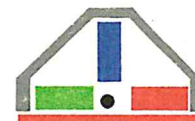


CIRCULAR

Our Ref: TPS/6640/07/12/21

7th December 2021



TelPosta

Pension Scheme

TelPosta Towers, 13th Floor
Kenyatta Avenue
P. O. Box 45610 - 00100, NBI
Tel: +254-020-2216752
+254-020-2217354
Email: info@telpostapension.org
Website: www.telpostapension.org

TO ALL PENSIONERS AND DEPENDANTS
TELPOSTA PENSION SCHEME

Dear Pensioner/Dependant,

TELPOSTA PENSION SCHEME ("THE SCHEME") **UPDATE ON BONUS**

1. The Scheme is sponsored by Telkom Kenya Limited (TKL) and operates on defined benefit basis. The key role of a sponsor in a defined benefit plan such as ours is to ensure the Scheme is sufficiently funded to meet its obligations to the members. Accordingly, regular assessments of financial health of the Scheme, through actuarial valuations, are necessary to reveal when the assistance of the Sponsor may be required.
2. We confirm that the Sponsor is regularly updated by the Trustees on the status of the Scheme and the Sponsor continues to be supportive to the Trustees in their duties and responsibility of managing the Scheme.

Audited Accounts and Other Statutory Compliance

3. The Scheme carried out its statutory annual audit of its books of accounts for the period ending 30 June 2021 and filed the report with the Retirement Benefits Authority (RBA) within the stipulated timeline.
4. The Scheme is compliant with all statutory requirements except the property assets that currently comprise **73%** of total assets which significantly exceeds the statutory maximum limit of **30%**.

Actuarial Valuation of the Scheme

5. Under the Retirement Benefits Act and Regulations ("the Act"), the Scheme is required to carry out an actuarial valuation at least once every three years. The main aim of an actuarial valuation is to assess the funding level of the Scheme. The funding level is the ratio of the Scheme assets to the Scheme accrued liabilities. Under the Act, the Scheme is required to maintain a 100% Funding level. That is, the Scheme must always have assets that are equal to, or more than the assessed liabilities owed to members of the Scheme.

PLEASE TURN OVER

6. The latest actuarial valuation of the Scheme was carried out for the period ending 30 June 2020. Accordingly, the actuarial valuation revealed a funding level of 118.8%. The actuarial surplus is in form of property assets and is therefore illiquid. The actuary recommended that the Trustees accelerate the sale of some of the property assets to avert liquidity deterioration that is progressively being observed since the last valuation was carried out.
7. The actuary recommended that part of the surplus in the Scheme, when converted to cash, could be used to enhance members' benefits by way of a one-off bonus subject to the Sponsor's approval as required under the Scheme Rules.

Payment of a Bonus to Scheme Members

8. After receiving the actuarial report, the Trustees filed it with RBA and also presented it to the Sponsor. At the meeting with the Sponsor, the Trustees tabled the proposal for the Sponsor to consider approving a one-off bonus payment to the members of the Scheme.
9. The Sponsor is agreeable to the payment of a bonus on condition that the Trustees first strengthen the liquidity position of the Scheme by selling some of the property assets.
10. The Trustees constituted a special committee that is focused on meeting these requirements. The Trustees will regularly update members and the Sponsor on the progress being made to achieve this objective.
11. Finally, the Trustees wish to thank the members for their continued understanding, support, and patience.

We take this opportunity to wish you all a Merry Christmas and a Happy New Year 2022!



**ISSUED BY THE BOARD OF TRUSTEES
TELPOSTA PENSION SCHEME**