

Pension Fund Management Based on Solutions to Constrained Consumption-Investment Problems

Holger Kraft and Mogens Steffensen (corr. author)

University of Copenhagen

Universitetsparken 5

DK-2100 Copenhagen

Denmark

mogens@math.ku.dk

+45 35320789

31. marts 2009

(Topic 1 or 7)

Resumé

We give an overview over a series of problems of expected utility optimization with constraints on consumption and/or wealth. Interpreting the constraints as contractually binding terms and solvency rules, problems and results are closely linked to the management of pension funds. The innovation is mainly contextual (pension fund management) and methodological (dynamic programming).

Key words: Strategic Asset Allocation; Dynamic Programming; Liability-Driven Investment; Solvency constraints.