

RESEARCH REPORT

Does the 2023 Social Security Expansion Act Improve Equity in Key Outcomes?

An Equity Scoring Initiative Demonstration Analysis

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ABOUT THE EQUITY SCORING INITIATIVE

A partnership of PolicyLink and the Urban Institute

Federal legislation is fundamental to building a nation in which all can participate, prosper, and reach their full potential. Since our nation's founding, in many ways, federal legislation has created and exacerbated inequities, leaving one-third of the population experiencing material poverty and preventing our democracy from realizing the promise of equity.

To ensure the federal government serves us all, we must accurately understand and assess whether every policy advances or impedes equity.

The Equity Scoring Initiative (ESI) exists to establish the foundation for a new legislative scoring regime. By scoring for equity, we can begin to create an accountable, responsive democracy.

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The Urban Institute is a nonprofit research organization that provides data and evidence to help advance upward mobility and equity. We are a trusted source for changemakers who seek to strengthen decisionmaking, create inclusive economic growth, and improve the well-being of families and communities. For more than 50 years, Urban has delivered facts that inspire solutions—and this remains our charge today.



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PolicyLink is a national research and action institute advancing racial and economic equity by Lifting Up What Works®. To advance equity, PolicyLink advocates for groundbreaking policy changes that enable everyone, especially people of color, to be economically secure, live in healthy communities of opportunity, and benefit from a just society. PolicyLink is guided by the belief that the solutions to the nation's challenges lie with those closest to these challenges: when the wisdom, voice, and experience of those traditionally absent from policymaking drive the process, profound policy transformations emerge.

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Foreword: Equity Scoring and Equal Protection

By PolicyLink & Relman Colfax PLLC

Our vision for equity scoring is bold and therefore generational. A winning strategy for equity scoring requires a visionary approach that charts a new path as well as a savvy defensive approach. We are mindful of where this nascent work is most vulnerable to critique and offer corresponding guardrails. In the current political and social climate that has seen the reversal of race-based affirmative action among other retrenchments, there are those who will attack equity scoring as ill-advised if not outright illegal under the Equal Protection Clause of the 14th Amendment. They are wrong. We want to allay any such concerns so that readers can fully engage with the more forward-looking equity scoring example that follows in this demonstration paper as well as the other reports and products of the Equity Scoring Initiative. Recent legal challenges to equal protection and movement to race-neutrality in governing policy implementation has created a chilling effect on government decisionmakers—elected and administrative—in advancing fairness and equitable outcomes. But equal protection does not require race blindness, and governing decisions may be informed by an understanding of whether and how effectively different policy options will reduce inequities, including accumulated inequalities based on race, gender, disability, or other characteristics.

Under current practice, equal protection is reactive and complaint-based. It requires individuals to prove that they have been harmed by policy implementation and to seek redress through administrative complaint or private legal action. However, instead of waiting until a law is passed and policy is implemented to see if any class of citizen is harmed, legislative scoring, as demonstrated by the Equity Scoring Initiative, can make equal protection proactive and expand the capacity of the federal government to repair past disparities and prevent future harm.

Scoring policies and regulations for equity contextualizes the projected impact of proposed legislation and enables legislators, and their constituents, to make more informed decisions. The Equal Protection Clause generally precludes legislation that deliberately treats people differently because of their race, ethnicity, or gender, but analyzing or scoring legislation for equity does not alter a bill's underlying facial neutrality any more than budget scoring alters a bill's fiscal impact. Both types of

projections give policymakers insights into the long-term impacts of a proposal to facilitate their own analysis, but neither changes a bill.

Nor does a legislator—acting based on knowledge of whether and how a piece of legislation advances equity such as by revising the bill or voting a certain way—undermine the bill’s compliance with the legal standard for equal protection. Equity scoring instead provides the kind of information that helps legislators identify workable and legally supportable policies that address racial and other inequities. Multidimensional equity analyses are comparable to analyses of the projected impact of a facially race-neutral student assignment policy on the racial composition of schools, something federal courts have held that policymakers may legally consider.¹ These analyses entail consideration of race in terms of predicting different outcomes by individuals’ demographic characteristics. Policymakers who choose to rely on the analyses may be motivated by racial goals, yet the policies they inform are—at least on their face—race-neutral. A legislator’s motivation of shrinking a long-standing disparity differs from an unlawful discriminatory intent because no racial or other animus is involved. In the absence of racial animus, race-neutral legislation informed by a race-aware analysis such as equity scoring remains race-neutral from an Equal Protection perspective and does not call for heightened legal scrutiny.

The Social Security Expansion Act (SSEA) is race-neutral. The bill’s provisions—expanding the taxable wage base, taxing investment income, modifying the benefit formula, increasing the minimum benefit, and recomputing COLAs—do not rely on race or ethnicity (or any other characteristic protected by the Equal Protection Clause). But that does not mean that, if implemented, the SSEA would lead to outcomes that are the same for all race and ethnic groups.

Recognizing this, equity scoring of the SSEA examines how its projected outcomes vary based on race and ethnicity. Two of the three dimensions of equity improvement examined in this report, within-group improvement for historically disfavored groups and within-group improvements for all groups, compare outcomes for one or more groups under the proposed legislation to outcomes for the same groups under the status quo. The third dimension, between-group improvement, measures how much the proposed legislation improves existing disparities between groups. When analysts project changes in these three dimensions for different racial groups, they do not transform race-neutral legislation into legislation that treats people differently based on their race. Nor does a legislator considering those projections. Rather, the scoring assists legislators who want to design a race-neutral bill to advance equity.

The equity scores of the SSEA are information about variation in outcomes by race and ethnicity, and knowing these scores allow legislators to make informed choices among various race-neutral

provisions. The scoring lets legislators address underlying racial inequities more effectively through facially race-neutral means. Providing transparency and access to equity scores as budget scores are made available to the public creates a mechanism for citizens to hold decision-makers accountable to the 14th Amendment for equal protection under the law.

A policymaker considering how the SSEA improves equity, as presented in this report, does not inject animus or disregard of the rule of law into the legislative process. The findings are multidimensional and directionally varied. For example, the gap between median net lifetime Social Security benefits for Hispanic and white non-Hispanic adults would increase under the SSEA, widening inequity based on the between-group improvement dimension. But the median net lifetime benefits for both Hispanic and white non-Hispanic adults would also increase, advancing equity based on the within-group improvement dimension. The use of these findings by legislators has no intrinsic connection to animus and suggests nothing violative of the current legal standard of equal protection.

In short, there is nothing forbidden about equity scoring. The information it promises is essential to making policy that is more intentionally fair and just. In the pages that follow, our Urban Institute colleagues show you how, using the example of one Social Security reform proposal.

Like the SSEA, many legislative proposals can be assessed for their potential to affect equity. The Equity Scoring Initiative affords an opportunity for government decision-makers to use data and analysis to advance equity and fairness in policies, regulations, programs, and investments, and to live into the spirit and intent of the 14th Amendment and the promise of equal protection. Clearly, further methodological developments will be necessary for scoring different types of legislation. However, the legal grounding for equity scoring discussed here is broadly applicable and can be enabled in the governing process. As the 13th and 14th Amendments continue to be interpreted, our hope is that future jurisprudence will allow Congress to legally institutionalize the consideration of equity scores in the legislative process, similar to the conduct and use of budget scoring.

Note

¹ See *Boston Parent Coal. for Acad. Excellence Corp. v. Sch. Comm. for City of Bos.*, 89 F.4th 46, 62 (1st Cir. 2023) (rejecting the plaintiff’s challenge because “including racial diversity as a consideration and goal in the enactment of a facially neutral plan” does not call for strict scrutiny); *Spurlock v. Fox*, 716 F.3d 383, 394 (6th Cir. 2013) (reasoning that “if consideration of racial data were alone sufficient to trigger strict scrutiny, then legislators and other policymakers would be required to blind themselves to the demographic realities of their jurisdictions and the potential demographic consequences of their decisions,” and that the facially neutral school zoning plan did not violate the Equal Protection Clause on rational basis review); and *Lewis v. Ascension Par. Sch. Bd.*, 806 F.3d

344, 358 (5th Cir. 2015) (holding that “the district court did not err in concluding that Option 2f does not make express racial classifications and so is not subject to strict scrutiny on that basis” and that the plan did not violate the Equal Protection Clause on rational basis review).

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Executive Summary

Social Security, the largest government program in the United States, is crucial to the well-being of tens of millions of families every year. However, serious questions remain about the program’s long-term financing and the adequacy of its benefits payments to support the economic security of older adults and their families. Because of historical and ongoing inequities in income and wealth, the consequences of insufficient benefits are greater for historically disfavored demographic groups.

The Social Security Expansion Act (S. 393, SSEA), introduced by Sen. Bernie Sanders (I-VT) in February 2023, is among the leading legislative packages aimed at addressing financing and benefit levels. The SSEA’s provisions, which resemble aspects of other reform proposals, would expand Social Security’s taxable wage base, tax investment income, modify the benefits formula, increase the minimum benefit, and recompute cost-of-living adjustments.

In this report, we score the SSEA for its projected impact on improving equity in lifetime benefits, lifetime benefits minus contributions, and economic security across three racial-ethnic groups: Black, Hispanic, and white. For each group, we use the Urban Institute’s Dynamic Simulation of Income Model 4 to project how the SSEA would likely affect these outcomes relative to current law, provision by provision and overall. We extend and refine dimensions of equity improvement developed in earlier work by the Equity Scoring Initiative and apply these to retirement outcomes to determine whether the SSEA or certain provisions of the proposed bill would enhance equity.

If the SSEA were improving equity, we project that the bill would improve economic security in retirement for the three groups we are able to analyze, and especially for Black non-Hispanic and Hispanic adults, thereby shrinking the Black-white and Hispanic-white gaps in economic security. We find that the improvements in economic security are largely driven by the proposal’s expansion of the taxable wage base, which would allow Social Security to pay all benefits scheduled under current law instead of having to cut them by about one-quarter. Other reforms included in the proposal would have more modest effects. We also find that the SSEA’s likely impact on lifetime Social Security benefits is mixed: while the proposed bill would improve total lifetime benefits and net lifetime benefits (benefits minus contributions) for the three racial-ethnic groups, the within-group improvements would be largest for white non-Hispanic individuals, thereby worsening equity in our between-group dimension. These findings suggest the need for multipronged approaches to advance equity.

