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Law Society of Alberta

2013 Business Plan and Budget

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Introduction

This draft budget is the product of a process led by our Finance team, in which they engaged each member of the Executive Leadership Team (ELT) and, through them, many of the other managers and staff of the Law Society. In short, each person analyzed the work they completed in 2012 and considered the work required in 2013. Several common factors were identified and these factors guided the preparation of the budget.

The first was that the Law Society is facing increased responsibilities and the work that derives from that. These increases arise because of the environment in which we regulate. We have more members than ever before, more complaints than ever before, and an increasingly litigious environment. Consequently, we are having more hearings and are experiencing an increase in the workload of the membership, conduct and counsel departments as a result. And fundamentally, Alberta's strong economy and relatively high cost of living is driving up the cost of doing business, as is doing business in two cities within the province.

Timeliness continues to be an issue throughout our regulatory processes. As discussed previously with the Benchers, we have challenges in complaints and investigations, and in moving matters through hearings. In the complaints area, we plan to move forward with the new processes and accompanying management structure for identifying risky practitioners earlier and attempting to address the risk through remediation or regulatory processes. As discussed below, we also need to increase our counsel resources.

The environment in which we regulate requires us to be more up-to-date with our business technology. We do not aim for expensive cutting edge technology, but our database has become outdated and lags in functionality behind that of most other comparable regulators. In 2012, we instituted the basic update to a new platform from which we can launch the initiatives required for us to equal the best practices followed by other Canadian regulators.

We are engaging more with our members; e.g. we received 700 enquiries from lawyers in a short time preceding the CPD declaration date, and the number of enquiries received by the Practice Advisors has been steadily increasing, as have requests for in-firm and other group presentations. We see this as a very positive development, but it does increase the Law Society's need for staff to deal with these enquiries.

On the theme of lawyer engagement, we are sending out more e-bulletins, updating our website, and communicating more than ever with lawyers and the public. This has always been important, but is becoming more important because doing so across more media has become a necessary and effective step for a modern regulator. These are, admittedly, modest budgetary items, but they are typical of the changed approach the Law Society must take in response to the expectations placed on us.

The Counsel Department's workload has been steadily increasing. We are on track to exceed the number of hearings directed last year, with 42 new hearings directed as of September 2012

compared to 48 hearings directed for the whole of 2011. The hearing work, while important and time-consuming, represents only a part of the work of the Counsel group. Counsel is also involved in matters such as interim suspension hearings (which are urgent and time-consuming), CPLED appeals, reinstatement applications, and civil litigation involving the Law Society. The regulatory hearings themselves are becoming more complex, and Pre-Hearing Conferences have moved beyond merely being a vehicle for scheduling, to dealing with highly contentious issues such as publication bans and production orders. Counsel also spends a significant amount of time consulting with the Conduct Department before matters reach Conduct Committee panels. These increased demands have created a resource gap for the Counsel group, which will require increased resources for the upcoming fiscal year in order to continue to meet its obligations as part of the regulatory team.

Since the Trust Safety rules were approved by the Benchers in January 2011, the Trust Safety group has been committed to becoming a leader in the oversight of lawyers in relation to trust property administration and compliance. Accordingly, a review of the Trust Safety business case was conducted over the last few months, and while some progress has been made, it is clear that the program requires additional resources to accurately determine the health of the program and whether the program as currently designed can meet its goals and the larger goals of the Law Society to be a model regulator.

Each of the above environmental factors affecting the Law Society's work is local, but not unique to Alberta. These challenges exist in the world-wide regulatory environment and are causing professional legal regulators to reconsider, and in some cases, re-tool their regulatory processes. While the challenges in Alberta are not as severe as, for example, those faced in the England or in Ireland, which is in the process of losing self-regulation, we are still experiencing them, and must be mindful of those challenges and the corresponding changes we must plan to make now and in the future. For example, there has been an increase in governments requiring legal professional regulators to be aware of their role of protecting clients ("consumers") and that has been a government stance across most Commonwealth jurisdictions. We have to recognize this, and acknowledge it will result in additional and re-focused work going forward.

Recognizing that we were facing these increased demands on resources, and although for the moment, that increased demand is modest, the ELT was challenged, department by department, to find areas to cut, to delay certain initiatives, and generally to find ways of making a more efficient use of their staff and processes, without compromising the overall quality of the Law Society's operations.

This draft budget results from meeting that challenge. It is a budget for an organization required to move forward, but doing so in a planned and deliberate manner.

Business Plan

The business plan is the vehicle through which the strategic plan adopted by the Benchers is converted into practical work. It takes the aspirations in the strategic plan, and turns them into concrete plans to be implemented, and uses those plans as the foundation for the budget.

The Law Society Comprehensive Governance Plan includes this process diagram:

Law Society Planning Cycle



In formulating this plan, we considered the aspirations in the strategic plan. Because one of the Law Society's strategic goals is to be a model regulator, we also considered what is taking place in the world of professional regulation. We can then test our planned work against the work being carried out by leading regulators in Canada and the rest of the world to determine if we are achieving that goal of being a model regulator.

The business plan describes the proposed new or developmental work to be carried out in 2013, in addition to the continuing work of delivering all of our core programs. The plan is built around the structure of the strategic plan. In addition to the work described here, we will respond to emergent situations as they arise.

Strategic Goal 1: Model regulator

We will continue to deliver the following core programs:

- Admissions, CPLED and other membership matters
- Complaints and investigations
- Hearings
- Practice review
- CPD
- Practice advice, practice management advice and equity ombudsperson
- Equity programs
- Pro bono
- Libraries and CanLII
- Maintenance of the code of professional conduct
- Trust safety
- Unclaimed trust funds
- Assurance Fund
- Mandatory professional liability insurance (ALIA)
- Leadership and support to national projects dealing with standards for the operation of law society regulatory programs

The strategic initiatives we also plan for 2013 are described below:

Continuing redevelopment of the Conduct Process

As a model regulator, we recognize the need to continuously improve the processes through which we identify professional conduct that may be questionable through our complaints and adjudication programs. Public and governmental expectations of professional regulators continue to grow, and issues of speed, appropriate remedies for consumers and transparency are present worldwide. Dealing with lawyer conduct is already one of our most resource-intensive activities, so we must find a way of meeting those expectations without incurring substantial additional cost. These factors influenced the Benchers to embark in 2010 on changes to the conduct process.

At the same time, the staff have been working on improvements to internal processes. The proposed work in 2013 is to:

- a) Continue our work to reduce the number and length of hearings through the resignation project, early identification and remediation of practice issues, and single adjudicator consideration of matters that proceed by way of agreement.
- b) Continue to refine the complaints management model to achieve better risk management and, at the same time, optimize complainant outcomes. This work began in 2012 and focussed on examining the performance of lawyers instead of focussing on

complaints as separate transactions. In 2013 we will continue that work and renew our focus on gaining better information from lawyers and complainants through more face to face and telephone contact. We have recognized that improving our process requires consideration of “upstream” issues. We will work to reduce the number of complaints. We will also aim to resolve complaints earlier in the process, but only if we are still serving the consumer protection aspect of the public interest. We will also continue our attempt to achieve complaints goals for throughput, while proposing other key measures of effectiveness of the complaints program.

- c) Continue the multi-year implementation plan for changes to the conduct process, which currently includes the following projects:
- Pre-hearing conference enhancement;
 - Practice review (early intervention) pilot; and
 - Expedited admission of guilt (single adjudicator hearings) project.

Our working thesis is that this work can be carried out within the existing funding envelope, and that in due course these process changes will result in more effective and less expensive processes. We cannot say at this time whether there will be any significant transition costs.

Continue implementation of the Trust Safety process

One of the important services offered to clients by Alberta lawyers is the management of trust funds. This involves billions of dollars passing annually through lawyers’ trust accounts. Recognizing both the value and risk in these services, the Benchers agreed to a considerable renovation of the program, with initial implementation in 2012. The program has now completed its first full cycle.

Best practices in program management call for program evaluations after the first year of operation in order to identify the effectiveness of the programs and any issues that need to be resolved. As a result, in 2013 we plan to conduct a program evaluation of the new Trust Safety program and propose a new funding mechanism based on the premise that primary funding for this program should be from those who use or operate trust accounts. Our research suggests that an external program evaluation is most effective; we expect the cost to be in the order of \$40,000 to \$60,000, judging by the cost of the other program evaluations.

Alternate business structures

One of the significant changes in the regulation of the legal profession is the introduction of alternate business structures in England and Australia. Alternate Business Structures are currently under review or scrutiny in both British Columbia and Ontario. The driver behind these new forms of delivery of legal services is to increase consumer access to legal services, and thus access to justice.

Although it is probably too early to determine a course of action, this is the kind of issue that we must keep a close eye on, and as a result for 2013 we propose to commence consideration of alternate business structures in Alberta by developing a backgrounder and discussion paper.

