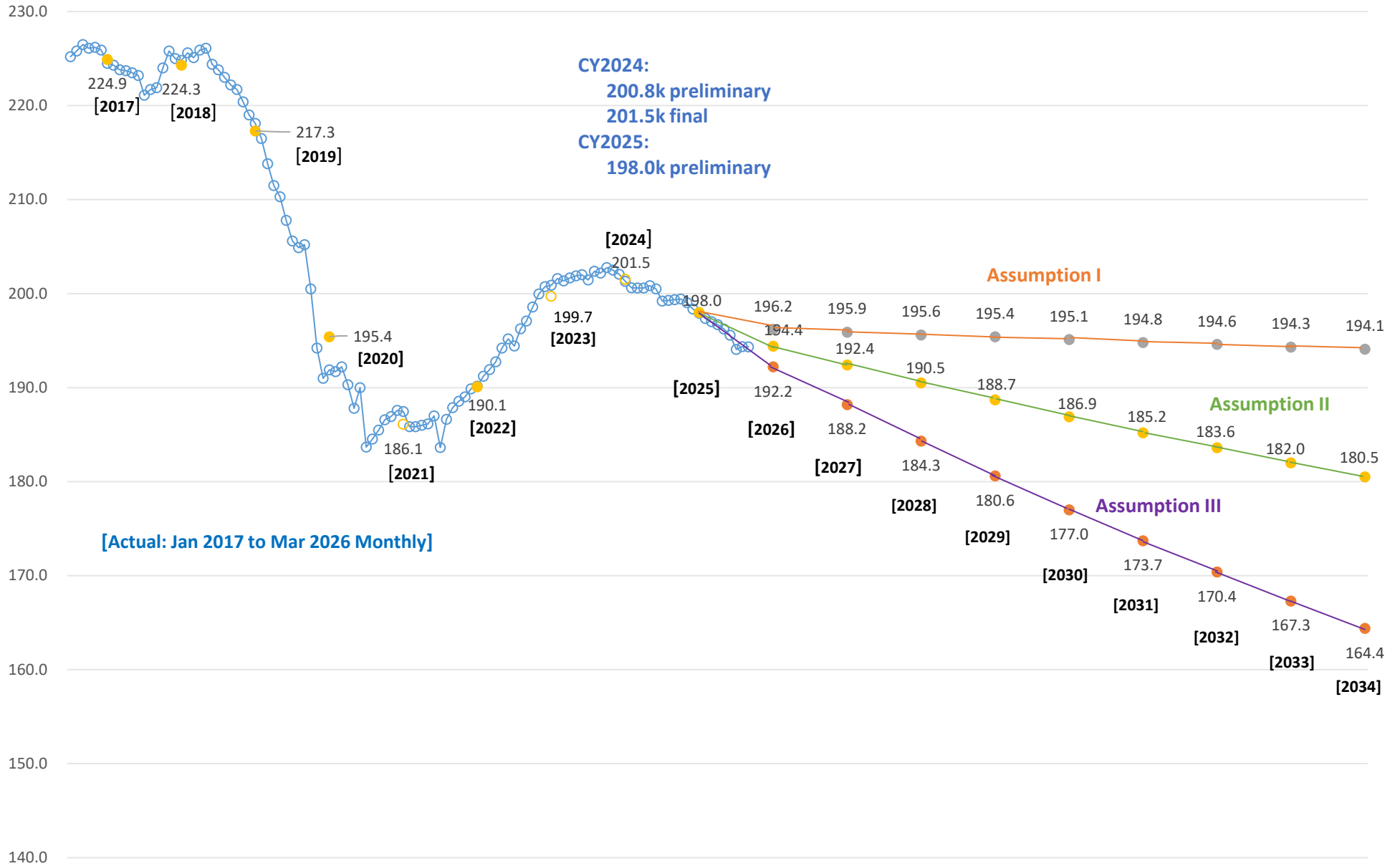


Chart 2. 2025 Section 502 Employment Assumptions (in 000s)

