

**2<sup>nd</sup> PBSS Colloquium**  
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**Topic A. Investment Strategies and Risk Management**

**The New Equity Linked Buffer in the Finnish Occupational Pension System**

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At the beginning of 2007 a new equity linked buffer was created as a part of the liabilities of the Finnish statutory occupational pension system. The purpose was to transfer part of the market risk of the equity investments from individual pension institutions to the pension system as a whole. As a consequence, the pension institutions are able to increase the proportion of equity investments in their portfolios. In the long run, the higher average investment yields are expected to result in a pension premium level that is about 2 percentage points lower than in the former forecasts. This paper describes the new mechanism of the equity linked buffer and gives some results of its effects calculated by both deterministic forecast models and simulation methods.