We expect this work can be carried out within the existing organizational capacity.

Tribunals office

One of the high profile, important and high risk tasks carried out in many of our regulatory processes is adjudication of conduct, credentialing, practice, assurance, trust safety, and the appeal processes for each of these. Currently, the processes for administering the different adjudications are spread across the organization. Many similar organizations provide both extensive and structured training, as well as support for activities such as the drafting of decisions.

If we are to be a model regulator, we should be considering providing this support to our adjudicators. Consequently, for 2013 we propose to develop recommendations for a re-alignment of the hearing coordinator and counsel assistants' roles to create a tribunals office, covering all aspects of the Law Society's adjudicative processes, including additional resources for Law Society adjudicators.

We expect the planning work can be carried out within our existing organizational capacity.

Online practice resources

One of our heavily used supports for professional competence is the services provided by the practice advisors, practice management advisor and equity ombudsperson. The number of calls to these advisors has grown consistently over the last 3 years. This work can be made more effective by providing online resources that will assist practitioners more effectively and efficiently, either in addition to individual advice, or as a substitute for it. Effectively assisting practitioners to avoid unethical or incompetent conduct is an important priority, and making these materials available online means we can increase the use of these resources without necessarily increasing staff. Accordingly, in 2013 we propose to continue to enhance online practice resources to assist lawyers in achieving excellence in their practices.

We expect this work can be carried out within our existing organization capacity, although we may present an option of having some work contracted out in order to produce additional material.

Restructuring the compensation of victims of lawyer theft of trust money

The Law Society's program for compensating victims of lawyer theft of trust money is built around a model in which the payment of compensation is a discretionary remedy of the Benchers, with each case decided on its merits. Although that is the model, in practice the

program functions in a manner far more like an insurance program. The difference between these models is that before payment can be made under the current program, a finding of misappropriation by the lawyer must be made. This makes it very difficult to engage in the kind of timely and fair resolutions that are common in insurance programs.

As a result of this analysis, the Benchers in 2008 deferred considering a program more like an insurance model, to be dealt with once the Trust Safety program was in place. A discussion paper has been prepared with an overview of the policy issues, and for 2013 we propose to continue the consideration of an insurance model instead of a discretionary model for deciding assurance fund claims.

This work can be carried out within our existing organizational capacity.

Integrated competence strategy

Competence lies at the heart of the work of a regulator of professionals. The mission of the Law Society calls for a high standard of legal services and professional conduct. We provide a variety of competence-related programs ranging from available support, such as libraries, to compulsory programs, such as CPD and Trust Safety. There has been discussion of adding additional programs such as quality assurance, which would in effect be an audit of a lawyer's practice. We need an overall strategy for how we support and regulate competence, before engaging in any additional programs. As a result, this year's Continuing Competence Committee has begun work on an integrated competence strategy, which will be presented to the Benchers before the end of the year.

One of the important programs to engage lawyers in managing their professional competence is a CPD program, which we have been operating for 4 years now. We have engaged in an external program evaluation, and have plans to add additional features to have each lawyer consider their previous year's CPD program and whether it was successful, and to streamline our administrative process for determining that practitioners have complied with the CPD program regulations.

To continue our work in this key area, we propose to:

- Respond to direction arising from consideration of the integrated competence strategy; and
- Implement changes to the CPD program so that a) lawyers report on their success in achieving their CPD goals for the previous year, and b) filing a CPD declaration is a pre-condition to renewing the annual practice certificate.

This work can be carried out within our existing organizational capacity.

Photo ID cards

The Benchers have asked that we develop a proposal for providing photo identification cards to lawyers upon request. This would make it easier for some lawyers to demonstrate they are regulated by the Law Society. In 2013 we plan to develop a proposal for providing photo identification.

We expect the development of the proposal can be carried out within existing organizational capacity. Our operating premise is that any resulting program would be self-funding.

Digital Signatures

The Land Titles Registry electronic database is to be redeveloped over the next 3 years. One of the key features of the new system will be e-filing of land titles documents. For this to function, the Land Titles people tell us that lawyers will need a form of digital signature. This facility will demonstrate that the lawyer e-filing a land title document has the appropriate status with the Law Society.

In 2013 we plan to develop a proposal to provide this service to lawyers. As matters now stand we expect we can carry out the preliminary work using existing organizational resources. Development of a system will probably require consulting resources. When these programs operate elsewhere they are self-funding or make a slight profit; our operating premise is that any development costs would be recouped through usage fees.

Strategic Goals 2: Public confidence

As part of our core program work we will continue to improve our regulatory programs and enhance programs that communicate our regulatory work to government, the public, and lawyers, as well as providing communications support for individual programs.

There are no new business plan priorities relative to this strategic goal.

Strategic Goal 3: Principles of justice

As part of our core program work we will continue to:

- Communicate the importance of protecting the independence of the courts, the rule of law, and lawyer client privilege; and
- Monitor for threats to the rule of law and intervene as necessary regarding those threats.

There are no new business plan priorities relative to this strategic goal.

Strategic Goal 4: Equal access to justice

As part of our core program work we will continue to deliver existing programs such as: libraries and CanLII as sources of public legal information, lawyer referral, Justicia, the Re-engagement and Retention Task Force, Pro Bono Law Alberta and Law Day.

As a strategic initiative, with a view to available resources and authority and acknowledging that the access to justice issue cannot be solved by the legal profession alone, we plan to articulate the Law Society's role in access to justice, develop a plan to implement that role and begin implementation. The implementation phase will address which of the varied existing projects will be continued.

We cannot at this time estimate whether there will be any additional costs, although we expect to have a better sense of costs based on Bencher discussion of the Access to Justice Strategy.

Foundation to achieve the strategic goals: Organizational support

As part of our core program work we will continue to deliver the following core support programs:

- Support for committees and governance activities, including developing and delivering online support as is feasible and affordable
- Accounting services
- Record keeping and privacy services
- Communications, both internal and external
- Office services
- Offices in Calgary and Edmonton
- Business technology services
- Legal services
- Human resource management services

As strategic initiatives we also plan the following:

- a) In 2011 the Benchers started a program to develop comprehensive governance policies. We expect to complete this work in 2013 using existing organizational resources.
- b) The 3 year strategic plan was formally adopted by the Benchers in November 2010; it thus expires in the fall of 2013. The governance policies adopted by the Benchers call for the plan to be reconsidered, and we plan that for 2013. We expect there will be some costs for advice on the review process, and possibly external facilitation.
- c) The strategic plan sets as an ultimate goal that the Law Society of Alberta is a model regulator. To evaluate our success in achieving that goal, we need to compare ourselves

to other regulators. To assist in this ongoing work, we plan to benchmark new and innovative regulatory mechanisms used in England and Australia but not Canada, and provide a discussion paper about whether these forms of regulation would be useful in Alberta. This will be carried out using existing organizational resources.

- d) In 2011 we held the first Benchers election using online voting. More than half the votes were cast electronically. This is a much less expensive way to conduct Benchers elections – depending on how much of the process is made electronic, we would reduce the \$40,000 election costs by more than half. In 2013, we plan to lay the ground work for an exclusively online 2014 Benchers election.
- e) The Law Society maintains a sophisticated database containing all of the regulatory information about everyone who has been a student or has been called to the bar in Alberta. In 2012 we upgraded our ten year old regulatory database; that brings our software up to date, and permits us to begin offering online transactions. This multi-year project will ultimately enable us to provide better customer service for lawyers and the public, to simplify our processes, and to reduce costs. In 2013 we plan to move ahead with our initial foray into online transactions, including developing the capacity to evaluate and change our business processes. We expect there will be continuing capital costs for this work, and these costs have been included in our capital budget presented later in this document. In our view we cannot avoid making this investment. If put it off, we will simply pay more to make these changes in the future.
- f) In 2012 we began a project to build organizational capacity around project management. We did that because we conduct many projects (such as the many policy projects described elsewhere in this document) and it is important to plan the resources required, the timelines to be met, and to determine whether the projects are a good investment. In 2013 we plan to continue to build project management capacity throughout the organization in order to maximize the use of our resources. We expect this work to be carried out using the increased resources included in the Business Technology budget contained within Organizational Support.
- g) Our work to be a model regulator includes being a more sophisticated regulator. We have a considerable amount of information about the profession stored in our databases. However, we do not have good tools to analyze that data. For instance, it is not easy for us to report on the causes of complaints or claims, the location, age, experience and gender of lawyers, and similar kinds of analyses. As part of our work to upgrade our regulatory database, we also plan enhancements to our data management and reporting systems to unlock the value of our data through reporting and analysis. This will permit us to make better informed and timelier business decisions that will focus our work on the areas with the most need. We have funded the 2013 costs of this work in our capital budget.