We conclude by discussing technical and conceptual considerations for future equity-scoring analyses, highlighting their potential to inform policy designs and debates by centering the values of fairness and justice for all.

Does the 2023 Social Security Expansion Act Improve Equity in Key Outcomes?

Examining equity in policy impact ultimately means looking at fairness in outcomes. Equity scoring is an approach to measuring the anticipated effect of a policy or proposal on outcome distributions. We apply equity scoring to a leading congressional proposal to reform Social Security. The Social Security Expansion Act (SSEA), introduced in 2023, aims to promote retirement security by improving benefit adequacy, increasing revenues, and extending program solvency, albeit with increased costs. Other Social Security reform proposals use similar approaches. We project the SSEA's impact on lifetime Social Security benefits and the more indirect outcome of economic security at older ages, relative to the status quo.

In this report, we examine whether the Social Security Expansion Act meets its stated goals and dimensions of equity improvement using the Equity Scoring Initiative's preliminary framework. The report is part of a set of publications assessing whether policy proposals aiming to prevent and alleviate economic insecurity during retirement can improve fairness in outcomes—that is, equity.

Why We Focus on Financial Insecurity among Older and Disabled Adults and Evaluate Federal Efforts to Combat It

A critical element of economic security and mobility is having enough money to care for yourself after stopping work or reaching retirement age. Most people in the United States rely on a combination of Social Security, employer-sponsored retirement accounts, and personal savings to support themselves as they age. Some people rely more on one source of retirement income than another, making retirement more precarious for some.

One in seven adults ages 65 and older in the US, comprising more than 8 million people, lived in poverty in 2022 (Ochieng et al. 2024).¹ Two in five working-age households in 2022 were at risk of not affording their pre-retirement standard of living in retirement, despite some economic gains in recent years from the strong labor and housing markets and the pandemic's fiscal stimulus (Yin, Chen, and Munnell 2024).

Economic insecurity among older adults partly reflects shifts over recent decades in Social Security benefits, employer-sponsored pensions, and individual savings. Social Security benefits, on their own, cannot cover the costs of living for older householders, and employers have increasingly shifted from traditional defined benefit pension plans to defined contribution retirement plans, such as 401(k)s, putting more responsibility on employees to plan and manage their retirement assets (Jeszcek 2017). These shifts, coupled with rising health care costs and household debt, have impaired the economic security of many older adults.

However, economic insecurity during retirement is not borne equally. Poverty rates among older adults in 2022 were significantly higher for Asian, Black, Hispanic, and Native American people than for white people (Ochieng et al. 2024). People with disabilities are also more likely than others to experience poverty during their working-age years, putting them at greater risk of retirement insecurity (Drake and Burns 2024). Poverty in retirement is disproportionately high among other groups as well, including immigrants, women, and LGBT seniors (Bouton, Brush, and Meyer 2023; Li and Dalaker 2022; Population Reference Bureau 2013). These disparities exist because of economic inequities throughout every stage of life, stemming from a range of structural barriers that cumulatively and unjustly hinder the financial well-being of older adults from historically marginalized groups.²

Tackling retirement insecurity will involve changing disability policy through an intersectional lens, as many people are forced to leave the labor market because of a disability and eventually move from relying on disability benefits to relying on retirement benefits. Analysis of 2014 survey data indicates that 24 million working-age adults (ages 18 to 66) applied for Social Security Disability Insurance at some point, with about half of applicants denied benefits (Weaver 2021). Applicants for disability benefits, whether allowed or denied, are twice as likely as the general population to have less than a high school education. Black workers make up a disproportionate share of applicants for disability benefits. Moreover, 38 percent of denied applicants and 25 percent of allowed applicants lived in poverty, compared with 13 percent of the general population.

Retirement insecurity is a complex, compounding issue, and addressing it, especially for those most at risk, requires a multipronged approach. This approach will need to include efforts like reforming Social Security, which continues to be the largest source of income for older householders.³ Holistic solutions would also include targeting employer-sponsored and individual retirement savings plans and improving health care and social programs that support those who cannot participate in the labor market. A successful approach would also aim to reduce financially burdensome medical costs, provide insurance against catastrophic spending on long-term services and supports for people who need help with basic personal care, and guarantee affordable housing. More broadly, eliminating structural

barriers to economic opportunities and economic mobility may further help bridge racial income and wealth gaps that feed into economic insecurity after one’s working years (Kijakazi, Smith, and Runes 2019).

To fulfill the promises of the Constitution’s Equal Protection Clause, the federal government must avoid, prohibit, and remedy the effects of discrimination across all its policies and programs, including Social Security.⁴ The government is legally authorized and, in some instances, legally required, to act to promote fairness and advance equity. Long-standing Supreme Court precedent, key civil rights statutes, and recent executive orders shape these constitutional demands of equal protection. For example, the Supreme Court held more than 50 years ago that even otherwise “neutral” employment policies and practices “cannot be maintained if they operate to ‘freeze’ the status quo” of prior discrimination.⁵ The Civil Rights Act of 1964 prohibits discrimination on the basis of race, color, religion, sex, or national origin and extends to all recipients of federal funds. Equity scoring provides a measurable way to evaluate the federal government’s efforts to achieve this important mandate.

Policies Targeting Economic Security among Older and Disabled Adults

Across our analyses of retirement and disability policies, we look at equity in policy funding, access/reach, and outcomes. In each publication, we focus on one of these lenses in our evaluation of a selected policy affecting retirement security. We also discuss how well the policy we study may improve the outcome of economic security.

Economic security—having adequate and stable income to meet basic needs—is essential to individual, neighborhood, and societal well-being. Economic *in*security is widespread in the United States, especially among Black and Hispanic individuals and families and people with disabilities (Langston 2018) (box 1). Policies ranging from education, to employment, to health care, to criminal justice may create barriers to advancement that make it difficult for people of color, people with disabilities, and other marginalized groups to attain economic security.

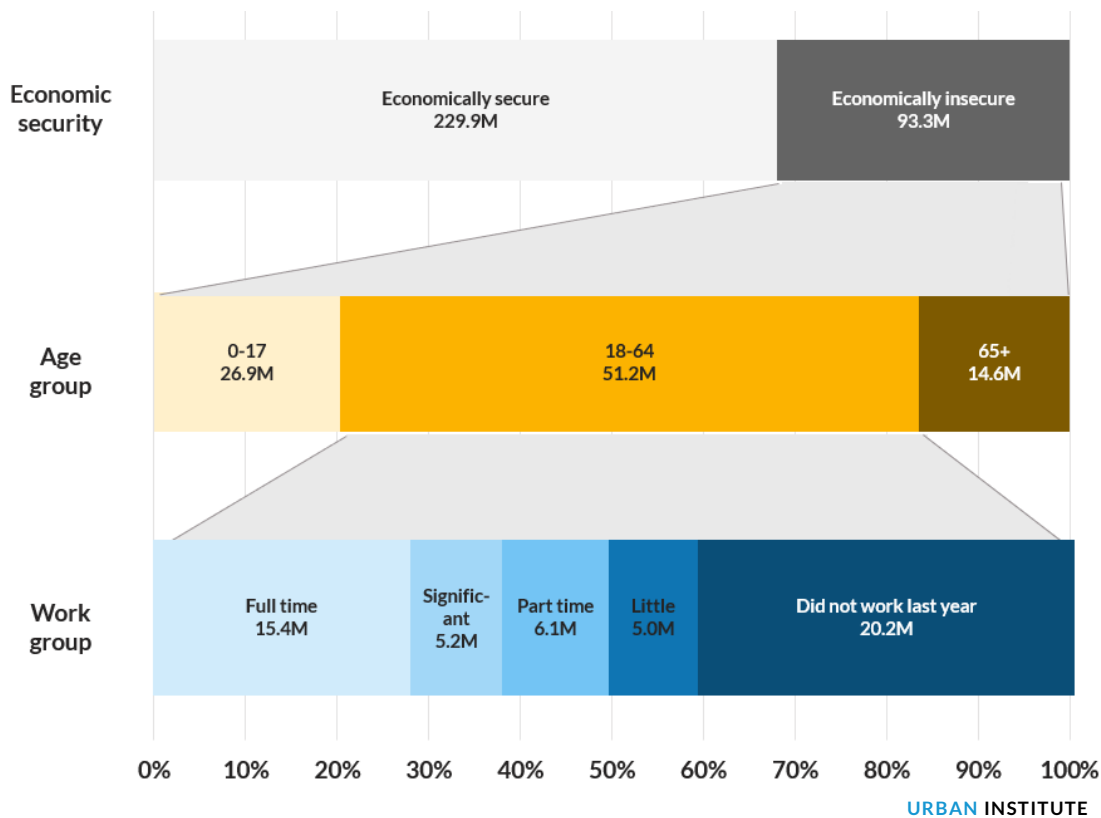
Economic security in retirement—or lack thereof—is the outcome of a lifetime of earnings and savings. Because of differences in access to opportunity to earn and save across the life course, the access to programs and structures intended to help people prepare for retirement and achieve financial security in retirement varies among demographic groups.

BOX 1

Economic Insecurity and Inequality in the United States Motivates the Equity Scoring Initiative

About a quarter of Americans are economically insecure, defined as living in a household earning income below 200 percent of the federal poverty level (figure A). In 2023, this amounted to a single person making about \$29,000 a year or a family of four making \$60,000 maximum. Included in this substantial swath of the population are those who cannot attain a basic standard of living as well as those who are one unexpected expense or illness away from economic catastrophe. Simultaneously, a much smaller portion of people have very high incomes. In 2018, people in the top 1 percent of the income distribution received more than 20 percent of the nation’s income.^a Past and current policy have contributed to and propagated this injustice; future policy can repair it.

FIGURE A
Age and Work Profile of Economically Insecure Individuals, 2022



Source: Authors’ analysis of 2022 five-year American Community Survey data from IPUMS USA.

