

# PASIR RIS-PUNGGOL TOWN COUNCIL

## Frequently Asked Questions on Town Council Investment

1. How much of the Town Council fund was affected by the Lehman's linked product ?

Our Town Council invested \$4 million (2.7%) of the Town Council fund in Minibond Series 2 and 3.

2. Why was there a delay in communicating the investment of \$4M in Lehman's linked product to the residents of Pasir Ris-Punggol GRC?

When the announcement of Lehman Brother's bankruptcy was released in Sep 2008, the financial institutions were not in a position to confirm how the Minibond Series 2 and 3 were affected. At that point of time, the financial institutions were unable to give us a confirmation of the market value of the Minibond. As a result, the Town Council then did not have the appropriate information to release or announce to the public.

3. Does the Town Council require an aggressive investment portfolio? Are we a purely profit driven town councils, easily risking sinking fund monies contributed by residents?

The Town Council exercises prudence by investing its funds in a diversified portfolio which seeks to balance returns and risks. The key objective of our investment is to generate healthy return that offsets the rate of inflation and increase the overall long term value of the fund.

At the time the investments in the Minibonds were made, they were considered low risk instruments as they were rated AA by Standard and Poor and Moodys.

4. Is there a third party to audit the accounts of the investment?

The Town Council's accounts are audited by auditors which are approved by the Auditor General Office and the Ministry of National Development. Our current auditor is AT Adler.

5. Is there a better alternative other than high risk investments?

The Town Council exercises prudence by investing its funds in a diversified portfolio (fixed deposits, government bonds and statutory bonds, corporate bonds and investment with Fund Manager) which seeks to balance returns and risks. The funds of the Town Council are invested to meet long term needs, such as cyclical maintenance works like the replacement of lifts. The key objective of our investment is to generate a healthy

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return that offsets the rate of inflation and increases the overall value of our fund. In addition, the Town Council's decision on the investment portfolio is in line with the limit imposed by the Ministry of National Development.

Fixed deposits and Government bonds are virtually low or no risk but more often than not, the returns are even below inflationary rates.

6. Will the Town Council review and change its investment strategy?

We would like to reassure our residents that the Town Council will continue to take a prudent and pragmatic approach in the management of its funds. We would expect a decrease in the value of our investment as a result of the recent developments in the global financial market but our long term outlook remains positive. The Town Council constantly reviews its investment strategy according to the market environment and at the same time align its portfolio to meet the cap imposed by the Ministry of National Development.

7. What is the percentage of the S&CC that goes into the sinking fund?

It is required by law to set aside 30% to 35% of the service and conservancy charges(s&cc) to sinking fund. Sinking fund is accumulated for cyclical maintenance works such as the repainting of blocks, replacement of water/booster pumps, reroofing, replacement of major lift parts, replacement of refuse handling equipment, electrical rewiring,etc. These are longer term works which are carried out at intervals ranging from 7 to 28 years.

The bulk of the S&CC charges, 65%, will be used for routine maintenance works such as cleaning, horticulture maintenance, grasscutting, lift servicing, minor lift repair, water pump servicing, minor water pump repair, utility charges, replacement of lamps and light tubes,etc.

8. Why do we need so much money in sinking funds? Do we need to grow it so aggressively?

As cyclical maintenance works are major repair and replacement works which involve large sums of money, it is necessary to accumulate sufficient money so that residents are not asked to contribute a lump sum of money when the cyclical maintenance works become due.

Cyclical maintenance works include repair and redecoration of housing blocks and surrounding facilities, reroofing, replacement of water / booster pumps, replacement of lift major parts, replacement of refuse handling equipment, rewiring, etc.

As an example, the overhaul of one lift in a typical 12-storey block costs \$100,000. It will therefore cost \$200,000 to overhaul the two lifts in a typical block of 100 units. Lifts are

overhauled once every 28 years. Pasir Ris-Punggol Town Council looks after nearly 1,000 blocks of apartments. The sinking fund set aside has to be sufficient to carry out such works, otherwise each household will have to contribute a lump sum of \$2,000 to carry out the lift overhaul when it becomes due. The same is true for other types of major cyclical maintenance.

Setting aside sufficient sinking funds is therefore prudent in order to maintain our estate in good condition. The sinking fund is invested in a well diversified portfolio to earn a long term return which is above the rate of inflation, in order to cover the future cost of cyclical maintenance works.

9. Can we see the Town Council's financial statements?

The Town Council's Annual Report is available on our website, [www.prpg-tc.org.sg](http://www.prpg-tc.org.sg)

10. Will there be any delay in maintenance and upgrading works?

We would like to reassure our residents that the Town Council will carry out the cyclical maintenance works as planned.

11. Will this result in an increase in S&CC?

We would like to reassure our residents that there is no need to raise s&cc.