



SOCIETY OF ACTUARIES

Article from:

# Actuary of the Future

April 2014 – Issue 36

# PASSING THE TORCH: AN INTERVIEW WITH AARON MEDER

By Steven Chin

## STEVEN:

How did you get to where you are now? Can you briefly run us through your career history?

## AARON:

I started out as a traditional consulting actuary at Watson Wyatt in Chicago. Two years later, I joined Towers Perrin and spent three years there. They were similar positions within the retirement practice, but I wanted to see the differences in company culture.

At the time, I always told my employers and recruiters that I was interested in getting involved as an investment actuary in some capacity. Outside of work and studying, I spent a lot of time self-educating myself on financial markets, risk management and investment strategies.

One day in 2004, I got a call from a recruiter about an asset-liability role at UBS Global Asset Management. This was right after the “perfect storm” in 2002 when interest rates and equity markets fell. Pension funded statuses took a huge hit at the time. People were turning to asset managers and asking questions about how to better align assets and liabilities. Liability-driven investment (LDI) was not well-known at this point and UBS was looking for someone who could have these discussions on investment solutions that could better align assets and liabilities.

I was lucky enough to get this job. When I look back, there were many individuals who were qualified for this position, but I think the self-studying on investment-related and risk management strategies helped me get this position.

During my six years at UBS, I went from building the modeling side with respect to asset-liability management (ALM) to leading the LDI team. As the only actuary within the Global Investment Solution team comprised of 100 people, I got a chance to work with many intelligent individuals who had a different perspective on LDI versus working with traditional actuaries. This valuable experience allowed me to deepen my understanding of risk management and financial markets as well as become a more well-rounded investment professional versus being just a liability expert.



*Aaron Meder, FSA, EA, CFA, MBA, was appointed as head of Solutions in January 2013, having previously joined LGIMA in 2010 as head of U.S. Pension Solutions. In this role, Aaron was responsible for construction and management of customized investment solutions, including*

*LDI, for U.S. pension clients. Prior to joining LGIMA, Aaron was a managing director and head of Asset-Liability Investment Solutions, Americas for UBS Global Asset Management. At UBS, he also was a member of the Global Investment Solutions group and led the U.S. Pension Advisory Group and the Asset-Liability Investment Committee. Prior to UBS, Aaron worked at Towers Perrin and Watson Wyatt Worldwide. Aaron is a CFA charterholder, holds a BS in actuarial science from the University of Illinois and an MBA from J.L. Kellogg Graduate School of Management. He can be reached at [aaron.meder@gmail.com](mailto:aaron.meder@gmail.com).*

With LDI growing at the time, I made the switch to Legal & General Investment Management (LGIM) in 2010. LGIM has always been regarded as a global leader in LDI. With LGIM coming to America, this gave me an opportunity to start a new business from scratch and express my entrepreneurial side. My three years here have been great, with the U.S. business growing substantially. Recently, I have been given the opportunity to run the global solutions team, so I will be making the move to London shortly.

From Watson Wyatt to Towers Perrin, I learned a great deal about the liability side as a traditional consulting actuary. The transition to UBS was a great learning experience into becoming a non-traditional actuary who understands markets and investments. Lastly, the move to LGIM has been a fantastic leadership and business management opportunity.

If I had to sum up how I got to where I am today, I would say three things. First, lots of hard work including considerable studying and self-education. Second, support



*Steven Chin is an actuarial associate with Aon Hewitt in Lincolnshire, Ill. He can be reached at [steven.chin.2@aonhewitt.com](mailto:steven.chin.2@aonhewitt.com)*

CONTINUED ON PAGE 2

from my parents and wife; whether it was my education or career, they were always there for me. Third, good luck played a big role. Even with all my hard work and support from my family, I easily could have ended up in a different role if luck did not play a role in my life.

**STEVEN:**

As an industry leader—the global head of Solutions Group at LGIM, you have been involved in a variety of client projects and industry changes. What do you enjoy the most about your career?

**AARON:**

What I enjoy most about being on the asset management and investment solutions side is the market is constantly innovating. The LDI market five years ago in the U.K. and United States is significantly different to today's LDI market. It's energizing and motivating that you have to stay a little ahead of your competition. You also don't want to get too far ahead of your competition because some of those investment solutions aren't commercially viable. Finding the balance between being innovative and coming up with commercially viable investment solutions is a very difficult thing to do, but I find this challenging and rewarding in my position.

