# Notes to the financial statements continued

for the year ended 31 March 2024

## 10. Employee benefits continued

### 10.3 The Telkom Retirement Fund

The Telkom Retirement Fund was established on 1 July 1995 as a hybrid defined benefit and defined contribution plan. Existing employees were given the option to either remain in the Telkom Pension Fund or to be transferred to the Telkom Retirement Fund. All pensioners of the Telkom Pension Fund and employees who retired after 1 July 1995 were transferred to the Telkom Retirement Fund. Upon transfer, the government ceased to guarantee the deficit in the Telkom Retirement Fund. Subsequent to 1 July 1995, further transfers of existing employees occurred. As from 1 September 2009 all new appointments are on a defined contribution scheme. These members would be required to purchase their pensions from an insurance company.

The pensioner pool of the Telkom Retirement Fund only consists of pensioners and is funded through a liability-driven investment strategy. Pensioner increases are subject to affordability, targeting 70% to 100% of CPI.

Telkom guarantees any actuarial shortfall of the pensioner pool in the retirement fund. This liability is initially funded through assets of the retirement fund.

The Telkom Retirement Fund is governed by the Pension Funds Act, 24 of 1956. In terms of section 37A of this Act, the pension benefits payable to the pensioners cannot be reduced. Therefore, if the present value of the funded obligation was to exceed the fair value of plan assets, Telkom would be required to fund the statutory deficit.

The retirement fund exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.

The funded status of the Telkom Retirement Fund is disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| **The Telkom Retirement Fund** | **31 March 2024 Rm** | 31 March 2023 Rm | **31 March 2024 Rm** | 31 March 2023 Rm |
| **The net periodic retirement costs include the following components:** | | | | |
| Interest cost on projected benefit obligations | **4 905** | 4 479 | **4 905** | 4 479 |
| Interest on plan assets | **(4 941)** | (4 502) | **(4 941)** | (4 502) |
| Service cost on projected benefit obligations | **517** | 614 | **517** | 614 |
| Curtailment | **135** | – | **135** | – |
| **Net periodic pension expense recognised in profit or loss** | **616** | 591 | **616** | 591 |
| **The net periodic other comprehensive income includes the following components:** | | | | |
| Actuarial gain due to financial assumptions changes | **1 118** | 2 297 | **1 118** | 2 297 |
| Actuarial loss due to experience adjustments | **(1 045)** | (2 306) | **(1 045)** | (2 306) |
| Actuarial loss due to demographic assumptions changes | **(91)** | – | **(91)** | – |
| **Net periodic pension expense recognised in other comprehensive income** | **(18)** | (9) | **(18)** | (9) |
| Cumulative actuarial loss | **(552)** | (534) | **(552)** | (534) |
| **Benefit obligation:** | | | | |
| At the beginning of the year | **41 179** | 40 610 | **41 179** | 40 610 |
| Interest cost | **4 905** | 4 479 | **4 905** | 4 479 |
| Current service cost | **517** | 614 | **517** | 614 |
| Employee contributions | **287** | 332 | **287** | 332 |
| Benefits paid | **(3 191)** | (2 107) | **(3 191)** | (2 107) |
| Transfers in | **105** | 236 | **105** | 236 |
| Actuarial gain | **(893)** | (2 985) | **(893)** | (2 985) |
| Curtailment | **(1 206)** | – | **(1 206)** | – |
| Transfers out | **(1)** | – | **(1)** | – |
| **Benefit obligation at the end of the year** | **41 702** | 41 179 | **41 702** | 41 179 |

