

# Case Study: Unfunded Partner Retirement Plan

## Professional Services



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### The business challenge

A large law firm founded many years ago had a significant unfunded partner retirement plan that has existed since the founding of the firm. The value and obligation for the unfunded retirement plan has increased consistent with the growth of the law firm. Management sought advice and recommendations related to modeling the retirement obligation over future periods, assessing the sustainability of the benefits, and developing recommendations for management consideration related to potential adjustments to the current plan.

### The Baker Tilly solution

Baker Tilly's Professional Services team:

- > Designed a series of procedures to assess the unfunded partner retirement plan obligations and the financial impact of the obligations during future periods, to compare current plans with industry trends, and identify risks resulting from the current plan.
- > Led a discussion addressing what would be necessary to continue the current plan and maintain the strong economic stability of the firm during future years, as well as the risks associated with the continuation of the plan under existing terms.
- > Provided a framework of considerations for modifying the unfunded benefit plan to maintain the positive attributes and recognition of accrual basis value of the partnership, while addressing current industry trends and increasing the likelihood of continued succession of the partnership.

### Business results

Baker Tilly specialists:

- > Presented a series of immediate recommendations that enhance the law firm's continued stability as partner's reach retirement age.
- > Presented additional recommendations for management to review and discuss with all partners to address the complicated generational issues existing with an unfunded retirement plan, the strong retention vehicle that the retirement plan provides, the economic value of a law firm, and a structure for modifications to the plan benefit obligations.
- > Established a foundation for the law firm's executive committee to gain consensus and alignment from partners in order to move from discussion phases into implementation of improvements to the plan.

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