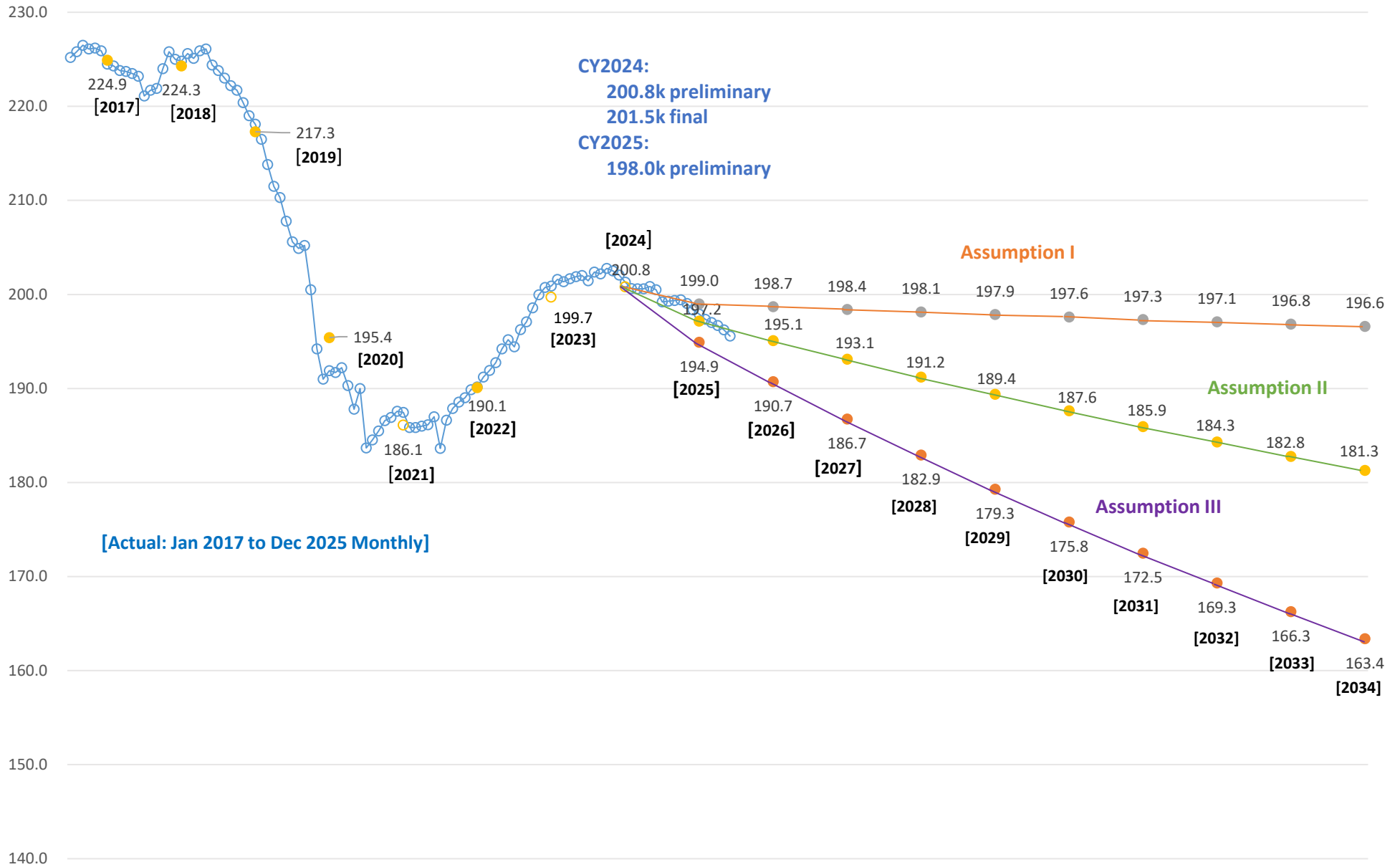


Table 1. Employment and economic assumptions

Calendar year	Average employment (thousands)			Percentage increase over prior year		Investment return
	I	II	III	Base Wages	Cost of living ^a	
2025	198.0 ^c	198.0 ^c	198.0 ^c	3.4% ^c	2.5% ^b	13.4% ^b
2026	196.2	194.4	192.2	3.5	2.8 ^b	7.0
2027	195.9	192.4	188.2	3.5	3.4	7.0
2028	195.6	190.5	184.3	3.5	3.1	7.0
2029	195.4	188.7	180.6	3.5	2.8	7.0
2030	195.1	186.9	177.0	3.5	2.5	7.0
2031	194.8	185.2	173.7	3.5	2.5	7.0
2032	194.6	183.6	170.4	3.5	2.5	7.0
2033	194.3	182.0	167.3	3.5	2.5	7.0
2034	194.1	180.5	164.4	3.5	2.5	7.0
2035	193.9	179.0	161.6	3.5	2.5	7.0
2036	193.7	177.7	158.9	3.5	2.5	7.0
2037	193.5	176.4	156.3	3.5	2.5	7.0
2038	193.3	175.1	153.9	3.5	2.5	7.0
2039	193.1	173.9	151.5	3.5	2.5	7.0
2040	192.9	172.7	149.3	3.5	2.5	7.0
2041	192.7	171.7	147.1	3.5	2.5	7.0
2042	192.5	170.6	145.1	3.5	2.5	7.0
2043	192.3	169.6	143.1	3.5	2.5	7.0
2044	192.2	168.7	141.3	3.5	2.5	7.0
2045	192.0	167.8	139.5	3.5	2.5	7.0
2046	191.9	167.0	137.8	3.5	2.5	7.0
2047	191.8	166.2	136.2	3.5	2.5	7.0
2048	191.6	165.4	134.6	3.5	2.5	7.0
2049	191.5	164.7	133.2	3.5	2.5	7.0
2050	191.4	164.1	131.8	3.5	2.5	7.0
2051	191.3	163.5	130.9	3.5	2.5	7.0
2052	191.2	162.9	130.0	3.5	2.5	7.0
2053	191.1	162.4	129.3	3.5	2.5	7.0
2054	191.0	161.9	128.5	3.5	2.5	7.0
2055	190.9	161.5	127.9	3.5	2.5	7.0
2056	190.9	161.1	127.3	3.5	2.5	7.0
2057	190.8	160.7	126.8	3.5	2.5	7.0
2058	190.7	160.4	126.3	3.5	2.5	7.0
2059	190.7	160.1	125.9	3.5	2.5	7.0
2060	190.6	159.9	125.6	3.5	2.5	7.0
2061	190.6	159.7	125.3	3.5	2.5	7.0
2062	190.6	159.5	125.1	3.5	2.5	7.0
2063	190.6	159.4	124.9	3.5	2.5	7.0
2064	190.5	159.3	124.8	3.5	2.5	7.0
2065-2099	190.5	159.3	124.7	3.5	2.5	7.0

^a Cost-of-living adjustments are effective January 1 of each year. Actual Tier 1 COLA is the same as the actual social security increase. Tier 2 COLA is 32.5% of the Tier 1 COLA.

^b Actual.

^c Preliminary.