IMPROVING THE INTEGRITY OF PRESCRIBED PRIVATE FUNDS
THE TREASURY – DISCUSSION PAPER, NOVEMBER 2008

SUBMISSION BY The Sweetpee PeePee PPF– January 2009

- I saw the establishment of a PPF as a way for me to continue to strategically engage with the community. My late mother was a strong and generous supporter of a number of charitable objects including The State Library of New South Wales and the National Gallery of Australia. Since my mother's death in 2003, I have joined with my sisters and brother in donations of both cash and valuable collections to The Historic Houses Trust of New South Wales and The National Gallery of Australia, my contributions to which were valued as well in excess of $2,000,000. I have also made smaller donations to a number of different organizations and it is my intention to continue to do so.

- I would not have established a PPF under the rules suggested by this Discussion Paper, if PPFs are compelled to:

    - distribute as much as 15% of the closing value of the fund each year, effectively eliminating perpetuity; and
    - make their contact details available publicly.

- The proposal to distribute 15% per annum is inconsistent with the original rules under which my PPF was established and will likely:

    - close down the majority of existing PPFs within a 15 year period; and
    - result in very few new PPFs being established.

- One of the major reasons for establishing my PPF was for me to engage with the community in a strategic way over a long period of time. Depending on various assumptions, a distribution rate of 15% per annum will result in the PPF having an immaterial corpus within approximately 10 years, resulting in the PPF being closed.

- Philanthropy requires a long term approach to major issues facing the community. Lack of perpetuity will make this very difficult and certainly result in a short term focus. Organizations receiving donations need to plan their own expenditures for the years ahead and my PPF allows me to confidently make commitments for funding to my chosen organizations for a number of years into the future which in turn gives greater security to those organizations.

- I agree that the current PPF Guidelines are ambiguous and I welcome the abolishment of accumulation plans. I further agree that for simplicity, PPFs should distribute a minimum amount each year based upon the market value of the PPF's net assets at the close of the previous financial year. I agree that this would provide greater certainty to PPF trustees and provide more consistency to giving by PPFs. I believe such clarity, at a distribution rate which allows perpetuity of the foundation, will also lead to an increase in the establishment of PPFs.

- After discussion with my advisers I ("we") believe a reasonable distribution rate to be 5% per annum. This will ensure at least 5% of the corpus reaches the community each year and allows the PPF to accumulate funds over a reasonable period of time so that the annual distribution can be meaningful in amount. This will maximise the long term benefit to the community. It is similar to the rate used in the USA.

- If PPFs are required to publicly provide their contact details we would anticipate being inundated with requests for funds. We understand that there are over 20,000 deductible gift recipients ('DGRs') in Australia. Once a list of PPF addresses is made publicly available we would expect a vast number of these DGRs would likely write to each PPF seeking funding. If the PPF was to be inundated with funding requests it is likely that staff would need to be employed to manage this process. This would have an adverse impact on grants made by the PPF each year. If for some reason the Government decides that the publication of names and addresses of PPF Trustees is desirable, then we request that that list should allow Trustees to record words to the effect that "the beneficiaries of this PPF are determined by the Trustee in accordance with the law, the Trustee has no capacity to handle any requests for assistance because is has no staff to handle it, so no correspondence can be answered".

- We should be encouraging families to commence traditions of giving, not discouraging them, as the proposals in the Discussion Paper will do.

- For those with PPFs with a corpus at or near $500,000, emphasis should be made that you intend to grow the corpus over time to the benefit of the community and that it would be a disservice to the community to stifle such community spirit by closing the PPF simply because the corpus fell below $500,000.

We support the concept of ensuring that the Directors of Corporate Trustees of PPFs are "fit and proper" for their roles and suggest that at least one of the directors of any such trustee company should hold relevant qualifications..

We further request that if the rules cannot be amended in the way that is suggested above then, so that PPFs already in existence on 26th November 2008 should be exempted from the following:

a) Need to distribute more than 5% each year of the assets at market value at the end of the previous year;
b) The minimum fund Size requirements; and
c) The Public Register conditions.

Yours faithfully

Alice Simpson

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