Notes: Economically insecure is defined as living in a household earning less than 200 percent of the federal poverty threshold. Figures may not sum to totals because of rounding. Work groups for working-age adults (18–64-year-olds) are defined as follows: full time is at least 35 hours a week and 39 or more weeks per year; significant is either 35 or more hours a week for 27–39 weeks per year or 25–34 hours a week for at least 27 weeks per year; part time is either at least 25 hours a week for 14–26 weeks per year or 10–24 hours a week for at least 14 weeks per year; and little is at least 1 hour a week for at least 1 week per year or working any number of hours for 1–13 weeks per year.

^a Emmanuel Saez, “Striking It Richer: The Evolution of Top Incomes in the United States” (Updated with 2018 estimates)” (Berkeley: University of California, 2020).

The Equity Scoring Initiative

The US legislative process uses a well-established approach, called budget scoring, to examine the anticipated budgetary implications of proposed policies. An important component of vetting a policy, projecting its 10-year impact on the deficit via budget scoring encourages accountability to a set of financial and social values. But dollars are an imperfect way of measuring the values of fairness and justice enshrined in the Constitution. If we want to know whether and how well a prospective policy will advance those values and goals, we need a different, complementary scoring process. Equity scoring, or the process of systematically examining a policy or policy proposal's potential impact on fairness and justice in outcomes, is a necessary step in the policy design process.

In recent years, policymakers, funders, policy researchers, and advocates have called for this type of information to drive the policymaking process, resulting in new efforts and advances spearheaded by the Equity Scoring Initiative, a partnership between PolicyLink and the Urban Institute. These and related efforts signal that equity scoring is both needed and possible right now.

The current scale of economic insecurity and inequality is untenable for a thriving economy and society. Nearly 100 million people are living at or beyond the brink of precarity, according to our analysis, and this burden is unevenly distributed across racial and ethnic groups (authors' analysis; Langston 2018; see box 1). Government policy can help alleviate this economic injustice. The magnitude of the challenge suggests a clear focus for policymakers on the change needed to reform historical and contemporary policies and structures that created the gaps we see today. Grounded in a vision of equity that underscores the role and responsibility of the federal government to foster economic vitality and stability for all people, the Equity Scoring Initiative analyzes policies for how well they perform at creating new or improved paths to fair outcomes.

The Need to Reform Social Security

Social Security was established in 1935 to provide basic retirement income to older adults and their families. It also provides social insurance to protect workers who have disabilities and protect families after the death of a primary wage earner. Now the nation's largest federal program, Social Security paid monthly benefits in January 2024 worth \$119 billion to 67.2 million beneficiaries.⁶ These benefits provide a crucial financial foundation for retirees and people with disabilities and their families. Social Security accounts for more than half the income received by most adults ages 65 and older (Bee and Mitchell 2017).

Nonetheless, many people receiving Social Security collect only modest benefits. In December 2022, the average monthly benefit was only \$1,688 (SSA 2023, table 5A.1). That month, more than a quarter of people collecting retired worker benefits (more than 11.9 million people) received benefits that fell below the federal poverty level (FPL), set at \$14,036 in 2022 for single adults ages 65 and older. More than a third (about 18.3 million people) received benefits that fell below 125 percent of FPL, and about three-quarters received benefits that fell below 200 percent of FPL.⁷

Social Security benefits are generally even lower for people of color. Compared with white people receiving benefits, average monthly benefits were 20 percent lower for Black people receiving benefits and 26 percent lower for people of other racial groups receiving benefits (SSA 2023, table 5A.1 Expanded). As a result, people of color ages 65 and older are more than twice as likely to experience poverty as their non-Hispanic white counterparts (Johnson and Favreault 2021).

Social Security also faces a long-term financing gap that could further erode benefits if it's not addressed by policymakers. Social Security benefits are financed primarily from payroll taxes paid by workers and their employers and income taxes that some higher-income people pay on their benefits. These revenues are deposited into Social Security's trusts funds, out of which retirement and disability benefits are paid. However, program benefit payments currently exceed revenues. The combined trust fund, which built up over the past four decades when program revenues exceeded benefit payments, can cover the shortfall now, but Social Security's trustees project that the trust fund will run out in 2035 (Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2024).⁸ If the trust fund is depleted and policymakers do not change Social Security's benefit rules or revenue streams, the trustees project that the program could pay only about 73 to 83 percent of scheduled benefits.

Policymakers, including several candidates for the 2020 Democratic presidential nomination and several members of Congress, have proposed ways to improve the adequacy of Social Security benefits and address the program's budgetary imbalance (Johnson and Smith 2020; Smith, Johnson, and Favreault 2020a). To achieve program solvency, Democratic plans usually emphasize increasing revenues, such as subjecting more earnings to Social Security's payroll tax and taxing other income sources. Republican plans, by contrast, generally improve program finances by reducing outlays, such as by raising the retirement age or cutting benefits for higher earners. Democratic plans are more likely than Republican plans to enhance benefits, such as by adjusting the benefit formula, boosting payments to widows and widowers, and providing Social Security credits to family caregivers.⁹ Increasing the minimum benefit for Social Security, designed to boost benefits for the lowest-income beneficiaries, has received some bipartisan support. The Social Security plans proposed during the 2020 presidential

campaign by then–Vice President Joe Biden, and in 2022 by the Republican Study Committee, included that option (Republican Study Committee 2022; Smith, Johnson, and Favreault 2020b). Table 1 summarizes some leading Social Security plans.

TABLE 1
Key Features of Leading Social Security Proposals

	Social Security Expansion Act (2023)	Social Security 2100 Act (2023)	Biden presidential campaign (2020)	Social Security Reform Act (2016)
Increase revenues				
Expand payroll contribution base	✓	✓	✓	
Tax investment income	✓	✓		
Reduce costs				
Raise the retirement age				✓
Limit benefits for high earners				✓
Limit spouse and survivor benefits for high earners				✓
Limit cost-of-living adjustments				✓
Improve benefit adequacy				
Increase the minimum benefit	✓	✓	✓	✓
Provide an across-the-board benefit increase	✓	✓		
Raise cost-of-living adjustments	✓	✓	✓	
Provide bonus to long-term beneficiaries		✓	✓	✓
Provide Social Security credits to caregivers			✓	
Increase survivor benefits		✓	✓	
Limit or eliminate offsets for certain government employees		✓	✓	✓
Extend child benefits to older students	✓	✓		
Principal sponsor	Sen. Bernie Sanders (I-VT)	Rep. John Larson (D-CT)	Presidential candidate Joe Biden	Rep. Sam Johnson (R-TX)

Sources: Richard W. Johnson and Karen E. Smith, *Comparing Democratic and Republican Approaches to Fixing Social Security* (Washington, DC: Urban Institute, 2020); Karen E. Smith, Richard W. Johnson, and Melissa M. Favreault, “How Would Joe Biden Reform Social Security and Supplemental Security Income?” (Washington, DC: Urban Institute, 2020); Social Security Expansion Act, S. 393, 118th Cong. (2023); and Social Security 2100 Act, HR.4583, 118th Cong. (2023).

The Social Security Expansion Act

The Social Security Expansion Act (S. 393, SSEA), introduced by Sen. Bernie Sanders (I-VT) in February 2023, is a leading congressional proposal to reform Social Security. The proposal would raise program revenues by expanding the taxable wage base and adding a new tax on investment income, thereby

balancing Social Security’s budget over the next 75 years, the timeframe the Social Security trustees use to determine program solvency.¹⁰ The SSEA would also improve benefit adequacy by adjusting the benefit formula, creating a new minimum benefit, and revising how cost-of-living adjustments are calculated.¹¹ The provisions would take effect in 2024.

Expand the Taxable Wage Base

Payroll taxes generate most of Social Security’s current revenue. Today, workers and their employers each contribute 6.2 percent of a worker’s earnings to Social Security, but tax payments cease when a worker’s annual earnings reach the program’s taxable maximum. That taxable ceiling, set at \$168,600 in 2024, adjusts over time with the change in the average national wage index. For example, a worker with annual earnings of \$268,600 in 2024 will owe 6.2 percent of \$168,600 (or \$10,453) in payroll taxes but will not owe any payroll taxes on their remaining earnings of \$100,000. That worker’s employer will pay an additional \$10,453 in taxes to Social Security. In 1983, when Congress last made significant changes to Social Security’s financing, 90 percent of all earnings received fell below the taxable maximum. That share has been dropping as earnings have grown especially rapidly near the top of the income distribution, above the taxable maximum. Today, only about 83 percent of earnings fall below the taxable maximum (Johnson 2020).

The SSEA would extend the payroll tax to annual earnings that exceed \$250,000. This change would create a “donut hole” in the payroll tax schedule. Workers and their employers would pay Social Security taxes on annual earnings at or below the taxable maximum. They would experience a tax holiday on earnings between the taxable maximum and \$250,000 and would pay taxes again on annual earnings that exceeded \$250,000. Because wage growth raises the taxable maximum over time, the tax holiday period would steadily shrink, disappearing once the taxable maximum reaches \$250,000. We project that the donut hole would close in 2035, when all earnings would be subject to Social Security payroll taxes under the SSEA.

The proposed legislation would not, however, change Social Security’s benefit base. Under current law, the program’s contribution and benefit base are equivalent: workers make contributions to Social Security based on their earnings up to the taxable maximum, and those earnings determine future benefits. Under the proposed legislation, when the new contribution base first goes into effect, annual earnings above \$250,000 would be taxed but would not factor into the contributing workers’ benefits. Instead, workers would accumulate future benefits only on earnings covered by the existing

contribution base, set at \$168,600 in 2024. As under current law, the contribution and benefits base would increase with the change in the national average wage index.

Tax Investment Income

The SSEA would further broaden Social Security’s revenue tax base to include investment income. According to data from the Federal Reserve’s Survey of Consumer Finances, wages and salaries accounted for only 59 percent of total household income in 2022; investment income, such as interest, dividends, rent, and capital gains, accounted for another 27 percent, concentrated mostly among wealthy households. Forty-eight percent of the income received by households in the top 10 percent of the wealth distribution came from investment income, compared with only about 5 percent for households in the bottom half of the wealth distribution.¹² Taxing nonwage income would make Social Security’s financing more progressive and provide Social Security with a new revenue source concentrated among wealthy individuals.

