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NIR framework does not affect Temasek's strategy, dividend policy

FROM **JEFFREY FANG**Associate Director, Strategic and Public Affairs,
Temasek Holdings

We thank Mr Kong Pih Shu for his letter ("Is it wise to use Temasek's expected earnings for govt revenue?", Feb 25) and would like to assure him on a few points.

First, the Net Investment Returns (NIR) framework does not affect Temasek's approach to investment. Our investment strategy remains unchanged and we will continue to seek sustainable long-term returns.

Second, while the NIR framework will enable the Government to spend on the basis of Temasek's expected

returns, it has no impact on Temasek's dividend policy, which is based on actual returns. We have a dividend policy that balances a sustainable distribution of profit to our shareholder with the retention of profits for reinvestment to generate future returns. We also take into account our responsibility to protect Temasek's past reserves.

Third, Temasek takes concentrated risks and invests almost wholly in shares of companies, in anticipation of higher long-term returns. This means greater year-to-year volatility in annual returns and profits compared with most other diversified portfolios.

Temasek recognises that the Government's NIR framework smooths

“While the NIR framework will enable the Government to spend on the basis of Temasek's expected returns, it has no impact on Temasek's dividend policy, which is based on actual returns.”

out the volatility and provides a stable and more predictable basis for government spending through economic cycles. This can be especially important during an economic downturn, when the need for government spending may be higher, while annual returns may be lower.

Finally, we have modelled and simulated our expected returns compounded over 20 years. Our T-GEM modelling approach has been published in our annual Temasek Review since 2011. Although such models are not meant to predict actual performance, we believe we have a robust methodology to form a realistic view of our expected returns.

Unsolicited services that accompany credit cards pose security risk

FROM **TAN KEONG BOON**

Increasing competition between banks has led many of them to promote credit card memberships that come with perks such as cashback, reward points, shopping vouchers

and free gifts. With these cards come other services such as bank transfers, easy loans, and Internet and phone-banking facilities, bringing with them an array of confidential PIN numbers that customers may not even need.

Having unused but valid PIN numbers poses security risks to both the customers and banks.

Supplementary cards are also issued even when the cardholder did not apply for them. Fees are charged for supplementary cards even when

no transactions are done. If an errant cardholder were to accept all these extra services and default on payment, would it not be detrimental to the banks and credit card companies? Customers also need to request to terminate these services over the phone, which is a waste of time and resources.

These companies can save on resources and be more eco-friendly if customers were asked whether they would like extra services when they apply for the card.

Survey encourages students to choose courses based on starting salary

FROM **KWAN JIN YAO**

Of what use is the Graduate Employment Survey (GES), besides allowing universities to trumpet the employability of their fresh graduates? ("Slight fall in employment rate for local graduates", Feb 28)

Paired with favourable international institutional rankings, the three colleges appeal to the pragmatism of prospective students and — perhaps more significantly — their parents.

At first glance, the survey seems fair. A similar survey is conducted by

the five polytechnics for their diploma courses. Yet, what it also does is reinforce conceptions that the diploma or degree is but a paper qualification and that starting salaries should guide study choices.

The emphasis of the GES is on employment rates and salaries, but other information should be considered before matriculation and upon graduation. The remuneration reported does not reflect the likelihood of future raises or opportunities for career progression. Within degrees or specialisations, employment options could differ

“The emphasis of the GES is on employment rates and salaries, but other information should be considered before matriculation and upon graduation.”

as students enter different industries.

With calls by the Government for young Singaporeans to follow their ambitions, the Education Ministry could urge the three autonomous universities to reconsider the practice of conducting the GES, even though the onus is on individuals to not focus exclusively on these employment and salary figures.

Comparisons will be made even without an annual quantitative study. Look no further than the parents who converged on online platforms to aggregate data after it was decided that the highest and lowest Primary School

Leaving Examination aggregate scores would not be printed on result slips and that top scorers would not be named.

But while the diploma or degree may be a paper qualification paving the way for a future career, it can be more than that. Preferences change during a course of study and options can guide trajectories.

It would be a tragedy if the decision to further one's studies is guided only by starting salaries and job prospects, especially when graduates now have the privilege to make choices that go beyond fulfilling pragmatic needs.

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CPE REG. NO. 2007035230, 4 June 2014 - 5 June 2018