

'Most lawyers don't have pension plans'

Gaping hole in personal pensions marketplace

BY MICHAEL MCKIERNAN

For Law Times

Jean-Pierre Laporte had barely thought about a pension — either his own or anyone else's — by the time he was called to the bar at the turn of the century.

Almost a decade before he co-chaired a parliamentary expert working group on the subject, Laporte admits that retirement income was not on his mind and that he fell into the area of pensions law almost by chance while working as a young associate on Bay Street.

"I got involved with a large case that involved a pension plan and quickly it became all-consuming," says Laporte, who is currently the CEO of Integris Pension Management Corp.

After two years immersed in pensions law, he says, he had "fallen in love," but not all lawyers get such an opportunity to discover the practice area.

"It's not taught at law school. Maybe there's one course at Western University, but I went to Osgoode Hall," he says.

If the subject was built into more law school curriculums, lawyers might be a bit better at saving for their retirement, says Laporte. But as it is, he says, "Most lawyers don't have pension plans."

In 2012, Laporte left the practice of law aiming to develop a better pension option for lawyers and other professionals with the ability to incorporate their practices, such as accountants, doctors and dentists.

"Pensions are increasingly available only to public sector workers and employees at a few large private employers. I wanted to create a true pension solution for professionals in the private sector," he says.

After studying Individual Pension Plans, effectively a defined-benefit plan for one person, Laporte developed his own product with Integris, a Personal Pension Plan.

By combining elements of defined-contribution and defined-benefit plans, he says, it gives lawyers more flexibility by allowing them to take a break from contributions when cash is tied up, and it has higher limits than RRSPs, which are capped at 18 per cent of income up to a total of \$26,000 for 2017.

While the corporation owns the registered pension plan that results, Integris administers and manages the fund.

Laporte estimates that there are more than one million Canadians with private or professional corporations who qualify for personal pension plans but that only a tiny fraction are currently taking advantage of them.

And he's not the only one trying to fill that gaping hole in the pensions marketplace.

When Randy Bauslaugh, leader of the national pensions, benefits and executive compensation practice group at McCarthy Tétrault LLP, saw an article on the Canadian Bar Insurance Association's group RRSP aimed at lawyers using a target date fund in 2015, he wrote to commend them.



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"They were taking some of the best thinking about defined-contribution plans and putting it into action, but I thought they could do even better," says Bauslaugh, a partner at the firm's Toronto office.

His vision was for a multi-employer target defined-benefit plan open to lawyers, law firms and their staff that would achieve the economies of scale and level risk pooling to boost the potential returns beyond what was currently available to those in the legal profession.

Bauslaugh now leads a task force to turn this idea into reality with the CBIA, which recently began operating as Lawyers Financial.

He says pension plans with a DB flavour can operate significantly more efficiently and cost effectively than their DC coun-

terparts.

While many employers are getting out of the DB business, he says the real reason they do so is less to do with the total expense than it is to do with the unpredictability of the cost from year to year.

By setting a targeted defined benefit that can be adjusted up or down within certain ranges, he says, employers can fix their costs and share the risk with employees.

"It looks and smells like a DB plan, but it also combines the best parts of a DC plan. Employers get cost certainty and employees get a predictable stream of income in retirement," Bauslaugh says.

Almost two years in, the project is nearing fruition, having canvassed firms nationwide on their interest and feasibility. Plan design is complete and the market validation process has begun.

Within another two years, Bauslaugh hopes to have the plan up and running and open to any lawyer who wants to roll their existing RRSPs or DC assets into the fund.

"It would be available to all law firms and their staff, whether it's a 1,000-lawyer mega firm or a one-member shop," he says.

"It would be completely portable, so that lawyers who move can show up at another firm and have it follow them through their whole career.

"It's not just a savings plan. It's a real pension for people who want a stable and predictable retirement income," Bauslaugh adds.

Izhak Goldhaber, senior vice-president at Lawyers Financial, says qualifying for pension plans such as this could soon become a "more prominent benefit" of retaining or creating a corporate structure for legal practice if federal Finance Minister Bill Morneau follows through on his plans to crack down on "income sprinkling" and other tax-saving strategies employed by professionals.

In a statement announcing a review of tax planning using private corporations, Morneau said many wealthy Canadians are "exploiting the tax rules designed to help business thrive" by spreading income among family members to reduce individual income tax levels, holding income in the business to be taxed at the lower corporate rate or converting income to capital gains.

"These tax advantages are in place to help these businesses reinvest and grow, find new customers, buy new equipment and hire more people.

We want to make sure those rules are used to do just that, and not to give unfair tax advantages to certain — often high-income — individuals," Morneau added.

But even if the ministry's consultation results in tighter rules, Goldhaber says incorporation will still provide a mechanism for employment.

"To be eligible for the pension, you need to be an employee in law. If you're an associate or if you have a professional corporation, that establishes the employer-employee relationship," he explains. **LT**