Modeled after the Affordable Care Act’s net investment income tax, the SSEA would tax net investment income (including interest, dividends, royalties, capital gains, and rental income, minus investment expenses) for high-income taxpayers and apply the proceeds to the Social Security trust fund. The bill would set the tax rate at 12.4 percent and apply it only to tax filers whose modified adjusted gross income (MAGI) exceeded \$200,000 if single or \$250,000 if married and filing jointly. However, the investment income subject to this tax could not be greater than the amount by which a taxpayer’s MAGI exceeds the net investment income tax threshold.¹³ The income tax thresholds would not be indexed for inflation, so the share of filers subject to the investment tax would grow over time.

The bill would also levy a 16.2 percent tax on distributions received by active participants in S corporations, limited partnerships, and limited liability companies, with 12.4 percentage points of the tax (roughly three-fourths) allocated to the Social Security trust fund and the remaining 3.8 percentage points allocated to general government revenues.

Modify the Benefit Formula

The SSEA would also increase benefits paid to retirees, people with disabilities, and their families. The most important change would arise from the legislation’s proposed benefit formula adjustment. This shift would increase benefits by the same amount for all but the lowest-earning workers. As a

percentage of current-law benefits, then, most people with lower incomes would receive a larger benefit boost than those with higher incomes.

Social Security bases benefits on average indexed monthly earnings (AIME), which averages monthly earnings received during a worker's top 35 earning years, up to each year's taxable maximum. To account for wage growth over a worker's career, Social Security indexes monthly earnings to the change in average economy-wide earnings before averaging. Social Security benefits replace a portion of AIME. The benefit formula applies different replacement rates to different segments of AIME, which are distinguished by the formula's two bend points. In 2024, the first bend point is \$1,174, and the second bend point is \$7,078. The bend points increase over time with changes in average wages. The benefit formula applies a replacement rate of 90 percent to AIME up to the first bend point, 32 percent to AIME from the first bend point through the second bend point, and 15 percent to AIME above the second bend point. This makes the formula progressive, replacing a relatively large share of earnings for people with limited lifetime earnings and a smaller share for people with more lifetime earnings.

The amount calculated by the benefit formula is known as the primary insurance amount (PIA), or the benefit paid to retired workers who begin collecting at the full retirement age, currently set at 67 for people born in 1960 and later. People who begin collecting before the full retirement age receive permanently reduced monthly benefits to account for the additional checks they receive over their lifetime, and people who begin collecting later receive permanently increased monthly benefits to account for the fewer checks they receive, so claiming age does not substantially affect the expected value of lifetime benefits. Social Security disability benefits are not subject to these actuarial adjustments.

The SSEA would increase the first bend point 22 percent (to around \$1,432 in 2024) and increase the first replacement rate from 90 to 95 percent, raising benefits for everyone because both the highest replacement rate and the amount of lifetime earnings replaced at that highest rate are higher. These changes would boost monthly benefits for newly eligible people by \$221 except for people with limited lifetime earnings, who would gain \$50.

To see how these formula adjustments would change benefits, consider the examples shown in figure 1 for workers who first qualify for Social Security benefits in 2024. For someone with an AIME of \$1,000—below the first bend point in the benefit formula—the current PIA is \$900 (90 percent of \$1,000). Under the SSEA, the PIA would increase to \$950 (95 percent of \$1,000), a gain of \$50 or 6 percent. Everyone with an AIME at or above \$1,432—the new first bend point—would see their PIA increase \$221 under the SSEA (5 percent of \$1,174 plus 63 percent of \$258).¹⁴ For someone with an

AIME of \$2,000, for example, the PIA would increase from \$1,321 under current law (90 percent of \$1,174 plus 32 percent of the remaining \$826) to \$1,542 under the SSEA (95 percent of \$1,432 plus 32 percent of the remaining \$568). Although the Social Security Expansion Act would provide the same PIA increase to everyone with an AIME above the new first bend point, the percentage increase in the PIA falls as AIME increases. The bill would boost the PIA 17 percent when AIME is \$2,000, 10 percent when AIME is \$5,000, and 7 percent when AIME is \$10,000.

FIGURE 1
The SSEA's Benefit Formula Revisions Would Increase Monthly Benefits by \$221 for New Recipients Except Those with Very Low Lifetime Earnings
Primary insurance amount by average indexed monthly earnings



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Source: Authors' estimates of monthly benefits under the current law and the Social Security Expansion Act (SSEA).

Note: The figure shows the primary insurance amount for people who first qualify for benefits in 2024.

Increase the Minimum Benefit

The SSEA would also increase Social Security's minimum benefit. The program currently includes a minimum benefit—the special minimum PIA—but the amount is too small to help many people.¹⁵ The SSEA would guarantee a minimum benefit equal to 125 percent of FPL for people with at least 30 years of covered employment who begin collecting benefits at the full retirement age. In 2024, the full minimum monthly benefit would be set equal to 125 percent of the 2023 poverty guidelines, or \$1,519 (\$18,255 annually).¹⁶ The minimum would increase over time with changes in the national wage index.

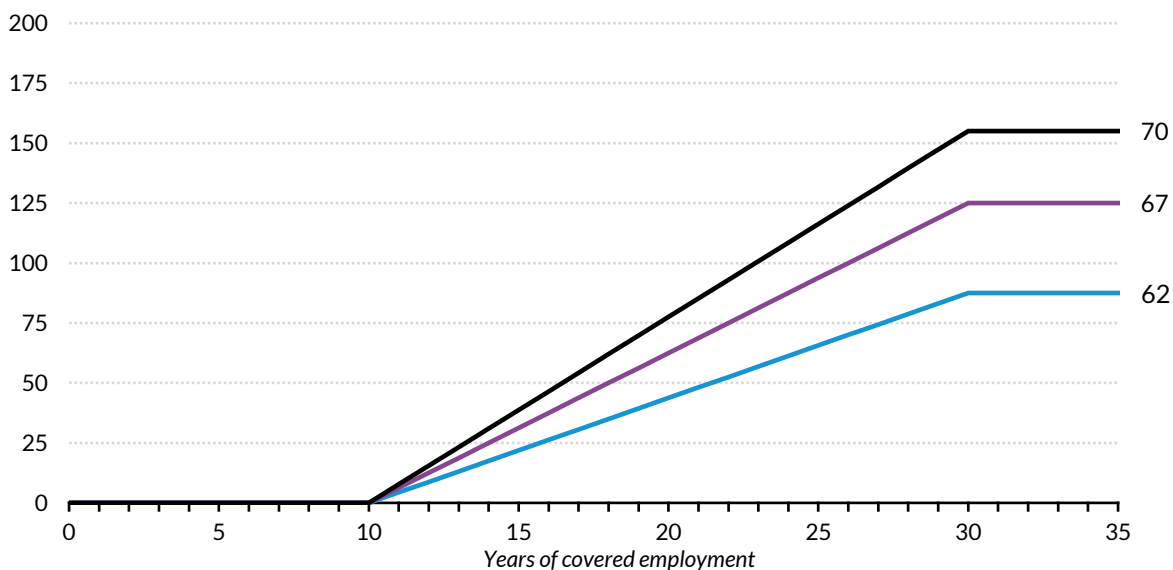
Because the federal poverty level is indexed to prices, which generally grow more slowly than average wages, the full minimum would exceed 125 percent of FPL after 2024. Nonetheless, most people would not be able to cover basic living expenses, including housing costs, if their income consisted only of this new minimum Social Security benefit (Airgood-Obrycki, Hermann, and Wedeen 2021).

The bill would prorate the minimum for people whose careers were too short to qualify for the full minimum, as long as they had more than 10 years of covered employment. The minimum would begin at 6.25 percent of FPL for people with 11 years of covered employment and increase by 6.25 percentage points for each additional year of covered employment until it reaches 125 percent of FPL for workers with 30 years of covered employment. The bill, then, would provide a minimum benefit equal to 100 percent of FPL or more for people who begin collecting at the full retirement age with at least 26 years of covered employment, and a smaller minimum benefit for people with shorter work histories. The option would not guarantee a minimum benefit to people with less than 11 years of employment.

The size of the minimum benefit also depends on the age at which people claim benefits. Relative to the minimum benefit for people who begin collecting at age 67—the full retirement age—the minimum benefit would be 30 percent less for those who begin collecting at age 62 and 24 percent more for those who begin collecting at age 70 (figure 2). In 2024, people with 30 years of covered employment would qualify for a minimum benefit equal to 87.5 percent of FPL if they claimed benefits at age 62, 125 percent if they claimed at age 67, and 155 percent if they claimed at age 70. For people with only 20 years of covered employment, the 2024 minimum benefit would be about 44 percent of FPL if they claimed at age 62, 63 percent if they claimed at age 67, and 78 percent if they claimed at age 70.

FIGURE 2

The SSEA's Minimum Benefit Would Increase with Claiming Age and Years of Covered Employment
Minimum benefit in 2024 as a percentage of the federal poverty level



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Source: Authors' estimates based on the Social Security Expansion Act (SSEA).

Notes: The figure shows outcomes for people who first qualify for benefits in 2024. People with incomes less than 200 percent of the federal poverty level are considered economically insecure.

Recompute Cost-of-Living Adjustments

To insulate beneficiaries from the effects of inflation, Social Security increases benefits when the price level rises. These cost-of-living adjustments (COLAs) are tied to changes in the consumer price index for urban wage earners and clerical workers (CPI-W), which is based on spending by these workers.

Because employed workers do not generally collect Social Security benefits, the CPI-W does not always reflect spending by people collecting benefits. Some advocates argue that the experimental consumer price index for the elderly (CPI-E), based on spending by adults ages 62 and older and their families, would better measure how inflation affects people collecting Social Security benefits (Koenig and Waid 2012; National Committee to Preserve Social Security and Medicare 2017). Compared with the CPI-W, the CPI-E gives more weight to spending on medical care and housing and less weight to spending on transportation, education, food and beverages, and clothing (BLS 2012).

The SSEA would index Social Security's COLA to the CPI-E instead of the CPI-W. In recent years, the CPI-E has generally increased more rapidly than the CPI-W, so on average this change would raise benefits. The Social Security actuaries assume that the CPI-E would grow 0.2 percentage points more

than the CPI-W each year.¹⁷ Although the difference between the two indexes is small, the impact of replacing the CPI-W with the CPI-E when computing COLAs would cumulate over time and become substantial for people collecting benefits for many years. The Social Security trustees' intermediate assumptions imply, for example, that Social Security benefits in the 25th year of benefit collection would be 5 percent higher if the COLA were based on the CPI-E rather than the CPI-W. Like the other benefit provisions in the SSEA, this enhancement would not raise benefits enough to ensure that everyone collecting Social Security had incomes that equaled or exceeded 200 percent of FPL.

