

Employment & Labour, Legal Suppliers

## Personal pension plans and the value of private equity



**INTEGRIS Pension Management Corp.** has partnered with Toronto-based alternative investments firm Cygnus Investment Partners LP to offer lawyers and other professionals access to the kind of investments generally only available to large public-sector pension plans, says company CEO **Jean-Pierre Laporte**.

"If you want to mimic what the public-sector pension plans are doing in Canada, you have to make similar investments — one way to do that is to co-invest with those large public-sector plans through Cygnus," he tells **AdvocateDaily.com**. Cygnus offers access to New York-based multinational private-equity firm KKR. "And the best way you can hold Cygnus/KKR investments in a tax-effective manner is through a Personal Pension Plan (PPP.)"

Laporte explains one of the things a PPP can do that an RRSP cannot is invest in a way that large pension plans can.

"This means investing in certain asset classes that are not permitted to RRSP savers," he says. "These particular asset classes include shares of private companies, non-market traded stock, units of limited partnerships and direct holdings of real estate that are not through a real estate investment trust."

The alliance with Cygnus Investment Partners LP gives INTEGRIS clients access to these types of investments.

KKR, one of the pre-eminent private equity firms in the world, invests with some of the largest pension plans internationally in areas such as shopping malls and airports, as well as other large, sophisticated developments.

Laporte, a former Bay Street pension lawyer, explains that with a PPP, lawyers are permitted to own a parcel of land directly as a landlord with no intermediary, such as a real estate investment trust.

"This is yet another advantage that PPPs have over RRSPs," he says. "If you had an RRSP you would not be able to buy any private equity funds because they are not qualified for RRSPs. They are qualified for PPPs."

Dan Geraci, managing partner and co-founder of Cygnus Investment Partners LP, says his firm is providing access to KKR for its alliance with INTEGRIS.

"The big pension plans — including the CPP — have been investing with KKR for decades," he says. "KKR has traditionally dealt with the largest investors in the world, predominantly institutions such as the big pension plans."

Geraci says the idea with the new alliance between INTEGRIS and Cygnus is to "allow self-incorporated

business people and professionals to have the same advantages, capabilities and features that the large pension plans have for their members.

"Those have been unavailable to the masses because the RRSP doesn't allow investment in such a thing," he says. "We've bridged the type of investments the large pensions plans can buy and brought them to a much wider audience. It can really be a critical element in someone's pension plan to have the ability to pursue the types of investment strategies and returns that until now have not been available to them."

For those who open a PPP with INTEGRIS, Cygnus provides the option to invest in private equity through a KKR-managed solution, Geraci says.

"We're a provider of investment strategy to the PPP," he says.

Laporte says some of the largest pensions in the world are heavily invested in real estate.

"But the little guy — the lawyer, doctor, dentist or the accountant — can't do that directly," he says. "They have to go through a real estate investment trust if they have an RRSP."

Laporte says it's important for people to understand the rules are different for PPPs compared to RRSPs.

"Having a PPP opens up a world of sophisticated, first-class investments to the small person who would otherwise be shut out," Laporte says.

The PPP, which INTEGRIS introduced to the industry nearly four years ago, allows its members to put the largest amount of money in a tax-deferred vehicle to save for retirement permitted by the *Income Tax Act*. In fact, INTEGRIS was launched to provide the PPP to those who have incorporated their businesses because many professionals who are self-employed do not have access to the pension plans.