- h) Continue the process to identify new space for the Law Society's Calgary office in anticipation of the December 31, 2014 termination of our existing Calgary lease. We have provided for consulting costs in the 2013 budget to fund preliminary planning activities.

The budget

The budget pursues the initiatives outlined above – both the strategic ones and the statutory ones – within a context in which we recognize our continuing need to balance our obligation to be the steward of the funds raised through taxation and our obligation to protect the public interest.

This year's budget preparation began with each department developing a business plan, which forms the foundation for this budget.

In organizing the business plans we broke down our work into five core areas of the Law Society:

Membership – this group deals with all aspects of applications for new membership, Professional Corporations (PCs) and Limited Liability Partnerships (LLPs), and deals with all changes in membership and annual renewals. The Canadian Centre for Professional Legal Education (CPLED) connects to the Law Society in this department.

Complaints & Conduct Hearings – in which we review, resolve (where possible), and investigate complaints, refer to Practice Review where appropriate, and prosecute when necessary.

Public Protection – includes the trust audit program, custodianship program and Assurance Fund program designed to compensate those suffering losses from misappropriated trust funds.

Professionalism, Competence & Access – this bundles together all of our programs that support the professional work of lawyers, namely Continuing Professional Development (CPD), practice advice, pro bono, libraries, equity ombudsperson, and equity programs.

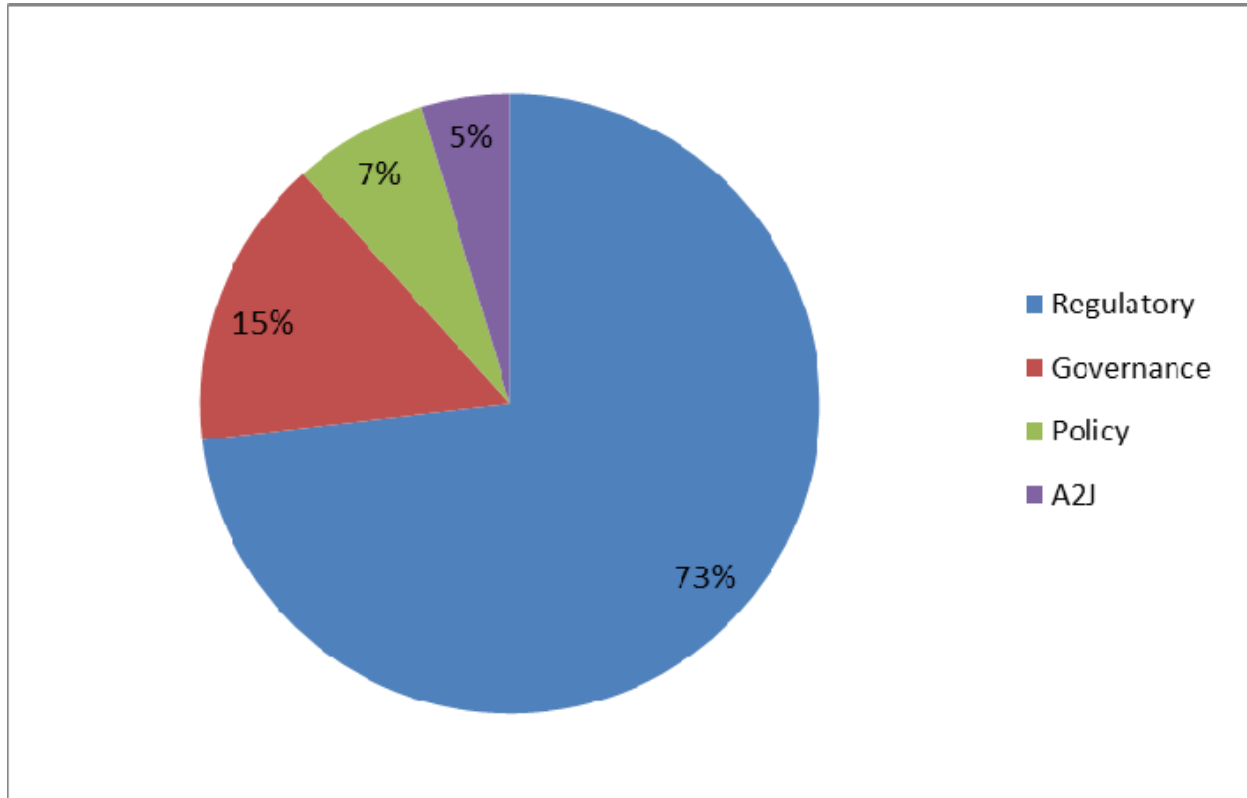
Governance – the governance of the organization including the development of best practices in governance and of policy for consideration by the Benchers.

To these we add:

Organizational Support – the supports necessary to carry out all our regulatory work including Corporate Services (consisting of Accounting, Communications, Records and Information Management Services and Office Services), Business Technology, Counsel and Human Resources.

Budget resource allocation

While we organize our work in the above areas, the following chart provides an illustration as to where our budget resources are focused relative to our ongoing activities around regulation, governance, access to justice (A2J) and policy. In this analysis, organizational support costs are allocated to each of these activity areas based on relative cost.

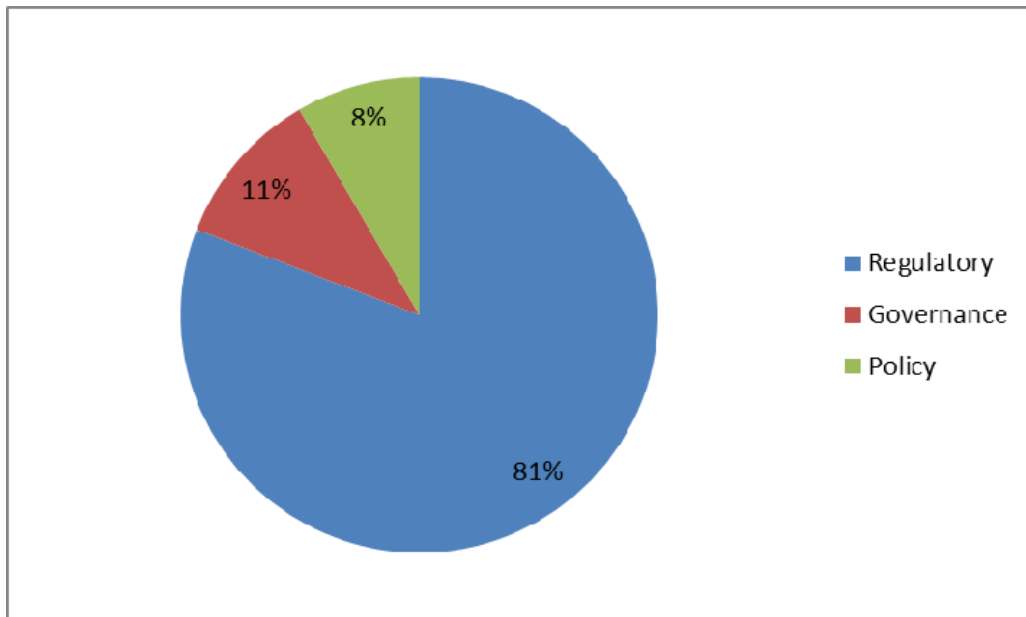


Of our policy work, about 2/3rds of the work relates to regulatory issues and the remaining 1/3rd is dedicated to the access to justice initiative and governance.

Staff resource allocation

The 2013 budget provides for 119 full-time equivalent (FTE) staff (relative to 115 in 2012). The majority of the increase in FTEs relates to the Trust Safety department (contained within the Assurance Fund.) In 2013, this department plans to convert contractor roles into full-time staff positions now that the program has moved from implementation in 2012 to regular operations in 2013.

Staff costs represent about 60% of the total budget. The following chart depicts how staff resources are deployed relative to regulation, governance and policy. Again, organizational support staff resources (34 FTEs) are allocated to each of the activity areas based on relative FTEs.



Again, we estimate that about 2/3rd of our policy work relates to regulatory issues and the remaining 1/3rd is dedicated to the access to justice initiative and governance.

Core area plans

In our strategic planning the Benchers made it clear we must do a first class job of our core regulatory work. That encompasses credentials and education, complaints and hearings processes, and ensuring that lawyers are professionally competent. We also include the operation of the Assurance Fund in this work. The business plan that follows includes work in all of these areas and reflects the following operational goals:

- Be highly trusted;
- Be recognized for excellence in management and leadership in service;
- Manage risk and stand up for the public interest and the principles of justice; and
- Be a leader organization of choice for staff and volunteers.

The following analysis describes the core activities of our five business units, area goals, and significant initiatives planned in each area.

Membership

Core activities:

This group is responsible for the administration of various applications including students-at-law, enrolment and reinstatement of members, the transfer of inter-jurisdictional members, Professional Corporations and Limited Liability Partnerships. The Membership department also manages inquiries regarding membership status and address changes, insurance changes, and membership renewals. The bar admission program (CPLED) connects to the Law Society in this department.