How We Analyzed the SSEA

We use dynamic microsimulation techniques to model the projected impact of the SSEA on a set of key outcomes for future beneficiaries. We use the SSEA for this demonstration analysis because it includes many of the provisions featured in other recent congressional bills that would increase Social Security benefits, such as the Social Security 2100 Act introduced by Rep. John Larson (D-CT) in July 2023.¹⁸ Larson's bill, however, sunsets its tax increases after five years, so the bill would not provide Social Security enough funding to finance its proposed benefit increases. Republicans in Congress, who generally advocate restraining Social Security spending instead of expanding benefits (Johnson and Smith 2020), have not recently introduced a comprehensive Social Security plan.¹⁹ This analysis is primarily for illustrative purposes to understand implications for fairness in outcomes, and it does not endorse any particular plan or provision.

Modeling Approach

We evaluate the SSEA by simulating future annual incomes for Social Security beneficiaries and the projected value of lifetime Social Security benefits and contributions under current law and under the provisions of the proposed bill. For each option, we show how much Social Security could pay out given its revenue, not how much it is scheduled to pay, because federal law prohibits program spending from exceeding available resources. The analysis compares outcomes for Hispanic beneficiaries, Black non-Hispanic beneficiaries, and white non-Hispanic beneficiaries, to assess whether the bill would promote equity across these racial and ethnic groups. Our sample size is too small to make reliable projections for other racial groups. The simulations come from the Urban Institute's Dynamic Simulation of Income Model 4 (DYNASIM4), which we describe in appendix A.

Key Outcomes

We use three primary outcome measures that capture projected benefits from Social Security and indicate whether those benefits combined with other types of income are sufficient to support people's economic security.

- **Median value of total lifetime Social Security benefits.** This measure reflects both annual benefit amounts received and the duration of benefit receipt, which depends on when people begin collecting benefits and how long they live. We project benefits net of any income taxes paid on those benefits. This measure is a direct outcome of Social Security policy.
- **Median value of net lifetime Social Security benefits, computed as the value of total lifetime benefits minus lifetime Social Security contributions.** This measure shows how much people gain from Social Security. Even when lifetime contributions exceed lifetime benefits, however, people still benefit from the insurance aspects of Social Security, which provides financial protection in the event of disability, widowhood, low lifetime earnings, and an especially long life (Arapakis and Wettstein 2023). This measure is a direct outcome of Social Security policy.
- **Share of adult Social Security beneficiaries with family income at or above 200 percent of FPL.** Researchers, policymakers, and advocates commonly use this income threshold to indicate economic security. Economic security is an indirect outcome of Social Security that is also driven by multiple other factors.

We also compute the value of lifetime Social Security contributions, a secondary outcome that factors into the net lifetime benefit calculations. For lifetime benefits and contributions, we focus on median projections, showing outcomes for the typical person receiving benefits or making contributions. Half of people receiving benefits will receive more benefits than the median, and half will receive less. We measure all outcomes in inflation-adjusted 2022 dollars and restrict our projections to adults ages 25 and older. Box 2 describes how we compute lifetime values.

Our SSEA analysis shows its total impact on these outcomes and the incremental impact of each provision. We start by showing how expanding the taxable wage base alone would affect income and total and net benefits. Then we show, one at a time, the incremental cumulative impact of taxing investment income, adjusting the benefit formula, adding a new minimum benefit, and changing COLA computations.

We focus on the long-term impacts of the SSEA. Although the act, if passed, would take effect in 2024, the full impact would not be felt for decades.

BOX 2

Measuring the Lifetime Value of Benefits and Contributions

To measure Social Security lifetime outcomes, we compute the present discounted value of Social Security benefits and contributions summed over a lifetime. The present discounted value reflects the time-value of money by counting early benefits and contributions more than later benefits and contributions. Benefits received earlier are worth more than the same amount of benefits received later because earlier benefits can be invested sooner and earn more interest. The *opportunity cost of money* contributed to Social Security is the amount that the money could have earned if it had been invested elsewhere. As a result, contributions paid earlier cost more than the same amount paid later because those earlier contributions could have earned more than later contributions if they had not gone to Social Security.

We compute the present value of benefits and contributions at age 65, inflating amounts before that age by the cumulative interest rate and discounting amounts after that age by the cumulative interest rate, among people who survive to age 25. Following the 2023 intermediate assumptions adopted by the Social Security trustees, we use a long-term annual real interest rate of 2.3 percent (Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2023).

Population of Interest

The new benefit formula and minimum benefit would apply only to new beneficiaries, not people who are already collecting benefits. Only people who have not yet entered the workforce when the act takes effect will experience a full career under the new contribution rules. To evaluate the SSEA when fully phased in, we project the share of Social Security beneficiaries ages 25 and older with incomes below 200 percent of FPL in 2080, and we project total and net lifetime benefits for people born between 2001 and 2010.

Operationalizing Equity and Generating Equity Scores

Building off a preliminary equity scoring framework and the application of that framework to select policies (Ashley et al. 2022; Balu et al. 2022), we examine three dimensions of equity improvement comparing a policy proposal to an alternative over time. A policy that improves equity in outcomes would demonstrate

1. **within-group improvement for disfavored group(s):** better outcomes for historically disfavored or worse-off groups under the studied policy than under the status quo;
2. **between-group improvement for disfavored group(s):** more improvement for historically disfavored groups than for historically favored groups, when comparing the studied policy to the status quo (i.e., within-group improvement is greater for historically disfavored than for favored groups); or
3. **within-group improvement for all groups:** shared prosperity reflected in better outcomes for all groups under the studied policy than under the status quo.

These three dimensions can function both independently and collectively to provide a holistic assessment of equity.

The time component is particularly important for equity scoring because addressing historical or cumulative disadvantage and harm is what distinguishes equity from equality (which prioritizes achieving the same outcomes at a single point in time). However, the life course nature of Social Security makes apples-to-apples comparisons between cohorts very difficult: individuals pay into the program during their working years and generally benefit from it at older age, and over time, different cohorts are subject to different policies and benefit levels. Instead, we consider the structures within Social Security's historical design that disproportionately benefitted some populations and harmed others by analyzing how well specific provisions of the SSEA address those past disadvantages.

Applying scoring requires that we identify the groups that past policy has favored and disfavored. Drawing on established evidence documenting racial and ethnic disparities in retirement security, income, and wealth (Johnson and Smith 2023b; Kijakazi, Smith, and Runes 2019; Rodgers 2024),²⁰ we identify the historically worse-off or disfavored groups as Black non-Hispanic and Hispanic adults and the historically better off or favored group as white non-Hispanic adults. People with various other independent and intersectional identities (e.g., gender, disability status, education level) also experience retirement insecurity under Social Security's status quo, and future analysis could address how the policy addresses disadvantage on those dimensions as well.

With these groups and the key outcomes identified above, we can operationalize our dimensions of equity improvement as follows in table 2.

TABLE 2

Three Dimensions of Equity Improvement as Applied to Scoring the SSEA Proposal

Dimension	What improvement looks like	How improvement is calculated
Within-group improvement for disfavored group(s)	Black non-Hispanic and Hispanic people (historically disfavored groups) have better outcomes under the SSEA than under current law.	$X_{D2} - X_{D1} > 0$ (Median outcome for the historically disfavored group under SSEA) – (Median outcome for the historically disfavored group under current law)
Between-group improvement for disfavored group(s)	The improvement for Black non-Hispanic and Hispanic people under the SSEA compared with current law is larger than the improvement for white non-Hispanic people under the SSEA compared with current law.	$(X_{D2} - X_{D1}) - (X_{F2} - X_{F1}) > 0$ ((Median outcome for the historically disfavored group under SSEA) – (Median outcome for the historically disfavored group under current law)) – ((Median outcome for the historically favored group under SSEA) – (Median outcome for the historically favored group under current law))
Within-group improvement for all groups	An extension of within-group improvement wherein people in each demographic group have better outcomes under the SSEA than under current law.	$X_{D2} - X_{D1} > 0$ and $X_{F2} - X_{F1} > 0$ (Median outcome for each group under SSEA) – (Median outcome for each group under current law)

Source: Authors' conceptual work.

Notes: The median outcomes (X) are lifetime total benefits, lifetime net benefits, and rate or proportion of economic security. D= historically disfavored, F= historically favored, 2 = SSEA (the policy being studied) and 1 = current law (the status quo).

Applying the calculations in table 2 to the key outcomes we evaluate generates a theoretical desired change for each measure (table 3), yielding a directional equity improvement score. For example, for SSEA to demonstrate within-group equity improvement for median lifetime benefits, the difference between the median outcome for the disfavored group under SSEA and the median outcome for the disfavored group under current law should be positive. For between-group improvement, a positive value would indicate improved fairness, with outcomes improving more for Black non-Hispanic or Hispanic people receiving Social Security than for white non-Hispanic people. For the shared prosperity dimension, which is an extension of the within-group dimension, the difference between *any* group's outcomes (historically favored or disfavored) under SSEA and the current law would be positive.

TABLE 3

Desired Directional Change for Equity Improvement in Study Outcomes*Social Security Expansion Act compared with current law*

Change	Within-group improvement for disfavored group(s) $X_{D2} - X_{D1} > 0$	Between-group improvement for disfavored group(s) $(X_{D2} - X_{D1}) - (X_{F2} - X_{F1}) > 0$	Within-group improvement for all groups $(X_{D2} - X_{D1}) > 0$ and $(X_{F2} - X_{F1}) > 0$
Median lifetime benefits	Positive	Positive	Positive
Median net benefits	Positive	Positive	Positive
% economically secure	Positive	Positive	Positive

Source: Authors' estimates based on SSEA.

Notes: D= historically disfavored, F= historically favored, 2 = SSEA (the policy being studied) and 1 = current law (the status quo). Economically secure is defined as having household income at or above 200 percent of the federal poverty level.