**STEVEN:**

What do you think contributes the most to your successes? And how should every aspiring actuary develop these skills/traits? What is the greatest challenge you have faced transitioning from a traditional to non-traditional actuarial role? How did you overcome this difficulty?

**AARON:**

Communication in my role is important. Internal and external conversations play a large role along with managing internal stakeholders. Alongside, you need to be able to motivate and influence individuals inside and outside of your firm. The field we work in can be quite complex, but if you can break this down into language where individuals can understand, and, more importantly, make decisions off this then you can have great success.

Moving from being a traditional actuary to a non-traditional actuary, communication was not one of my

strengths. Most actuaries are not thought of as strong communicators. Over the years, I worked hard to turn this weakness into a strength. I spent many hours practicing on presentation skills and going to Toastmasters meetings on my own personal time. It was quite painful at first; I never enjoyed getting up and speaking in front of people. After years of training, I have gone from being deathly scared to mildly anxious when publicly speaking. Whether or not you are looking at making the change from a traditional to a non-traditional actuary, I don't think you can overinvest in developing your communication skills.

**STEVEN:**

Obtaining an FSA for an actuary is the gold standard of hard work. However, you have a CFA designation and an MBA from Northwestern University. How have these shaped your career?

**AARON:**

The FSA took the most work to achieve. This gave me that objective credential that said you understand the liability side amongst other things. The CFA gave me another objective credential that said I understood the asset side, which proved valuable since more actuaries are being recruited to the investment world today. The CFA is highly valuable for anyone wanting to enter the investment world.

The MBA depends on your ambitions. I have always been fascinated by running my own business. I have been fortunate whether it was at UBS or LGIM to be given the responsibility and autonomy to run my division as a business. This means you need to think about many other things besides being an actuary on the traditional side or portfolio manager on the investment side.

Anyone looking to get an MBA in Chicago would likely agree that the University of Chicago (Booth) and Northwestern University (Kellogg) are the two top schools. The reason why I chose to go to Northwestern University is I felt this would allow me to round out my experiences and knowledge more so than the University

of Chicago. My perception when looking at schools was that Northwestern was more focused on the softer side of things like marketing and business strategy. The MBA from Northwestern gave me a solid framework, education and background to navigate and make tough decisions on a daily basis.

Overall, the FSA, CFA and MBA from Northwestern University help me become more well-rounded and achieve my goals during my career.

**STEVEN:**

What are the hot topics right now in the LDI and pension risk management world?

**AARON:**

Right now, the interesting topics are surrounded around low interest rates and funding deficits. A typical pension plan may be 80 percent funded and the objective may be to reach 100 percent funded or even overfunded. Today, plan sponsors are asking, “How do I get to this objective of full funding in the most efficient way given our ability/willingness to contribute to the plan and our view on interest rates and equity markets?” These are the questions and discussions we are having with our clients. There isn’t an easy solution to this problem, but the first thing many of our clients do is establish a glide path that sets out how the plan will be de-risked as both the market environment and plan’s funding ratio change.

**STEVEN:**

Looking longer term, what do you think will be the challenges and opportunities for actuaries in the next three years? Five years? Ten years? How do you think we should get ready to meet these challenges?

**AARON:**

Within the finance and investment world, I think the biggest challenge and opportunity is the impending retirement crisis. Defined-benefit (DB) plans are dying

a slow death. Defined-contribution (DC) plans are still somewhat unproven and questionable that they will meet the retirement needs of the next generation of workers that don’t have a DB plan.

I think there’s an opportunity for actuaries to help navigate through these retirement issues. What should DC plans look like? What should a target-date fund or target-income fund look like? What’s the best way to achieve that retirement income you desire? There will be plenty of opportunity for actuaries who can come up with creative and innovative market-based and/or insurance-based solutions and plan designs to help individuals meet their retirement needs.

The more well-rounded you can be, whether it’s understanding investment risks, financial markets or effectively communicating complex ideas in a simple way, will help you become ready to participate in these discussions.

**STEVEN:**

What are some of your hobbies and interests outside of your career?

**AARON:**

I enjoy spending time with my wife and kids. I like to barbecue in the summertime for my family in the Chicagoland area. On my own time, I really like to golf as well. ☆