

General Information

Transvas Report: Annuity Interest Rate (AIR)

Date Logged: 10 March 2014

What is the Annuity Interest Rate?

The Annuity Interest Rate (AIR) is the assumed rate of interest used within the annuity rate calculation. All other things being equal, when the AIR goes up, annuity rates become cheaper (you can obtain more pension from the same fund value). The opposite occurs when AIR goes down.

How is AIR calculated?

For Personal Pension and S32 Pension Projections, the AIR is calculated in adherence to the FCA Conduct of Business Sourcebook (COBS) Section 13 Annex 2.

The AIR is determined by the real yield on the FTSE Actuaries Government Securities Index-linked Real Yields over 5 years. It is updated every 6 April based on the yields on the previous 15th February (or business day before) and remains the same for the whole tax year.

For critical yield calculations, the AIR is calculated in accordance with COBS 19.1. This is the rate as calculated in accordance with COBS Section 13 Annex 2 but performed on the 15th of each month (or business day before) rather than just in February. A rolling average is taken of the previous 12 months' rates and the result is applied from the 6th of second month after calculation. So the rolling average calculated on 15th March would apply from 6th May.