Using the calculations in table 2 and the desired directional changes in table 3 as benchmarks, we measure the direction and size of SSEA's projected equity improvement.

Projected Impact of the SSEA

Our projections show that the SSEA would increase lifetime Social Security benefits and lifetime benefits net of contributions and improve economic security for the racial and ethnic groups we consider. Under two of our measures, however, Black non-Hispanic adults and Hispanic adults would gain less in absolute dollars than white non-Hispanic adults.

Lifetime Social Security Benefits

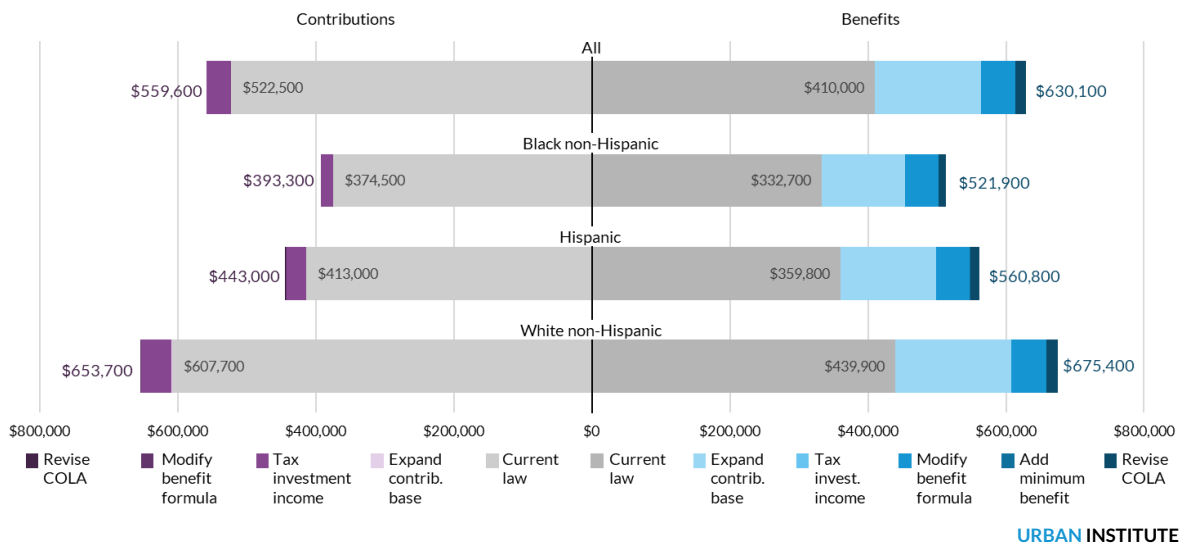
The SSEA would significantly raise lifetime Social Security benefits for workers born between 2001 and 2010 (figure 3). Median lifetime benefits would increase \$220,100 in inflation-adjusted 2022 dollars, from \$410,000 under current law to \$630,100 under the SSEA, a 54 percent gain. About two-thirds of the increase would come from the higher revenues generated by the bill, which would close Social Security's long-term funding gap and allow the program to pay all benefits scheduled under current law. Without additional revenues, Social Security could pay only about three-quarters of benefits scheduled for people born between 2001 and 2010 (the population studied for these analyses) because the program's payments cannot exceed its financial resources. Raising Social Security's taxable maximum would generate all the additional revenue needed to close the financing gap under current law.

The benefit enhancement included in the SSEA would raise median lifetime benefits by an additional \$66,000, a 12 percent increase over the benefits scheduled under current law (and over what

beneficiaries would receive from the bill's revenue hikes alone). Modifying the benefit formula by increasing the first bend point and boosting the first replacement rate by 5 percentage points would have the largest impact among the benefit enhancements. Increasing the minimum benefit on top of the benefit formula changes would have a negligible impact on the median value, affecting only people with limited lifetime earnings. Even among people in the bottom fifth of the lifetime earnings distribution, boosting the minimum benefit would increase median lifetime benefits only 5 percent, because the work history requirements would disqualify many low-income people. Revising Social Security's COLA would also have a modest impact, raising median lifetime benefits by only about \$15,000 after all other changes are implemented.

FIGURE 3
The SSEA Would Raise Benefits and Contributions for All: Expanding Contribution Base Drives Benefit Gains, and Taxing Investment Income Drives Contribution Increases

Projected median value of total lifetime Social Security benefits and contributions by race and ethnicity



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Source: Authors' estimates from DYNASIM4, run id 1004.

Notes: COLA = cost-of-living adjustment. The figure shows estimates for adults born between 2001 and 2010 who survive to at least age 25. Lifetime benefits and contributions are reported in inflation-adjusted 2022 dollars and discounted to age 65 using an annual real interest rate of 2.3 percent. The analysis excludes benefits paid to children. Lifetime benefits are computed net of any income taxes paid on those benefits. Because a median difference cannot be computed by subtracting one median value from another, subtracting median lifetime contributions from median lifetime benefits reported here does not generate the median value of net lifetime benefits reported below in figure 4. Racial and ethnic groups are mutually exclusive.

Social Security's current benefit and contribution rules generate substantial racial and ethnic disparities. For adults born between 2001 and 2010, if the current law does not change, we project median lifetime benefits will total \$332,700 for Black non-Hispanic people who receive benefits, and \$359,800 for Hispanic people who receive benefits, compared with \$439,900 for white non-Hispanic

people who receive benefits. We project that white non-Hispanic adults will receive more Social Security benefits over their lifetime than the other groups because they will earn more and contribute more to the system. White non-Hispanic people are also projected to live longer and thus collect benefits longer than Black non-Hispanic people, further widening current-law disparities.

The SSEA would increase median lifetime benefits for all groups, but Black non-Hispanic adults and Hispanic adults would experience smaller gains than white non-Hispanic adults, widening racial and ethnic disparities. These disparities remain because their underlying drivers—earnings and life expectancy differences—persist. We project that, under the SSEA, median lifetime benefits would increase by \$189,200 for Black non-Hispanic adults and \$201,000 for Hispanic adults, compared with \$235,500 for white non-Hispanic adults.

Increasing Social Security revenues would favor white non-Hispanic people more than the other changes in the SSEA. The additional revenue would eliminate the across-the-board benefit cuts that would otherwise result. Those across-the-board cuts would reduce benefits more for white non-Hispanic adults than for other adults because white non-Hispanic adults on average receive more lifetime benefits (although this group includes many high-wealth and high-earning individuals with other sources of income that would minimize financial pain from those benefit cuts). Revising COLAs would also favor white non-Hispanic adults. Raising the minimum benefit would help Black non-Hispanic adults more than other groups and modifying the benefit formula would increase median lifetime benefits for all groups by about the same amount.

Lifetime Social Security Contributions

The projected growth in Social Security revenues under the SSEA that would propel an increase in median lifetime Social Security benefits would also increase projected median lifetime Social Security contributions. For adults born between 2001 and 2010, the SSEA would increase overall median lifetime contributions by \$37,100, from \$522,500 to \$559,600, a 7 percent increase. At the median, these contribution hikes stem mostly from the SSEA's new tax on investment income. Extending the payroll tax to additional earnings would not affect the median value of contributions much because the change would initially affect only workers earning more than \$250,000.²¹

Under the SSEA, increases in Social Security contributions are projected to rise more for higher-income workers than lower-income workers, generating absolute impact differentials across racial and ethnic groups. We project that median lifetime contributions would increase \$204,500 for the top fifth of lifetime earnings compared with \$13,100 for the bottom fifth. Median lifetime contributions would

increase \$46,000 for white non-Hispanic adults, \$30,000 for Hispanic adults, and \$19,500 for Black non-Hispanic adults.

Net Lifetime Social Security Benefits

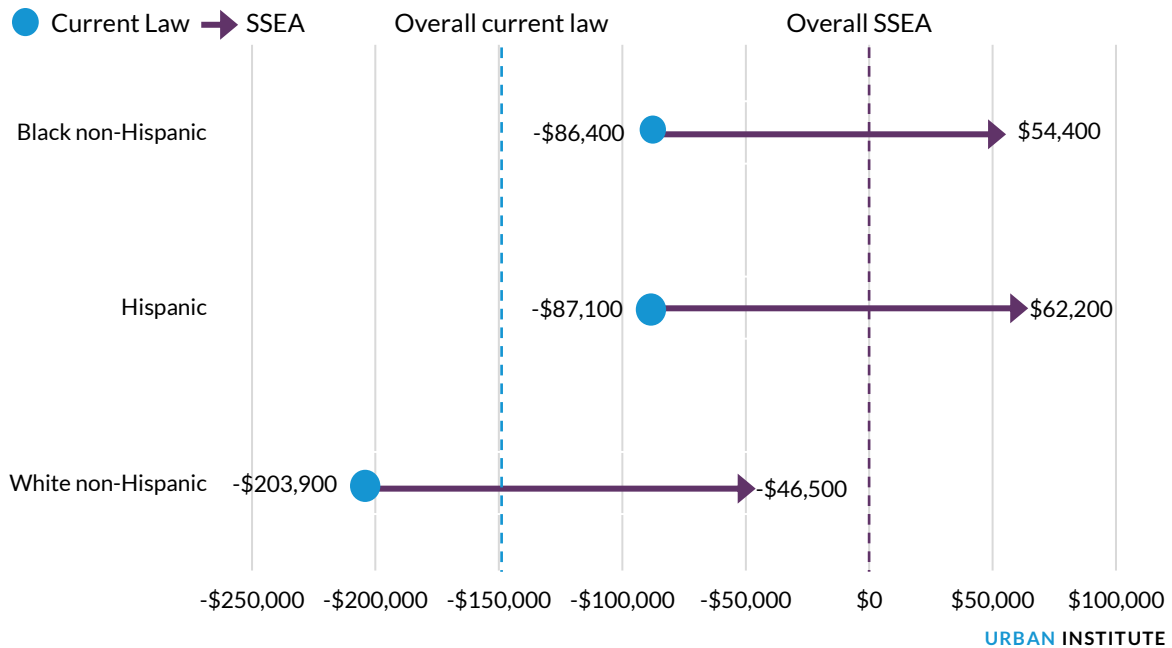
The SSEA would also increase the median value of lifetime benefits minus lifetime contributions (i.e., net benefits) for all adults born between 2001 and 2010. Under current law, the median value of net benefits is negative for all groups, with lifetime contributions exceeding lifetime benefits for the median beneficiary.²² This negative estimate does not imply that Social Security has little value, however. Workers gain from the insurance that Social Security provides for such events as widowhood and disability even if they do not experience them, in much the same way that people benefit from fire insurance policies even if their house never burns down. By boosting lifetime Social Security benefits, the SSEA would increase median net lifetime benefits as well. Overall, median net lifetime benefits would increase by \$150,000 under the bill, so lifetime benefits approximately equal lifetime contributions for the median adult.