On an annual basis, this group of 9 employees processes renewals for approximately 8,500 active, 2,000 inactive and 5,800 insured lawyers. Over 300 applications for students-at-law are handled by this group. In addition, the Membership department processes annual renewals for about 2,300 Professional Corporations and 170 Limited Liability Partnerships.

Goals:

- Serve the public interest by ensuring high standards of competence and good character for applicants seeking admission to and practicing law in our jurisdiction.
- Provide a high level of customer service (internal and external customers).
- Provide service to lawyers while facilitating annual regulatory requirements, such as annual renewal of membership, insurance, Professional Corporation and LLP registrations.
- Continue to enhance risk assessment management within the department as well as in conjunction with the Law Society as a whole.
- Continue to evolve business practices, policies and documentation to accommodate expectations of our customers and to operate as a model regulator.
- Enhance our corporate departmental image and knowledge about our services to our customers (lawyers, students, etc.). This includes improvements to the website, forms and an increased number of presentations to our customers.
- Enhance our relationship and productivity with the CPLED team in order to provide a more cohesive service to students-at-law.

Complaints and Conduct Hearings

Core activities:

This core area (consisting of 37 staff) reviews, resolves (where possible), and investigates complaints, refers to Practice Review where appropriate, and prosecutes as necessary. The Complaints team handles about 3,500 contacts annually from the public, financial institutions, government departments, other regulatory bodies and lawyers. The majority of the contacts received are resolved to the satisfaction of the complainant through an informal process. This informal process includes Law Society staff providing information, referral to other agencies, mediation or other alternate resolution services. Typically, 15% (about 500) of these contacts relate to complaints that are serious enough to require formal investigation and review by Law Society staff. Of these serious (or formal) complaints, about 10% (roughly 50) ultimately result in a conduct hearing.

Goals:

- Deal with every complaint to ensure it is investigated in an effective and timely manner.
- Deal with matters in Practice Review when risk appears remediable.
- Prosecute matters in an effective and timely manner.
- Maintain a risk assessment program that supports and furthers the goals and objectives identified in the strategic plan.

2013 initiatives:

- Continue our work to reduce the number and length of hearings through the resignation project, early identification and remediation of practice issues, and single adjudicator consideration of matters that proceed by way of agreement.
- Continue to refine the complaints management model to achieve better risk management and, at the same time, optimize complainant outcomes. This work began in 2012 and focussed on examining the performance of lawyers instead of focussing on complaints as separate transactions. In 2013 we will continue that work, and will renew our focus on gaining better information from lawyers and complainants through more face-to-face and telephone contact. We have recognized that improving our process requires consideration of “upstream” issues. We will work to reduce the number of complaints. We will aim to resolve complaints earlier in the process, but only if we are still serving the consumer protection aspect of the public interest. We will also continue our attempt to achieve complaints goals for throughput while proposing other key measures of effectiveness of the complaints program.

- Continue the multi-year implementation plan for changes to the conduct process, which currently includes the following projects:
 - Pre-hearing conference enhancement;
 - Practice review (early intervention) pilot; and
 - Expedited admission of guilt (single adjudicator hearings) project.

Public Protection (Trust Safety and the Assurance Fund)

Core business:

This area operates the trust safety program, our custodianship program and the Assurance (or compensation) Fund established to compensate those who suffer financial loss through lawyer misappropriation of trust funds.

The purpose of the trust safety program is to mitigate the risk of lawyer misappropriation of client trust funds. In 2013, this group will consist of 16 employees and is supported by the investigative team in the Complaints and Conduct Hearings group.

We operate the Assurance Fund (AF) to respond to allegations of lawyer misappropriation of trust funds and to compensate (or protect) members of the public who have been victims of such misappropriation. Assurance Fund claims received from the public are reviewed by our Senior AF Claims Examiner and are referred to our trust audit staff to perform a complete review of the trust account of the lawyer concerned. The trust audit process, in cases of misappropriation, can be quite lengthy and intensive as trust records in these circumstances are often falsified or destroyed. The total number of open AF claims is normally under 200. On average, we open about three AF files monthly, typically two of which require a formal investigation, including a related conduct complaint.

The custodianship program is designed to protect members of the public in the event that their lawyer is unable or not allowed to continue the practice of law. In these circumstances, our custodians (lawyers contracted by the Law Society) protect the interests of the client and their trust property until the client is able to arrange appropriate representation. The number of active custodianships is typically around 50. The program is managed by the Director of Regulation and supported by two other employees, including a staff lawyer.

Goals:

- Through our new trust safety program, effectively protect the public interest with respect to the safety of trust property.
- Manage every claim to ensure a fair and timely outcome.
- Finance the Assurance Fund in an economically sustainable manner.
- Fairly compensate those who lose money when trust account defalcations occur.
- Identify areas of potential loss and develop programs to assist lawyers to avoid such loss.

2013 initiatives:

- Continue to refine the Trust Safety as a program to manage risk by identifying and dealing with risk as early as possible.
- Prepare a discussion paper for Bencher consideration of an insurance model instead of a discretionary model for deciding assurance fund claims.

Professionalism, Competence and Access

Core activities:

This group bundles together all of our programs that support the professional work of lawyers including CPD and practice advice, the equity ombudsperson and equity programs. This area also funds programs and initiatives designed to enhance lawyer competence and the public's access to legal services including:

- The Joint Library Committee (Alberta Law Libraries);
- Assist;
- The Lawyer Referral Service;
- Pro Bono Law Alberta;
- The Alberta Law Review;
- CanLII; and
- The CBA's Legislative Review.

A key element of the Law Society's support of the professional work lawyers perform is our Practice Advisor program. This program is delivered by 3 lawyers who are supported by an administrative assistant. These individuals provide confidential advice to Alberta lawyers with respect to ethical, practice management, and stress-of-practice issues. This group also advises and assists the Benchers and Law Society staff on professionalism issues generally and the Code of Professional Conduct in particular. On an annual basis, the Practice Advisors handle in the neighbourhood of 5,000 inquiries from lawyers seeking advice.

As in 2012, this budget provides for a Director (the Practice Advisors currently report directly to the Executive Director) and a dedicated administrative position to manage the CPD program.

Goals:

- Support the professionalism and competence of lawyers through Practice Advisors providing ethics and practice management, the Alberta Law Review, CPD, independence of the legal profession, access to justice, Equity Ombudsperson, Access to Justice Committee, Pro Bono Law Alberta (PBLA), Practice Advisory committees, Alberta Lawyer Assistance Program (Assist), and the Western Conveyancing Protocol.
- Provide legal research resources through libraries and the Canadian Legal Information Institute (CanLII).

2013 initiatives:

- Provide more online practice resources to assist lawyers in achieving excellence in their practices.

Governance

Core activities:

The governance of the organization, including the development of policy for consideration by the Benchers, is the focus of this core area. This business unit includes the office of the Executive Director (2 employees), the Director of Regulation (2 employees) and the Policy and Research department (7 employees).

Ongoing policy work includes:

- Maintenance of the policy development inventory which sets out the Bencher priorities on strategic, process, and potential policy projects;
- Maintenance of the administrative policy inventory which sets out administrative policy projects; and
- Monitoring of the local, national, and international regulatory environment to identify potential policy issues, questions, and future policy projects to further the strategic goals of the Law Society.

The cost of the Law Society's membership in the Federation of Law Societies of Canada and funding for the Legal Archives Society of Alberta are contained in this core area.

Goals:

- Sustain effective governance of the Law Society through committees and the Benchers.
- Provide training and information to assist the Benchers in their work.
- Manage policy issues and prepare policy matters for Bencher discussion.
- Be an active participant in national governance of the profession (primarily through the Federation of Law Societies of Canada).

2013 initiatives:

- Monitor best practices for the regulation of the legal profession and provide a report to the Benchers as requested.
- Prepare a discussion paper for Bencher consideration of an integrated competence strategy including admissions, reinstatement, continuing professional development, and quality assurance.
- Develop evaluative and reporting processes for regulatory programs as part of a multi-year plan.

- Articulate the Law Society's role in access to justice, develop a plan to implement that role, and begin implementation. Implementation will address the question of which of the varied existing projects will be continued.

Organizational Support

Counsel

Core activities:

This department combines an active litigation role with corporate counsel responsibilities. With a team of 10 staff and contract counsel, the Counsel department actively supports the Law Society's goal of being a model regulator in protecting the public interest and preserving the fundamental principles of justice. This department monitors challenges and threats to solicitor-client privilege and takes targeted action.

Counsel act as professional advisors in the following areas:

- Work with knowledgeable professionals and paraprofessionals to provide legal and strategic expertise to all Law Society departments, the Benchers and committees.
- Provide advice on operational and public policy matters including assisting in the analysis, drafting and implementation of initiatives.