# Notes to the financial statements continued

for the year ended 31 March 2024

## 10. Employee benefits continued

### 10.3 The Telkom Retirement Fund continued

| | Group | | Company | |
|---|---|---|---|---|
| | **31 March 2024 Rm** | 31 March 2023 Rm | **31 March 2024 Rm** | 31 March 2023 Rm |
| **Plan assets:** | | | | |
| At the beginning of the year | **42 190** | 42 239 | **42 190** | 42 239 |
| Interest on plan assets | **5 017** | 4 668 | **5 017** | 4 668 |
| Employer contributions | **518** | 600 | **518** | 600 |
| Employee contributions | **287** | 332 | **287** | 332 |
| Benefits paid | **(3 191)** | (2 107) | **(3 191)** | (2 107) |
| Transfers in | **105** | 236 | **105** | 236 |
| Transfer of Employer Surplus Account (ESA) to TRF | **–** | 115 | **–** | 115 |
| Actuarial loss | **(1 815)** | (3 893) | **(1 815)** | (3 893) |
| Curtailment | **(1 340)** | – | **(1 340)** | – |
| Transfers out | **1** | – | **1** | – |
| **Plan assets at the end of the year** | **41 772** | 42 190 | **41 772** | 42 190 |
| Present value of funded obligation | **41 702** | 41 179 | **41 702** | 41 179 |
| Fair value of plan assets | **41 772** | 42 190 | **41 772** | 42 190 |
| Fund surplus | **(70)** | (1 011) | **(70)** | (1 011) |
| Asset ceiling in terms of IAS 19.64 | **70** | 896 | **70** | 896 |
| **Net liability** | **–** | (115) | **–** | (115) |
| Interest on plan assets | **5 017** | 4 668 | **5 017** | 4 668 |
| Actuarial gain on plan assets | **(1 815)** | (3 893) | **(1 815)** | (3 893) |
| Actual return on plan assets | **3 202** | 775 | **3 202** | 775 |
| **Plan asset balance comprises:** | | | | |
| Equities | **4 784** | 5 889 | **4 784** | 5 889 |
| Property | **2 717** | 1 995 | **2 717** | 1 995 |
| Bonds | **17 034** | 17 612 | **17 034** | 17 612 |
| Africa | **3 085** | 2 845 | **3 085** | 2 845 |
| Cash | **4 073** | 3 512 | **4 073** | 3 512 |
| Foreign investments | **10 079** | 10 337 | **10 079** | 10 337 |
| **Total** | **41 772** | 42 190 | **41 772** | 42 190 |

**Funding arrangements**

The Telkom Retirement Fund pensioner portfolio's strategic asset allocation (SAA) is determined by an asset liability model (ALM) based on the fund's unique liabilities, as determined by its member data and fund rules. The SAA is a reflection of the fund's targeted post-retirement interest rate, and the investment strategy is built around the target of providing consistent annual pension increases of between 70% to 100% of CPI.

| | Group | | Company | |
|---|---|---|---|---|
| **Included in the fair value of plan assets are:** | **31 March 2024 Rm** | 31 March 2023 Rm | **31 March 2024 Rm** | 31 March 2023 Rm |
| Telkom shares | **38** | 21 | **38** | 21 |

The Telkom Retirement Fund investment strategy has been implemented through the appointment of several asset managers with local and global segregated mandates. Within these mandates, the managers are responsible for and have sole discretion of determining the asset allocation, i.e. the mix of the various asset classes used based on their investment views. In addition, a portion was allocated to Africa Equity and SA cash asset classes were added to further diversify the portfolio and to provide return enhancement.

# Notes to the financial statements continued

for the year ended 31 March 2024

## 10. Employee benefits continued

### 10.3 The Telkom Retirement Fund continued

| | Group | | Company | |
|---|---|---|---|---|
| | 31 March 2024 | 31 March 2023 | 31 March 2024 | 31 March 2023 |
| Funding level per statutory actuarial valuation (%) | **100** | 100 | **100** | 100 |
| The number of pensioners registered under the Telkom Retirement Fund | **12 912** | 12 654 | **12 912** | 12 654 |
| The number of in-service employees entitled to retire in the Telkom Retirement Fund | **9 773** | 10 915 | **9 773** | 10 915 |
| **The fund portfolio consists of the following percentages:** | | | | |
| Equities (%) | **11** | 14 | **11** | 14 |
| Property (%) | **7** | 5 | **7** | 5 |
| Bonds (%) | **41** | 42 | **41** | 42 |
| Africa (%) | **7** | 7 | **7** | 7 |
| Cash (%) | **10** | 8 | **10** | 8 |
| Foreign investments (%) | **24** | 24 | **24** | 24 |
| **Total** | **100** | 100 | **100** | 100 |

The total estimated contributions to be paid to the Telkom Retirement Fund by the employer for the year ending 31 March 2025 is R538 million.

### 10.4 Medical benefits

Telkom makes certain contributions to medical aid funds in respect of current and retired employees. The scheme is a defined benefit plan. The expense in respect of current employees' medical aid is disclosed in note 3.4.4. The amounts due in respect of post-retirement medical benefits to current and retired employees have been actuarially determined and provided for as set out in note 6.5. Telkom has terminated future post-retirement medical benefits in respect of employees joining after 1 July 2000.

There are three major categories of members entitled to the post-retirement medical aid: pensioners who retired before 1994 (Pre-94); those who retired after 2013; and the in-service members. The pensioners retiring post 2013 and the in-service members' liabilities are subject to a rand cap, which increases as per the Board's approval.

Eligible employees must be employed by Telkom until retirement age to qualify for the post-retirement medical aid benefit. The most recent actuarial valuation of the benefit was performed as at 31 March 2024.

The medical aid plan exposes the Group to actuarial risks, such as longevity, currency, interest rate and market risks.