

2nd PBSS Colloquium
21-23 May 2007
Helsinki, Finland

Topic A. Investment Strategies and Risk Management

A stochastic model for assets and liabilities of a pension institution

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This paper develops a stochastic model for a pension institution that faces uncertainties both in investment returns and liabilities. The model is driven by a moderate number of risk factors that are modeled by a time series model incorporating statistical information with user specified expected growth rates and long term equilibria.