Counsel act as litigators in the following matters:

- Act as counsel on behalf of the Law Society for all types of internal hearings and appeals, including disciplinary hearings.
- Act as counsel on behalf of the Law Society before all levels of court.

Goals:

- Monitor challenges and threats to solicitor-client privilege and take targeted action.
- Move caseload in accordance with timeliness benchmarks.
- Provide excellent legal advice to clients.
- Identify, analyze and manage risks to the effectiveness and operations of the Law Society.
- Provide excellent counsel support to strategic initiatives requiring counsel input.
- Maintain expertise as a resource on solicitor-client privilege.
- Be recognized as a model counsel department for all law societies.

Corporate Services

Core activities:

This group provides accounting, communications, records management and general office services to the Law Society and ALIA staff, Benchers and volunteers. This organizational support group consists of 25 employees. The teams that comprise Corporate Services are:

- The Accounting team handles the financial reporting, budgeting, payroll and cash management of the Law Society and ALIA.
- Our Communications group develops communications tools and techniques to inform key external and internal stakeholders. In addition, this group provides strategic communications advice to the Benchers and Law Society management.
- Records and Information Management Services team securely manages all of the information that is collected and generated by the organization. This includes internally-generated records and records the Law Society collects from lawyers through our regulatory processes.
- The Office Services group manages the physical office locations of our Edmonton and Calgary premises, including our very busy meeting facilities. This team also operates our document production facility that produces information materials, particularly for our regulatory and adjudication activities.

Goals:

- Provide accounting services to the Law Society, ALIA and affiliated organizations.
- Support the Law Society's record keeping, knowledge management and privacy responsibilities.
- Provide effective support for communications to the public, the profession, stakeholders and staff.
- Provide office services support including leased premises management and document production services.

2013 initiatives:

- In anticipation of the expiration of our Calgary premises lease at the end of 2014, develop a long term strategy for optimal space location and configuration.

Business Technology

Core activities:

This group of six employees and an outsourced technology support team design and maintain the information technology infrastructure required to carry out the regulatory work of the Law Society. This includes our membership and financial databases, data/video/voice links between our two offices, remote access, electronic collaboration tools, computer hardware and overall systems security. This team also provides project management and business process expertise to the many change projects currently underway by the Law Society.

Goals:

- Provide business technology services to allow the organization to track relevant information and permit effective management of key business processes.

2013 initiatives:

- In 2013 we plan to move ahead with our initial move into online transactions, including developing the capacity to evaluate and change our business processes.
- Continue to build project management capacity throughout the organization in order to maximize the use of our resources.
- To build on our work in 2012 to upgrade our regulatory database, we also plan enhancements to our data management and reporting systems to unlock the value of our data through reporting and analysis. This will permit us to make better informed and timelier business decisions that will focus our work on the areas with the most need.

Human Resources

Core activities:

This team, consisting of 3 employees, provides advice and guidance in the effective recruitment and retention of employees who ultimately possess the necessary skills, characteristics and qualifications needed to achieve the Law Society's strategic and operational objectives. This team supports the human resource needs of approximately 123 Law Society and 18 ALIA employees.

Goals:

- Operate a model HR business unit to ensure HR policies and practices are integrated and aligned with our organizational mission, vision, goals, objectives, and strategic initiatives.
- Support all departments in meeting their goals, objectives, and strategic initiatives as they relate to human resource initiatives.
- Provide timely and efficient service to our customers.
- Support our organization in realizing our goal of becoming a model regulator and to be a leader organization of choice for staff by continuing to build and focus on strategic recruiting, hiring, developing, and retaining a competent and dedicated workforce.

Budget

Budget Structure

The budget of The Law Society includes three funds:

- The **General Fund**, which covers the general operating costs of the regulatory function and other work of the Law Society;
- The **Assurance Fund**, which covers the costs of compensating clients and others who are the victims of trust defalcations, as well as the cost of our loss prevention audit and custodianship programs; and
- The **Viscount Bennett Fund**, a donated sum, the income from which funds scholarships for law students.

In 2012, we are transitioning from an October 31 to a December 31 year end. Consequently, our fiscal year in 2012 will end at December 31, 2012 and will represent 14 months of operations. To accommodate for this transition, we have presented both a 12 and 14 month budget for 2012 and a 14 month forecast to December 31, 2012. The 2012 14 month budget is an extension of the 12 month budget approved by the Benchers in September 2011. The extended budget includes 14 months of operating expenses but only 12 months of fee revenue as the Practice Fee and Assurance Fund levy are billed and recognized in revenue in March of each year. These fees are designed to fund 12 months of the operations of the Law Society. To reduce the impact of this extended year end in 2012, Law Society management has attempted to reduce or defer to 2013 certain expenses to the extent possible.

In discussing the budget structure, we refer to:

- **Budget 2013**, which means the fiscal year beginning January 1, 2013 and ending December 31, 2013;
- **Budget 2012**, which means the fiscal year beginning November 1, 2011 and ending both at October 31, 2012 (12 months) and December 31, 2012 (14 months); and
- **Forecast 2012** which is our forecast of the actual revenue and actual spending for the fiscal year beginning November 1, 2011 and ending December 31, 2012 (14 months).

Summary budgets for the General, Assurance and Viscount Bennett funds are provided in the following pages.

The proposed Capital Budget is provided in Appendix 2.

An analysis of General and Assurance Fund target fund balances is outlined in Appendix 1.

The operations of the Alberta Lawyers Insurance Association (ALIA) are not included in this budget. ALIA's budget for the year ending December 31, 2013 is presented in a separate document.

Budget Assumptions

This budget is built on the following assumptions:

- a) This draft budget assumes an increase in the practice fee of \$60 to \$1,760 (a 3.4% increase) and no change in the Assurance Fund levy from 2012. Please refer to Appendix 3 for an historical comparison of fees and levies and Appendix 8 for a detailed fee schedule.
- b) Excluding staff additions and merit increases, we have assumed a 3% increase in wage costs. This increase is designed to keep our compensation levels on pace with labour market trends in Alberta.
- c) This budget includes a net increase in our staff of four full time equivalents (FTEs) from the 2012 budget. Seven new full time positions in Trust Safety are offset by net staff reductions in other areas.
- d) Fee revenue is based on an active and inactive membership growth rate of 1.8% and 3.2% respectively from 2012 to 2013 (see Appendices 6 and 7).
- e) Unrealized gains or losses on changes in the market value of investments related to the Assurance and Viscount Bennett funds have not been budgeted for as these amounts are virtually impossible to predict and are non-cash items by nature.
- f) The provision for Assurance Fund claims and costs is very difficult to predict. Consequently, the budget for this item is based on recent historical experience (refer to Appendix 5 for an historical analysis of actual claims reserve and provision experience). Actual claims experience may differ significantly from the budget amount.
- g) The 2012 14 month forecast includes revenue for PC and LLP renewals for both November 2011 and 2012. This is in accordance with our long standing revenue recognition policy and has been disclosed to our auditors. The annual revenue for these fees is approximately \$600,000. The 2013 budget includes this revenue in November 2013.

General Fund Budget

The Law Society of Alberta Summary General Fund Budget For the Year Ending December 31st, 2013

	2012 Approved Budget (12 months)	2012 Budget (14 months)	2012 Forecast* (14 months)	Variance 2012 Forecast to 2012 Budget (14 months)	2013 Budget (12 months)	Variance 2013 Budget to 2012 Budget (12 months)
Revenue						
Fees	\$ 16,114,400	\$ 16,741,400	\$ 16,768,960	\$ 27,560	\$ 16,915,700	\$ 801,300
Management fees	3,420,000	3,990,000	3,990,000	-	4,188,000	768,000
Investment income	115,714	135,000	137,000	2,000	100,000	(15,714)
Other	144,000	168,000	124,000	(44,000)	129,100	(14,900)
	<u>19,794,114</u>	<u>21,034,400</u>	<u>21,019,960</u>	<u>(14,440)</u>	<u>21,332,800</u>	<u>1,538,686</u>
Expenses						
Membership	1,182,407	1,301,829	1,239,909	(61,920)	1,545,600	363,193
Complaints and conduct hearings	3,635,128	4,224,012	3,755,709	(468,303)	3,522,770	(112,358)
Professionalism and competence	2,998,345	3,134,119	2,269,787	(864,332)	2,800,990	(197,355)
Governance	2,574,212	2,951,577	2,927,621	(23,956)	2,791,334	217,122
Organizational support	9,587,239	11,118,526	11,395,902	277,376	10,309,770	722,531
	<u>19,977,331</u>	<u>22,730,063</u>	<u>21,588,928</u>	<u>(1,141,135)</u>	<u>20,970,464</u>	<u>993,133</u>
Net Income (loss)	<u>\$ (183,217)</u>	<u>\$ (1,695,663)</u>	<u>\$ (568,968)</u>	<u>\$ 1,126,695</u>	<u>\$ 362,336</u>	<u>\$ 545,553</u>

