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CHAIRPERSON'S CORNER

We have all lived through an unparalleled time of change. Yet, we will likely see more changes within the next few years than we have in our lifetimes. For example, compare the capability of smart phones to the cell phone that you had in 2002 or even in 1992. Can you imagine what types of devices you will be dependent on in 2022?

Technological advances occur at an exponential rate, not a linear one. In 2005, Aubrey de Grey incorporated this fact when we estimated that the first person to live to 1,000 will probably only be born 10 years later than the first person to live to 150. Is the first person to live to 150 already alive? How about 1,000? Is it possible to manage this "tail" risk in a cost-sensitive, competitive environment? Or would industry-wide changes be necessary?

At a minimum, the global population is aging—birth rates are decreasing while life expectancies are increasing. Given current demographics and the propensity for investors to reduce equity allocations as they age, an aging population should have a positive effect on bond prices and a negative effect on equity prices. Furthermore, as longevity increases, investors should discount future cash flows less since the trade-off between present and future should be less important. In my opinion, these assertions will inevitably lead to continuing low interest rates, poor equity returns over the next one to two decades, and ultimately a lower portion of capital raised through equity markets.

Unfortunately, we often assume capital markets will solve our problems for us (i.e., erase our debts), a notion that often leads us to hesitate changing our investment strategies or, worse yet, to price products assuming markets will "revert back to the mean." If we are slow to respond and markets perform as I suspect they will, actuaries will likely suffer severe public scrutiny. Furthermore, if governments do not address the existing social insurance problems (e.g., Medicare), their economies will continue to be weighed down and eventually overwhelmed by these programs. In order for our profession to remain relevant, we not only need to improve our solutions but also need to influence the regulatory environment to assure better solutions are possible.

In March, we held the "Long-Term Financial Planning Summit" in New York. There were 31 attendees who represented members from each of the sponsoring sections: investments, pensions (corporate and public), social insurance, long term care, and forecasting and futurism. Although there was not a consensus about the solution, I believe there was wide acceptance that our profession may need to consider some fairly dramatic changes to avoid public scrutiny and to remain relevant. We are developing two sessions for the 2012 annual meeting and a webcast to share perspectives with and to solicit feedback from a broader audience.

Although my attention has been largely focused on the aforementioned issues, the Investment Section Council has been hard at work ensuring our members receive value through various forums. The 2012 Investment Symposium had its largest attendance and great reviews across the board, especially for the new pension track. Our ALM Investment Seminars in Shanghai and Taipei were also very successful. Given section members have expressed the desire to have more webcasts and podcasts available, we are working with presenters from each of these events to develop a few webcasts and a series of podcasts that should be available by the end of the year. In the meantime, we hope you enjoy this edition of *Risks & Rewards*!

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