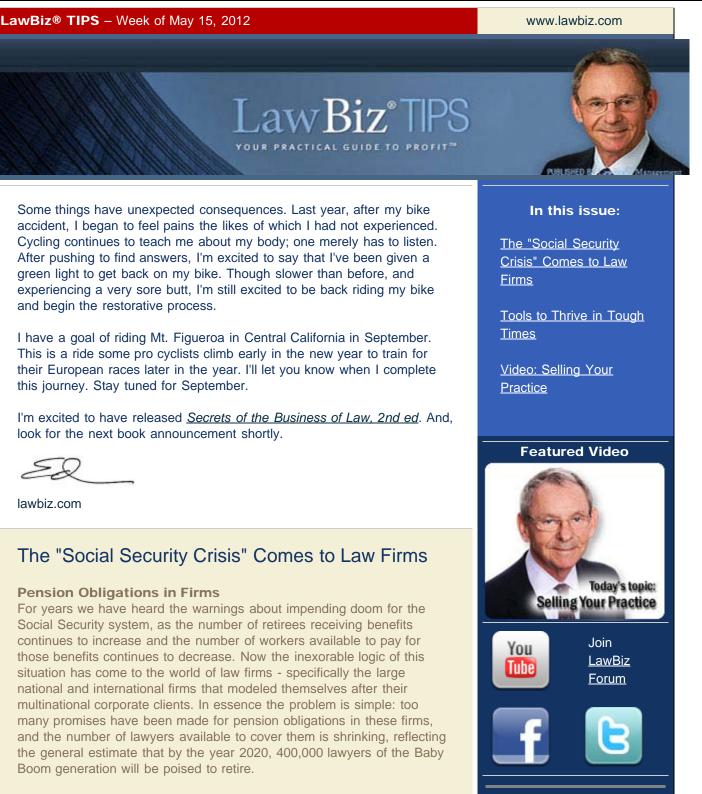


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What Clients Are Saying:

**Pension Obligations on Younger Lawyers in a Firm** In a recent issue of a <u>major legal publication</u>, as reported by the American Bar Association, the magazine looked at pension plans of law firms. It appears that a number of the country's largest law firms have pension plans that are unfunded. In other words, these are firms with pension plans, but without money to pay the obligations of those pension plans as their lawyers retire. What we will increasingly see are law firms with the bulk of their lawyers leaving the practice for retirement with the hope and prayer that the fewer remaining, younger partners will be willing to fund the firms' obligations. We will also see many situations where these younger lawyers will find it to their economic advantage to torpedo the existing law firm and its pension obligations in exchange for creating a new firm with no pension obligations. Doing so will give them the opportunity to take on more of the revenue that is produced by their efforts. They will earn more and pay less.

#### **Restructuring of Major Law Firms**

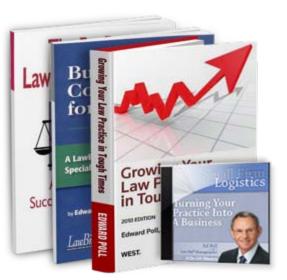
This kind of intergenerational warfare should not be discounted. It is important and it will occur. A managing partner recently said that when a firm gets large, there will be an increased movement of lateral partners to fill in the gaps of practice areas to serve clients better and to increase the depth of their experience within existing practice areas. However, he also notes that when one partner moves laterally, others tend to do likewise and this process weakens the glue that keeps the firm together. Thus, we are not talking merely about one lawyer and his or her retirement thoughts, but rather we are looking, potentially, at the restructuring of major law firms if lawyers actively seek firms that do not have large pension liabilities.

### The Future of a Firm's Pension Plan

Sole practitioners and small firms will not escape the impact of this movement. In many instances, they will be able to attract some of these elite lawyers; in some cases, their colleagues may make demands concerning unfunded pensions that will impact even them. As all clients - corporations, small businesses and individuals - pressure law firms to lower or eliminate their hourly rate billing, something has to give. For BigLaw, and many smaller firms, the future may hinge on the funding or non-funding of the firms' pension plans. Like the steel and auto industries before them, lawyers will face stark choices: cut pensions, cut people - or go out of business.

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