* Actual results for November 1, 2011 to July 31, 2012 plus estimated results for August 1, 2012 to December 31, 2012

Assurance Fund Budget

The Law Society of Alberta Summary Assurance Fund Budget For the Year Ending December 31st, 2013

	2012 Approved Budget (12 months)	2012 Budget (14 months)	2012 Forecast* (14 months)	Variance 2012 Forecast to 2012 Budget (14 months)	2013 Budget (12 months)	Variance 2013 Budget to 2012 Budget (12 months)
Revenue						
Fees	\$ 4,970,400	\$ 4,970,400	\$ 4,975,000	\$ 4,600	\$ 5,038,800	\$ 68,400
Investment income	480,858	561,000	1,134,000	573,000	800,000	319,142
	<u>5,451,258</u>	<u>5,531,400</u>	<u>6,109,000</u>	<u>577,600</u>	<u>5,838,800</u>	<u>387,542</u>
Expenses						
Organizational support	63,500	64,750	67,333	2,583	61,200	(2,300)
Administration	2,324,004	2,711,338	2,708,000	(3,338)	2,756,000	431,996
Trust safety and custodianship costs	2,889,991	3,385,126	2,813,079	(572,047)	3,232,920	342,929
Provision for claims and costs	1,000,000	1,166,666	600,000	(566,666)	600,000	(400,000)
	<u>6,277,495</u>	<u>7,327,880</u>	<u>6,188,412</u>	<u>(1,139,468)</u>	<u>6,650,120</u>	<u>372,625</u>
Net Income (loss)	<u>\$ (826,237)</u>	<u>\$ (1,796,480)</u>	<u>\$ (79,412)</u>	<u>\$ 1,717,068</u>	<u>\$ (811,320)</u>	<u>\$ 14,917</u>

* Actual results for November 1, 2011 to July 31, 2012 plus estimated results for August 1, 2012 to December 31, 2012

Viscount Bennett Fund Budget

**The Law Society of Alberta
Summary Viscount Bennett Fund Budget
For the Year Ending December 31st, 2013**

	<u>2012 Approved Budget (12 months)</u>	<u>2012 Budget (14 months)</u>	<u>2012 Forecast* (14 months)</u>	<u>Variance 2012 Forecast to 2012 Budget (14 months)</u>	2013 Budget (12 months)	<u>Variance 2013 Budget to 2012 Budget (12 months)</u>
Revenue						
Investment income	\$ 41,144	\$ 48,000	\$ 85,600	\$ 37,600	\$ 73,000	\$ 31,856
Expenses						
Organizational support	3,886	4,000	5,600	1,600	4,000	114
Scholarships	40,000	40,000	20,000	(20,000)	60,000	20,000
	<u>43,886</u>	<u>44,000</u>	<u>25,600</u>	<u>(18,400)</u>	<u>64,000</u>	<u>20,114</u>
Net Income (loss)	<u>\$ (2,742)</u>	<u>\$ 4,000</u>	<u>\$ 60,000</u>	<u>\$ 56,000</u>	<u>\$ 9,000</u>	<u>\$ 11,742</u>

** Actual results for November 1, 2011 to July 31, 2012 plus estimated results for August 1, 2012 to December 31, 2012*

Appendix 1 - Target Fund Balances

General Fund

At the end of any given fiscal period, the balance in the General Fund represents the difference between our assets and liabilities in the fund. This amount is basically the accumulated sum of the fund's earnings in excess of expenses from the inception of the Law Society. Consequently, we often refer to this balance as the "accumulated surplus". By way of example, the balance in the fund at our last fiscal year ended October 31, 2011 is broken down as follows:

Current assets (mostly cash)	\$4,315,000
Capital assets (furniture, computers and leasehold improvements)	\$1,985,000
Current liabilities (mostly trade payables)	(\$971,000)
Long-term liabilities	(\$992,000)
Fund balance (the net of the above amounts)	\$4,337,000

Essentially, the amount in the fund balance is the financial resources available to sustain the operations of the General Fund into the future. This amount will increase (or decrease) based on the net operating results of the General Fund (revenues less expenses).

For planning and budgeting purposes it is important to get a sense of the target fund balance we need to keep in reserve. If the fund (or accumulated surplus) balance gets too low we risk being unable to adequately fund our operations without raising lawyer fees too dramatically or being forced to borrow operating funds from external sources. Alternatively, if the fund balance accumulates to too high a level, we are likely charging lawyers unnecessarily excessive fees and/or we are not spending enough to get all of our regulatory work done.

We need to establish a target fund balance threshold or range in case of unusual circumstances or emergencies. If, for some reason, our sources of cash declined dramatically, how much would we need in our accumulated surplus to keep the organization going until such time that additional cash flow could be secured? Obviously, this is a very hypothetical and subjective exercise. However, the analysis below is an attempt at quantifying a recommended (or target) balance for the General Fund.

The first issue to consider is what circumstances would cause our cash flow to decline to the point that we would need to rely on our accumulated surplus (or fund balance) to adequately fund our operations. While highly unlikely, the following hypothetical situations could occur:

- The Law Society suffers a significant employee theft in excess of our insured amount of \$500K.
- We make a large unbudgeted expenditure without considering the impact on our cash flow.
- The economy crashes, resulting in a severe decline in the collectability of lawyer fees.
- We have an unusually large increase in our budgeted expenditures that require additional cash resources between the end of our fiscal year (December 31) and the beginning of the next fee billing cycle (March 15).

Under one or more of these scenarios, what amount should we have in the accumulated surplus balance to feel comfortable that the Law Society can continue operations until adequate cash flow is generated? In general, we would need financial resources for the following things:

- Operations;
- Significant planned special projects; and
- Contingencies (or unexpected expenditures).

Operations:

Operating expenses include recurring expenditures like wages, rent, contract services and supplies required for the normal and planned operation of General Fund activities. Our monthly operating cash flow requirements can be estimated by looking at our budgeted operating expenses for the coming year. If we were to run out of operating cash resources, the issue then becomes how long it would take us to get approval to issue a special levy on Alberta lawyers and then collect it. It would be this period of time for which we would need cash to fund our operations. In such an unusual situation, we estimate it would take about one to two months to generate sufficient cash flow from a special assessment. Consequently, we would need about 10% to 15% of our annual operating expenditure budget to see us through.

Special projects:

These are non-recurring activities outside the scope of our normal, recurring operations. The 2007 100th Anniversary project and our recent work in response to the legal aid issue are good examples of this type of non-recurring activity/expenditure.

Contingencies:

Contingencies are significant expenditures that we cannot plan for and are very difficult to predict both in terms of amount and probability of occurrence. Such contingencies could take the form of a civil matter that creates a large unplanned liability that needs to be settled. Another example would be a complicated and expensive conduct matter that needs to be dealt with during the current budget cycle. There can be situations where Assurance Fund claims need to be settled before the adjudicative process can be applied. Such claims would have to be paid through the General Fund as the Assurance Fund cannot issue settlement payments. It is very difficult to quantify the potential financial impact of such contingencies, but they could likely range between \$500K and \$1 million.

Target General Fund Balance

Based on the above analysis, the Law Society should maintain the General Fund (or the accumulated surplus) in the following range:

The amount invested in capital assets	\$1,700,000
Operating cash flow	\$1,500,000 to \$2,000,000
Special projects	\$200,000
Contingencies	\$500,000 to \$1,000,000
Target General Fund balance	\$3,900,000 to \$4,900,000

As illustrated in Appendix 4, this draft General Fund budget places the anticipated fund balance just above the low end of the range indicated above (\$4,130,000). Appendix 5 provides an analysis of how the General Fund balance is affected by changes in the practice fee.

Assurance Fund

The Assurance Fund finances a significant portion of our Trust Safety operations, as well as custodianships and the processing and paying of Assurance Fund claims. Trust Safety and custodianships are funded as programs and are relatively stable.

Claims against the Assurance Fund are funded in a manner similar to the funding of an insurance program: we use a consulting actuary to provide advice about how much money to put aside to fund claims and that advice is incorporated into the budget. The structure of the fund of money to pay claims is this:

- First \$1.5 million Law Society
- \$1.5 - \$11.5 Million Bond

More than \$11.5 million Law Society

The bond operates somewhat like insurance. We purchase the bond and then make claims against it if claims are made against the Fund.

As indicated in Appendix 4, the projected Assurance Fund (or contingency reserve) balance is \$6,534,000. This represents the financial resources available in the Assurance Fund for contingencies after taking into account our estimated liability for claims and costs (the net claims reserve). Appendix 5 provides an analysis of how the Assurance Fund balance is affected by changes in the levy.

