

Presentation of Uncertainty

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Recommendations (Abridged)

P-1: Show a plausible - and useful – range

P-2: Make likely comparisons comparable

P-3: Label Alternatives I & III more precisely

P-4: Improved data display

R(easearch)-1: Develop methodologies for estimating probability distributions of key parameters.

Potential Goals

- Identify the significance of key risk factors
- Early detection of risks to the program's finances
- Establish a standard from which proposed changes can be measured (hopeful).

Setting Subjective Ranges

- How can plausibility/comparability be established without underlying probability distributions
- Suggested in paper: "...the widest range of reasonable assumptions within which the Trustees believe the 75-year averages of actual results are likely to fall."
- Compare to: "Actual future costs are unlikely to be as extreme as those portrayed by the low-cost or high-cost projections."

Two Assumption Sets

- Necessary to balance usefulness and plausibility of ranges
- Sensitivity of individual assumptions
 - Apply plausibility, comparability standards to define range of individual assumption
- Sensitivity of Long-Range Estimates (LREs)
 - Apply plausibility, comparability standards to define range of LREs
 - Use single standard – 75y actuarial balance

New Tables

Table 2. - Annual Income Rates, Cost Rates, and Balances - Summary Data from Higher Trust Fund Balance and Lower Trust Fund Balance Projections

	OASI			DI			OASDI		
	Income Rate	Cost Rate	Balance	Income Rate	Cost Rate	Balance	Income Rate	Cost Rate	Balance
Intermediate									
2090.....	11.44	15.99	-4.55	1.86	2.30	-0.45	13.30	18.29	-5.00
High-Balance									
2090.....	11.18	11.34	-0.16	1.84	1.52	0.31	13.02	12.86	0.15
Difference from Intermed.	-0.26	-4.65	4.39	-0.02	-0.78	0.76	-0.28	-5.43	5.15
2041-2090 Trend		Increasing			Decreasing			Increasing	
Low-Balance									
2090.....	11.85	23.50	-11.65	1.88	3.33	-1.45	13.73	26.83	-13.10
Difference from Intermed.	0.41	7.51	-7.10	0.02	1.03	-1.00	0.43	8.54	-8.10
2041-2090 Trend		Decreasing			Decreasing			Decreasing	

New Tables

Table 3. - Annual Income Rates, Cost Rates, and Balances - Summary Stochastic Data

	OASI			DI			OASDI		
	Income Rate	Cost Rate	Balance	Income Rate	Cost Rate	Balance	Income Rate	Cost Rate	Balance
Intermediate 2090.....	11.44	15.99	-4.55	1.86	2.30	-0.45	13.30	18.29	-5.00
5th Percentile 2090.....	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
Difference from Intermed.	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
95th Percentile 2090.....	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
Difference from Intermed.	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx	xx.xx
Percent of scenarios with declining balance 2041-2090			xx%			xx%			xx%