Median net lifetime benefits would increase for all three racial and ethnic groups we consider, increasing most for white non-Hispanic adults (figure 4). The SSEA would raise the median value \$149,300 for Hispanic adults and \$140,800 for Black non-Hispanic adults, compared with \$157,400 for white non-Hispanic adults. However, the expected lifetime value of Social Security benefits would continue to fall short of the lifetime value of contributions for the median white non-Hispanic adult, whereas lifetime benefits would exceed lifetime contributions for the median Black non-Hispanic adult and the median Hispanic adult.

FIGURE 4

The SSEA Would Increase Median Net Lifetime Benefits for All Recipients, with White Non-Hispanic Adults Experiencing the Largest Gains

Median value of lifetime Social Security benefits minus lifetime contributions by race and ethnicity



Source: Authors' estimates from DYNASIM4, run id 1004.

Notes: The figure shows median estimates for adults born between 2001 and 2010 who survive to at least age 25. Net lifetime Social Security benefits equal lifetime benefits minus lifetime contributions, calculated for each individual. A net lifetime benefit of \$0 indicates parity. Lifetime benefits and contributions are reported in inflation-adjusted 2022 dollars and discounted to age 65 using an annual real interest rate of 2.3 percent. The analysis excludes benefits paid to children. Lifetime benefits are computed net of any income taxes paid on those benefits. Racial and ethnic groups are mutually exclusive.

Economic Security

The SSEA would substantially increase economic security for people collecting Social Security. We project that in 2080, when the SSEA would be fully phased in, the share of adult Social Security beneficiaries with family income at or above 200 percent of FPL would increase from 82.4 percent to 92.6 percent, cutting the number of beneficiaries who are economically insecure by more than half (figure 5).

The SSEA would improve economic security for all three racial and ethnic groups we examine, but the impacts would be most significant for Black non-Hispanic adults and Hispanic adults. We project that the share of adults collecting Social Security with family income at or above 200 percent of FPL would increase by 12.2 percentage points among Black non-Hispanic adults (from 75.4 percent to 87.6

percent) and 12.8 percentage points among Hispanic adults (from 76.5 percent to 89.3 percent), compared with 9.2 percentage points among white non-Hispanic adults (from 85.6 percent to 94.8 percent). Even after the implementation of the SSEA, however, Black non-Hispanic adults and Hispanic adults collecting Social Security would remain about twice as likely to experience economic insecurity as their white non-Hispanic counterparts.

For all racial and ethnic groups, the SSEA would improve economic security primarily by raising Social Security revenues enough to fund benefits scheduled under current law. Without those additional revenues, the program could pay only about three-quarters of scheduled benefits in 2080. The additional funding would come from initially adding annual earnings in excess of \$250,000 to the Social Security contribution base and eventually including all earnings in the contribution base. Those funds would allow Social Security to pay all scheduled benefits, increasing the share of people collecting benefits who are economically secure by 7.3 percentage points, nearly three-quarters of the total projected impact of the proposed legislation. Taxing investment income would not improve economic security because increasing the payroll tax base would be sufficient to fund all benefits scheduled under current law. Modifying the benefit formula would further increase the overall economic security rate by about another 2 percentage points. Raising the minimum benefit and enhancing the COLA would have much smaller effects on economic security.

FIGURE 5

The SSEA Proposal Would Substantially Increase Projected Economic Security for All Racial and Ethnic Groups Studied, Largely Because Expanding the Contribution Base Would Allow Social Security to Pay Benefits Scheduled under Current Law

Change in the percentage of adults collecting Social Security with household income at or above 200% of FPL, to the SSEA from current law, by provision



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Source: Authors' estimates from DYNASIM4, run id 1004.

Notes: The figure shows projections of the percentage of people ages 25 and older collecting Social Security with family income below 200 percent of FPL in 2080 under current law, the incremental impact of each provision of the SSEA on the share with income below that threshold, and the projected share with income below that level under the SSEA. Racial and ethnic groups are mutually exclusive. Taxing investment income would not improve economic security because increasing the payroll tax base would be sufficient to fund all benefits scheduled under current law.

Summary of Equity Improvement

Building off the conceptual changes that would be equity-enhancing, described in the Methods section and specifically in tables 2 and 3, table 4 summarizes the results of our equity improvement analysis for the SSEA for each of the key outcomes. Checkmarks in the table indicate that the bill is projected to promote equity for the given outcome and dimension; cross marks indicate that it is not projected to improve equity. A proposal that creates within-group improvements in an outcome across all three evaluated racial and ethnic groups meets the criterion for the shared prosperity dimension of equity.

The SSEA meets all three dimensions of equity improvement for the outcome of economic security. Our projections show that the SSEA would increase the prevalence of economic security for historically disfavored groups (Black non-Hispanic adults and Hispanic adults), satisfying the within-group improvement dimension of equity, as well as for a historically favored group (white non-Hispanic), thereby also satisfying the shared prosperity dimension. By producing larger within-group improvements in economic security for Black non-Hispanic and Hispanic individuals (historically disfavored groups) compared to white non-Hispanic individuals (historically favored group), the SSEA also satisfies the between-group dimension. The SSEA would increase economic security slightly more for Hispanic adults than for Black non-Hispanic adults.

TABLE 4

SSEA Proposal Would Improve Equity in Some Dimensions but Widen the Benefit Gap for Black non-Hispanic and Hispanic Adults Relative to White non-Hispanic Adults

Estimated direction (and values) for two dimensions of equity improvement

Change	Within-Group Improvement			Between-Group Improvement	
	Black non-Hispanic	Hispanic	White non-Hispanic	Black non-Hispanic vs. white non-Hispanic	Hispanic vs. white non-Hispanic
Median total lifetime benefits (\$)	Positive (189,200) ✓	Positive (201,000) ✓	Positive (\$235,500) ✓	Negative (-46,300) ✗	Negative (-34,500) ✗
Median net lifetime benefits (\$)	Positive (140,800) ✓	Positive (149,300) ✓	Positive (157,400) ✓	Negative (-16,600) ✗	Negative (-8,100) ✗
Economic security (%)	Positive (12.2) ✓	Positive (12.8) ✓	Positive (9.2) ✓	Positive (3.0) ✓	Positive (3.6) ✓

Source: Authors' estimates from DYNASIM4, run id 1004.

Notes: Checkmarks (✓) indicate that the SSEA is projected to improve equity, and cross marks (✗) indicate that the SSEA is not projected to improve equity, according to the specified outcome. The within-group improvement measure is computed as a group's outcomes under SSEA minus the group's outcomes under current law. See table 2 notes for calculations. Total and net lifetime benefits are projections for adults born between 2001 and 2010 who survive to at least age 25. Lifetime benefits and contributions are reported in inflation-adjusted 2022 dollars and discounted to age 65 using an annual real interest rate of 2.3 percent. The analysis excludes benefits paid before age 25. Economic security is defined as having household income at or above 200 percent of FPL; the table reports the projected percentage of adult Social Security beneficiaries experiencing economic

security in 2080. Standard errors are not reported because of the excessive computational resources needed to quantify the uncertainty of dynamic microsimulation estimates.

For the other outcomes, the SSEA's potential for enhancing equity is mixed. It improves total lifetime benefits and net lifetime benefits within historically disfavored groups and for all groups, but it widens gaps in those outcomes between groups. That is, the median within-group improvement in total and net benefits that white non-Hispanic adults are projected to experience is greater than that of Black non-Hispanic and Hispanic adults. Gaps would increase more for Black non-Hispanic adults than for Hispanic adults relative to white non-Hispanic adults.

What Does the SSEA Illustrate about Equity Scoring?

This is the first equity scoring analysis applied to a national program that offers benefits to people from all walks of life, throughout the income and wealth distribution. This report focuses on Social Security, a government program that nearly every worker pays into and from which they can expect to receive payment later in life. While Social Security's financial solvency is hotly debated and the program is considered politically fraught to reform, this report sidesteps the politics of reform to consider what we can learn about measures of fairness in the distribution of federally managed funds and equity in the economic security those funds are designed to support.

While Social Security was designed to be a progressive benefits program, Social Security proposals will not always generate equal (even) or equitable (fair) outcomes. Social Security outcomes differ by various individual-level characteristics. In this analysis, we organize our scoring around race and ethnicity because of the multiple structural, historical, and contemporary ways that race and ethnicity have been made inappropriately and unfairly meaningful in peoples' experiences of economic security outcomes. Social Security outcomes vary by other individual-level characteristics as well, such as gender, immigration status, disability status, and other factors related to employment status (e.g., full-time vs. part-time) and history, which can determine contribution and benefit levels.

When we score a proposal for its potential to improve equity in Social Security, ideally we would account for the intersection of policies and how they make these characteristics unfairly meaningful. We highlight race and ethnicity as an essential starting point for equity scoring of proposed Social Security reforms. Our focus illustrates that even for the younger age cohorts that would be covered under the proposed bill and who have not been subjected to historical race-based barriers that disproportionately excluded Black workers from Social Security itself (Kijakazi, Smith, and Runes 2019),

disparities in outcomes persist that policymakers will need to consider and address as they debate reforms.

The Equity Scoring Initiative's previous papers recommend assessing a proposed policy for its potential effects on outcomes as a fundamental test of equity (Ashley et al. 2022). We advance that argument by focusing on outcomes directly determined by the Social Security formulas (contributions, benefits, net benefits) as well as more indirect outcomes like economic security, which Social Security can shape but cannot determine alone.