The risk that we would need to utilize a significant portion of the Assurance Fund contingency reserve relate to the following circumstances:

- There is a catastrophic loss that puts us over the \$10 million insured level covered by our indemnity bond.
- We incur extraordinary investigation costs to deal with trust defalcations.
- There are additional major related claims that come to light after the year in which the initial claim was covered by our indemnity bond. Such subsequent claims may not be covered by our bond.

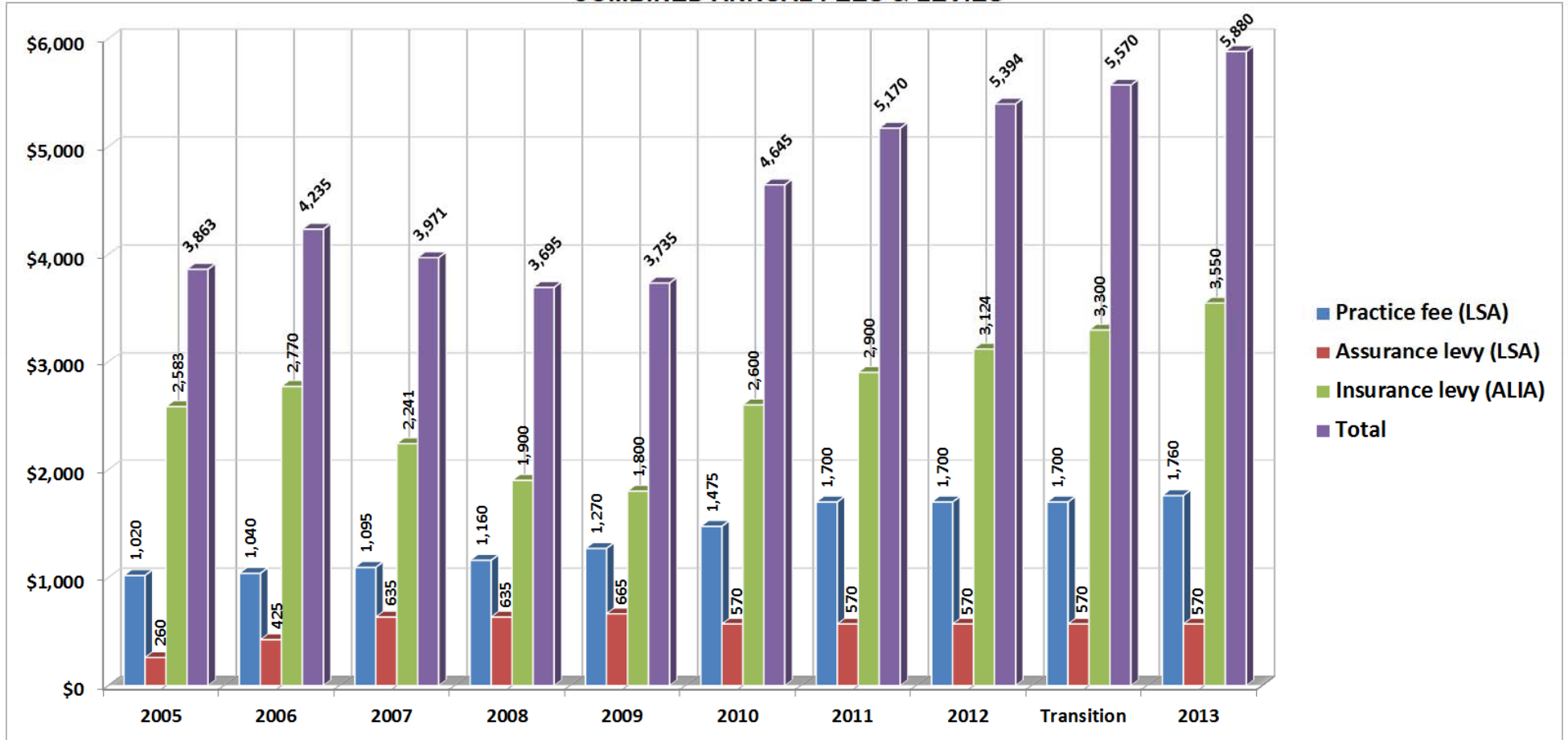
Appendix 2 – Capital Budget

The Law Society of Alberta
 Capital Budget
 For the Year Ending December 31, 2013

	<u>Budget 2013</u>	<u>Forecast 2012</u>	<u>Budget 2012</u>
Furniture and equipment			
Edmonton office	\$ 15,000	\$ 33,000	\$ 44,000
Calgary office	35,000	109,000	130,000
Document production equipment lease	65,000	59,000	-
	<u>115,000</u>	<u>201,000</u>	<u>174,000</u>
Computer equipment			
Software	10,000	65,000	50,000
Desktop refresh	75,000	18,000	10,000
Network servers	182,000	47,000	175,000
Telephone system	-	8,000	25,000
Business intelligence & reporting	112,000	-	-
Application development	25,000	-	-
Video conference equipment	-	124,000	125,000
External website enhancements	-	-	50,000
Membership database upgrade project	324,000	226,000	80,000
	<u>728,000</u>	<u>488,000</u>	<u>515,000</u>
Leasehold improvements			
Calgary office	-	55,000	100,000
	<u>\$ 843,000</u>	<u>\$ 744,000</u>	<u>\$ 789,000</u>

Appendix 3 – Historical Fee Comparison

COMBINED ANNUAL FEES & LEVIES



Appendix 4 – Fund Balance Analysis

The Law Society of Alberta Historical Fund Balances October 31st (000s)

GENERAL FUND	Budget Dec 31, 2013	Forecast Dec 31, 2012	2011	2010	2009	2008
Fund balance - beginning of year	\$ 3,768	\$ 4,337	\$ 3,684	\$ 3,094	\$ 4,835	\$ 5,184
Net income (loss) for the year	362	(569)	652	591	(1,742)	(349)
Fund balance - end of year	<u>\$ 4,130</u>	<u>\$ 3,768</u>	<u>\$ 4,337</u>	<u>\$ 3,684</u>	<u>\$ 3,094</u>	<u>\$ 4,835</u>
ASSURANCE FUND	Budget Dec 31, 2013	Forecast Dec 31, 2012	2011	2010	2009	2008
Fund balance - beginning of year	\$ 7,346	\$ 7,425	\$ 7,341	\$ 7,875	\$ 6,890	\$ 6,054
Net income (loss) for the year	(811)	(79)	84	(534)	985	837
Fund balance - end of year	<u>\$ 6,534</u>	<u>\$ 7,346</u>	<u>\$ 7,425</u>	<u>\$ 7,341</u>	<u>\$ 7,875</u>	<u>\$ 6,890</u>

Appendix 5 – Assurance Fund Reserve Summary

The Law Society of Alberta Assurance Fund Reserve Summary October 31st

	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net Reserve - Beginning of Year (000's)	\$ 5,693	\$ 4,185	\$ 2,760	\$ 3,292	\$ 2,975	\$ 3,335	\$ 2,937	\$ 2,216	\$ 683
Less: Claims Paid	(605)	(45)	(101)	(321)	(201)	(853)	(1,531)	(48)	-
Add: Current Provision	314	1,553	1,526	(211)	518	493	1,929	769	1,533
Net Reserve - End of Year	\$ 5,402	\$ 5,693	\$ 4,185	\$ 2,760	\$ 3,292	\$ 2,975	\$ 3,335	\$ 2,937	\$ 2,216

Appendix 6 – Active Membership Growth Analysis

The Law Society of Alberta Membership Growth Rate - Active Members Budget 2013

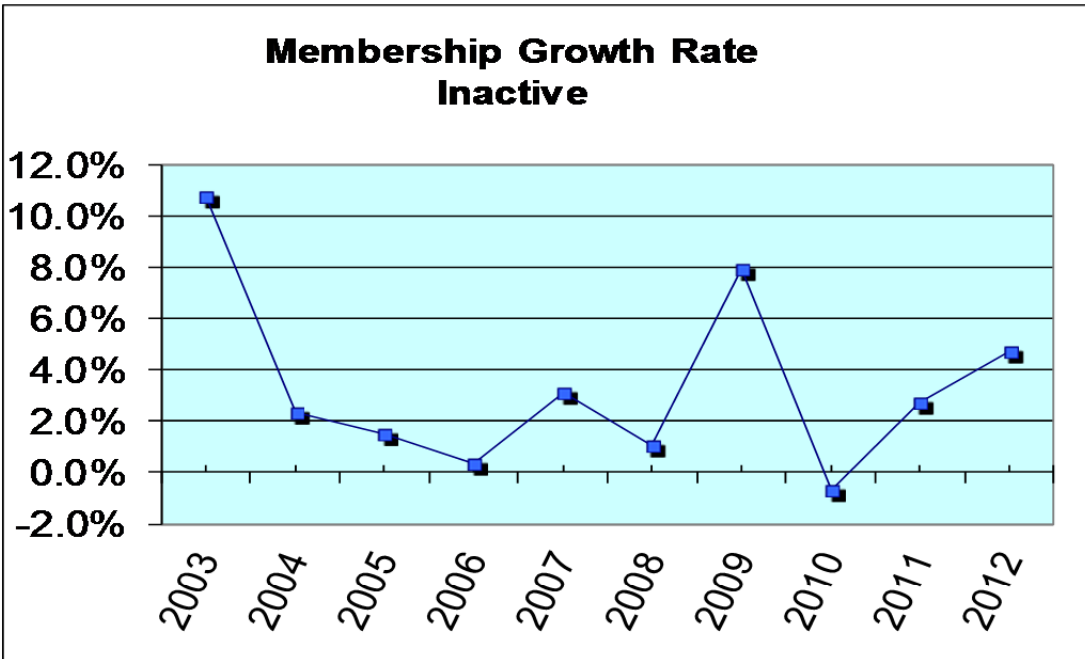


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Jan	7,002	7,347	7,553	7,713	7,963	8,150	8,334	8,455	8,625	8,746
Feb	7,019	7,359	7,564	7,705	7,957	8,153	8,334	8,452	8,624	8,752
Mar	7,039	7,362	7,558	7,703	7,947	8,137	8,304	8,437	8,611	8,723
Apr	7,060	7,257	7,421	7,624	7,829	7,979	8,145	8,303	8,455	8,628
May	7,078	7,268	7,428	7,636	7,841	7,993	8,149	8,308	8,462	8,625
Jun	7,089	7,299	7,438	7,651	7,855	8,007	8,160	8,310	8,468	8,641
Jul	7,117	7,319	7,446	7,669	7,853	8,005	8,162	8,316	8,465	8,642
Aug	7,199	7,370	7,500	7,712	7,883	8,051	8,226	8,378	8,524	8,696
Sep	7,253	7,439	7,593	7,840	7,992	8,188	8,344	8,506	8,638	8,727
Oct	7,279	7,491	7,644	7,893	8,063	8,275	8,414	8,578	8,697	
Nov	7,301	7,535	7,689	7,929	8,113	8,310	8,432	8,604	8,737	
Dec	7,329	7,553	7,710	7,958	8,137	8,329	8,445	8,619	8,753	
Average	7,147	7,383	7,545	7,753	7,953	8,131	8,287	8,439	8,588	8,687
Growth	4.2%	3.3%	2.2%	2.7%	2.6%	2.2%	1.9%	1.8%	1.8%	1.1%
Average Growth Rate over last three years										
1.8%										

Projected Membership (Average 2012 x Average Growth Rate) 8,840 members

Appendix 7 – Inactive Membership Growth Analysis

The Law Society of Alberta Membership Growth Rate - Inactive Budget 2013



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Jan	1,499	1,670	1,661	1,699	1,711	1,784	1,795	1,956	1,894	2,003
Feb	1,505	1,668	1,663	1,712	1,718	1,786	1,809	1,957	1,900	2,002
Mar	1,513	1,680	1,674	1,725	1,744	1,806	1,845	1,970	1,908	2,030
Apr	1,638	1,729	1,762	1,678	1,732	1,723	1,922	1,853	1,925	2,094
May	1,646	1,649	1,665	1,680	1,733	1,731	1,927	1,852	1,927	2,024
Jun	1,655	1,639	1,664	1,677	1,738	1,733	1,923	1,858	1,943	2,028
Jul	1,672	1,651	1,686	1,689	1,744	1,750	1,935	1,873	1,964	2,047
Aug	1,679	1,657	1,696	1,699	1,761	1,766	1,932	1,875	1,977	2,055
Sep	1,679	1,661	1,700	1,697	1,767	1,778	1,944	1,884	1,978	2,058
Oct	1,681	1,653	1,702	1,694	1,770	1,778	1,947	1,881	1,978	
Nov	1,673	1,656	1,698	1,695	1,778	1,778	1,952	1,885	1,979	
Dec	1,663	1,654	1,695	1,698	1,777	1,783	1,950	1,886	1,980	
Average	1,625	1,664	1,689	1,695	1,748	1,766	1,907	1,894	1,946	2,038
Growth	10.8%	2.4%	1.5%	0.4%	3.1%	1.1%	7.9%	-0.7%	2.7%	4.7%
Average Growth Rate over last five years										3.2%

Projected Inactive members (Average 2012 x Average Growth Rate) 2,100 members

Appendix 8 – Detailed Fee Schedule

**The Law Society of Alberta
Fee Schedule
January 1, 2013 to December 31, 2013**

	Budget 2013	Budget 2012	Budget 2011	Budget 2010
Annual Fees				
Annual fee, active member (effective March 15, 2013)	\$ 1,760	\$ 1,700	\$ 1,700	\$ 1,475
Annual fee, active member practising in Lloydminster, AB and SK (effective March 15, 2013)	\$ 880	\$ 850	\$ 850	\$ 738
Annual fee, active member for pro bono services only (effective March 15, 2013)	\$ 190	\$ 180	\$ 180	\$ 180
Annual fee, inactive (effective March 15, 2013)	\$ 190	\$ 180	\$ 180	\$ 180
Assurance levy (effective March 15, 2013)	\$ 570	\$ 570	\$ 570	\$ 570
Professional Corporation Fees				
Professional Corporation application fee	\$ 380	\$ 370	\$ 360	\$ 360
Professional Corporation annual renewal fee	\$ 190	\$ 190	\$ 185	\$ 180
Limited Liability Partnership Fees				
Limited Liability Partnership (LLP) registration fee (per partner)	\$ 120	\$ 110	\$ 110	\$ 110
Limited Liability Partnership (LLP) renewal fee (per partner)	\$ 60	\$ 50	\$ 50	\$ 50
Student Fees				
Application fee, Student (Section 40)	\$ 175	\$ 160	\$ 160	\$ 160
Admission fee, Student (Section 40)	\$ 410	\$ 400	\$ 390	\$ 390
Filing Assignment of Articles fee	\$ 90	\$ 80	\$ 80	\$ 80
Transfer Fees				
Transfer exam fee	\$ 1,150	\$ 1,130	\$ 1,110	\$ 1,100
Application fee, Out of Province transfer	\$ 210	\$ 200	\$ 200	\$ 200
Enrolment as a member, Out of Province transfer	\$ 1,050	\$ 1,030	\$ 1,010	\$ 1,000
Reinstatement Fees				
Reinstatement, suspended member	\$ 740	\$ 730	\$ 720	\$ 710
Reinstatement, retired Judge	\$ 550	\$ 540	\$ 530	\$ 520
Reinstatement, inactive member with matters open ¹	\$ 740	\$ 730	\$ 720	\$ 710
Reinstatement, inactive member with no matters open ² (under 1 year inactive status)	\$ 200	\$ 190	\$ 190	\$ 190
Reinstatement, inactive member with no matters open ³ (under 3 years inactive status)	\$ 340	\$ 330	\$ 330	\$ 330
Reinstatement, inactive member with no matters open ⁴ (over 3 years inactive status)	\$ 550	\$ 540	\$ 530	\$ 520
Reinstatement, suspended for non-payment of fees - applies to inactive members who are suspended and are reinstating to inactive status within 6 months of suspension	\$ 200	\$ 190	\$ 190	\$ 190
Reinstatement, resigned member	\$ 1,500	\$ 1,470	\$ 1,450	\$ 1,440
Application for reinstatement, disbarred member	\$ 7,470	\$ 7,320	\$ 7,210	\$ 7,140
Reinstatement exam fee	\$ 710	\$ 700	\$ 690	\$ 680
Foreign Legal Consultant Fees				
Foreign Legal Consultants initial permit	\$ 740	\$ 730	\$ 720	\$ 710
Foreign Legal Consultants annual renewal	\$ 150	\$ 140	\$ 140	\$ 140
Document Fees				
Issuing a document	\$ 50	\$ 40	\$ 40	\$ 40
Items returned by the bank	\$ 40	\$ 25	\$ 25	\$ 25
Certificate of Standing	\$ 120	\$ 110	\$ 110	\$ 110
Notarial Certificates (2 free certificates per year)	\$ 25	\$ 20	\$ 20	\$ 20

Appendix 9 - Table of Abbreviations

ADLS	Alternate Delivery of Legal Services
ALIA	Alberta Lawyers Insurance Association
Assist	Alberta Lawyer Assist Program
CanLII	Canadian Legal Information Institute
CBA	Canadian Bar Association
CLIA	Canadian Lawyers Insurance Association
CPD	Continuing Professional Development
CPI	Consumer Price Index
CPLED	Canadian Centre for Professional Legal Education
FLSC	Federation of Law Societies of Canada
HR	Human Resources
LASA	Legal Archives Society of Alberta
LSA	Law Society of Alberta
LLP	Limited Liability Partnership
PBLA	Pro Bono Law Alberta
PC	Professional Corporation