Future equity scoring efforts should continue evaluating direct and indirect outcomes to generate equity improvement insights that are specific to the policy being scored as well as more broadly normative. Advancing our ability to evaluate the degree to which a given policy affects a longer-term outcome is an important computational capability for equity scoring analysts. Having a regular set of outcomes (life expectancy, economic security, and so on) that analysts can use across policies could help policymakers assess which policies advance equity.

Most legislative proposals related to Social Security include multiple provisions and proposed mechanisms for achieving change, offering an opportunity for comparisons between provisions and how the effects of each provision may vary for people with different demographic characteristics. We built the SSEA's provisions into DYNASIM4 individually and cumulatively. This allows us to decompose our key outcomes into each provision's marginal effect, which enables us to draw more nuanced conclusions about how the proposal achieves its impact and whether some provisions are more or less equity-enhancing than others. Provision-level analysis allows comparisons with other Social Security proposals that contain similar provisions, as shown in table 1, thus increasing a score's transferability and comparability.

This report further refined the criteria for determining what makes a proposal equity-enhancing or not: within-group improvement relative to the past, between-group improvement today, and all-group improvement for shared prosperity in the future. Some policy analysts may disagree with equity advocates about whether a policy needs to meet all three criteria to be considered equity-enhancing. Because we analyzed multiple provisions and showed how well they perform to achieve multiple outcomes, we generated more examples and discussion points about how an assessment of a policy might differ if using only one of or all the criteria.

While we make several important advances in equity scoring with this demonstration analysis, we acknowledge the shortcomings to our approach. First, this proposal is just one of many to reform Social Security. For simplicity of comparisons, we selected one that had many of the most commonly proposed

provisions, but the SSEA is not meant to represent the full set of options. Second, our use of point estimates of key outcome differences aligned to the three dimensions of an equity score is an improvement over descriptive or directional scores. However, given the computational demands of projecting outcomes far into the future, it is difficult to produce meaningful margins of error or confidence intervals, which then makes it difficult to conclude whether the differences we estimate are statistically meaningful. For simplicity in this analysis, we focused on estimates of differences in median outcomes. Future work could examine differences in outcomes across quartiles or deciles in an income distribution. Third, differences by race and ethnicity likely intersect with other characteristics, such as gender and immigration status, so further analysis could reveal other opportunities for improvement in economic security (and highlight other sources of ongoing earnings differences that may relate to different Social Security contribution and benefit amounts).

Despite these limitations, we hope that the technical and conceptual analysis in this demonstration report can set the stage for how entities that regularly conduct analysis of large-scale legislation, such as the Congressional Budget Office, could approach an equity assessment of proposals and their provisions. By showing (1) analysis for cohorts and groups most likely to be affected by a specific proposal, (2) how much specific provisions of that proposal as well as the proposal overall improve equity, and (3) how outcomes vary along specific dimensions of equity, we can better understand and compare options across legislative proposals. This type of substantive evidence on whether and to what degree a proposal is or could be equity-enhancing can promote more informed debate about critical programs necessary to support this country's commitment to fairness and justice for all constituents.

Appendix A. Dynamic Simulation of Income Model 4

The Dynamic Simulation of Income Model 4 (DYNASIM4) starts with a nationally representative sample of individuals and families in 2006 and ages them year by year, simulating key demographic, economic, and health events. For example, DYNASIM4 projects that each year some people in the sample get married, have a child, or find a job. The model projects that other people become divorced or widowed, stop working, begin collecting Social Security, become disabled, or die. These transitions are based on probabilities generated by carefully calibrated equations estimated from national household survey data. The equations account for important differences in how likely various experiences are depending on gender, education, earnings, and other characteristics. Other equations in DYNASIM4 project annual earnings, savings, and home equity. The model includes detailed Social Security, Supplemental Security Income, health insurance, and income tax calculators that combine historical and projected program rules with projections of lifetime earnings, disability and health status, and household income and wealth.

The baseline model projects current-law program rules into the future, including the 2025 sunset of tax provisions in the 2017 Tax Cuts and Jobs Act. We also assume that current indexing of income tax parameters and government benefits continue indefinitely. For consistency with Social Security's projections about program revenues and payments, we generally use the same assumptions that the Medicare and Social Security trustees used in their 2023 projections (Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds 2023; Board of Trustees, Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds 2023).

DYNASIM4 has been rigorously validated by Urban modelers, and its projections align closely with those developed by the Social Security actuaries (Smith et al. 2018). One area in which we deviate from the actuaries, however, is our projection of revenues generated by the income taxation of Social Security benefits. Because we assume that current law continues indefinitely, we hold the income thresholds for the taxation of Social Security benefits, which have not changed since they first went into effect in 1984, at their current levels throughout the projection period. Consequently, we project that revenue from taxing Social Security benefits increases as inflation and productivity growth raise earnings. Our projections show that between 2027 and 2095, this revenue as a share of total benefits paid will grow from 5 percent to 8.5 percent. By contrast, the Social Security actuaries project that income tax collections as a share of benefits paid will increase over the same period from 5 percent to 5.6 percent (SSA 2019).

Urban Institute researchers have used DYNASIM4 extensively to evaluate programs and policies affecting older adults, including Social Security, Medicare, long-term services and supports, and employer-provided pensions, as well as the potential impact of various reforms. Studies have examined Social Security and pension reform proposals from the Bipartisan Policy Center’s Commission on Retirement Security and Personal Savings (Bipartisan Policy Center 2016), the National Commission on Fiscal Responsibility and Reform (Favreault and Karamcheva 2011), and the 2020 Democratic presidential candidates (Smith, Johnson, and Favreault 2020a).

Notes

- ¹ Poverty estimates shown here use the US Census Bureau's Supplemental Poverty Measure, which accounts for people's location, homeownership status, out-of-pocket medical spending, taxes, and the value of in-kind benefits (food stamps, for example).
- ² Janis Bowdler and Benjamin Harris, "Racial Inequality in the United States," US Department of the Treasury, July 21, 2022, <https://home.treasury.gov/news/featured-stories/racial-inequality-in-the-united-states>.
- ³ "Income Sources of Older Households," US Census Bureau, February 8, 2022, <https://www.census.gov/newsroom/press-releases/2022/income-sources-older-households.html>.
- ⁴ See US Const. art. XIV, § 1.
- ⁵ *Griggs v. Duke Power Co.*, 401 US 424, 430 (1971).
- ⁶ "Monthly Statistical Snapshot, January 2024," Social Security Administration, released February 2022, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2024-1.html.
- ⁷ Authors' calculations from Social Security Administration (2023, table 5B.6), based on the federal poverty level for single adults ages 65 and older.
- ⁸ The Congressional Budget Office has also examined Social Security's finances and projects that the trust fund will run out in 2034 (Dahl 2024).
- ⁹ These caregiver credits would add to the wage records used to compute caregivers' benefits. These additional Social Security credits would offset the credits they lost when they reduced their employment to help family members.
- ¹⁰ Letter to Sen. Sanders from Social Security's Office of the Chief Actuary, February 13, 2023, https://www.ssa.gov/OACT/solvency/BSanders_20230213.pdf.
- ¹¹ The legislation would also combine the trust funds for the retirement and disability programs into a single trust fund and extend benefits to the children of disabled or deceased workers from ages 19 to 22, as long as they are full-time students. We do not examine the impact of extending child benefits because our analysis considers only adult beneficiaries.
- ¹² "Survey of Consumer Finances: Historical Tables," Board of Governors of the Federal Reserve Board, accessed March 7, 2023, <https://www.federalreserve.gov/econres/scfindex.htm>.
- ¹³ For example, under the SSEA single taxpayers with net investment income of \$50,000 and MAGI of \$225,000 would pay an additional 12.4 percent tax on \$25,000 (or \$3,100), the amount by which their MAGI would exceed the tax threshold of \$200,000. If instead their MAGI was \$300,000, they would pay an additional 12.4 percent tax on \$50,000 (or \$6,200), their total net investment income, because their MAGI would exceed the \$200,000 tax threshold by more than their net investment income.
- ¹⁴ On AIME up to the current-law first bend point of \$1,174, beneficiaries would gain 5 percent, the difference between the proposed new replacement rate of 95 percent and the current-law replacement rate of 90 percent, an increase of \$58.70. On AIME above \$1,174 and through \$1,321, the new first bend point, beneficiaries would gain 63 percent, the difference between the proposed new replacement of 95 percent on those earnings and the current-law replacement rate of 32 percent, an increase of \$162.54 (63 percent of \$258). The total gains round to \$221.
- ¹⁵ Of the 66 million people collecting Social Security payments in December 2022, only about 23,000 received the special minimum PIA (SSA 2023, tables 5.A1 and 5.A8). Feinstein (2021) estimates that for workers who began collecting Social Security between 1999 and 2019, the only beneficiaries collecting the special minimum PIA

were those whose Social Security payments would otherwise have been reduced by the program's windfall elimination provision, which cuts benefits for some people receiving a pension based on employment that was not covered by Social Security.

- ¹⁶ The 2023 federal poverty guideline is \$14,580 for a single person. See "Prior HHS Poverty Guidelines and Federal Register References," accessed March 7, 2024, Office of the Assistant Secretary for Planning and Evaluation, US Department of Health and Human Services, <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines/prior-hhs-poverty-guidelines-federal-register-references>.
- ¹⁷ "Description of Proposed Provision: A6: Starting December 2021, Compute the COLA Using the Consumer Price Index for the Elderly (CPI-E)," Social Security Administration, https://www.ssa.gov/oact/solvency/provisions/charts/chart_run092.html.
- ¹⁸ [Social Security 2100 Act](#), H.R. 4583, 118th Cong. (2023).
- ¹⁹ The Social Security plan outlined by the Republican Study Committee (2022), which has not been introduced in Congress, does not specify many important details that would affect benefit payments.
- ²⁰ See also Madeline Brown, Signe-Mary McKernan, Thea Garon, Oriya Cohen, Catherine Harvey, C. Eugene Steuerle, and Ofronama Biu, "[Nine Charts about Wealth Inequality in America](#)," Urban Institute, April 25, 2024, <https://apps.urban.org/features/wealth-inequality-charts/>.
- ²¹ The benefit increase generated by the SSEA also modestly raises revenues from federal income taxes paid on Social Security benefits.
- ²² The median value of net lifetime benefits is positive, however, for earlier generations.

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