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Law Society of Alberta

2015 Business Plan and Budget

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Executive Summary

The 2015 budget proposes a \$90 increase (or 3.6%) in the combined practice fee and Assurance Fund levy to \$2,620 from \$2,530 in 2014. This fee increase is designed to fund a budgeted expense increase of \$727,000 (or 2.6%), planned capital spending and to maintain an adequate General Fund contingency reserve. The summary combined General and Assurance Fund budget is contained on page 29 of this document. An analysis of the sensitivity of the contingency reserve to different levels of fee increases in 2015 is provided in Appendix 4 on page 39.

Expense Changes:

The increase in budgeted expenses from 2014 to 2015 of \$727,000 relates primarily to increased office premises and wage costs. The Law Society's 10 year old Calgary premises lease was renewed effective January 1, 2015 at a higher rental rate reflective of the current robust commercial real estate market. Budgeted wage costs are up mostly due to an assumed increase in overall wages required to keep pace with the Alberta labour market in 2015. This budget includes an overall increase of one full time equivalent staff position in 2015 relative to 2014.

Appendix 1 on page 34 provides a detailed budget and an analysis of the change in budgeted expenses from 2014 to 2015. Due to changes in the Assurance Fund (as described below) and restructuring of functional departments during 2014 and planned for 2015, there are some significant offsetting variances from budget 2014 to 2015:

- The Policy and Research department has been eliminated for 2015 with the policy and governance work and related staff now contained in the Professionalism, Competence and Access and newly created Governance departments respectively.
- The Tribunals Office is a new department for 2015.
- Counsel expenses are down from 2014 as the staff complement in the area has been fully established during 2014 allowing for reduced reliance on outside counsel in 2015.

Capital Budget:

The Law Society's capital budget for 2015 reflects continued investments to enhance our business technology and business processes as set out in the Strategic Plan 2014 – 2016. The capital spending in these areas that began in 2014 will continue through 2015 and 2016. The capital budget also includes funding to complete the renovations to the recently expanded Calgary office premises. The 2015 capital budget is provided on page 31 and a discussion of our three year business systems and technology plan is included in Appendix 9 on page 44.

Assurance Fund Transition:

Prior to July 1, 2014, the liability for claims related to lawyer misappropriation of client trust funds was contained within the Law Society's Assurance Fund. This fund also covered the cost of the Trust Safety program, a portion of the cost of the Law Society's investigations staff, the custodianship program, a bond premium to cover claims in excess of \$1.5 million and an allocated portion of General Fund overhead. The operations of the Assurance Fund have historically been funded through the Assurance Fund levy.

Effective July 1, 2014 and onwards, the liability for trust misappropriation claims has been assumed by the new indemnity program administered by the Alberta Lawyers Insurance

Association (ALIA). The governance for the new indemnity program now rests with the Advisory Board of ALIA and the Alberta Lawyers Insurance Exchange (ALIEX). This governance includes the review and approval of the budgets for ALIA and ALIEX and setting the insurance levy for the errors and omissions and trust safety portions of the insurance policy. The insurance levy will be established by the Advisory Board prior to the next insurance policy year commencing July 1, 2015.

As a consequence of this change, the Assurance Fund has transitioned to a legacy fund required to pay claims for trust misappropriations that occurred prior to July 1, 2014. The fund has an accumulated reserve of approximately \$5 million that management considers adequate to fund legacy claims (although this assessment could change if large misappropriation claims come to the Law Society's attention in the near future).

Under this new insurance structure and to simplify the budget and financial reporting process, the costs of the Trust Safety program, investigations, custodianships and allocated General Fund overhead previously contained in the Assurance Fund (about \$6.3 million annually) have been moved to the General Fund for the 2015 budget. Since the Assurance Fund has adequate reserves to fund legacy misappropriation claims, an Assurance Fund levy is not required in 2015. However, the General Fund practice fee will now need to cover the costs outlined above that were previously charged to the Assurance Fund.

Introduction

The business plan and budget is a critical planning document for implementing the Strategic Plan 2014 - 2016. Management creates this document by engaging the Executive Leadership Team (ELT) and, through them, many of the other managers and staff of the Law Society. We analyzed the work completed in 2014 and considered the work required in 2015. Several common themes were identified to guide the preparation of the budget.

1. The Law Society continues to face increased responsibilities because of the environment in which we regulate. We have more lawyers than ever before, more complex complaints, and an increasingly litigious environment. Consequently, we continue to experience an increase in the workload in the membership, conduct and counsel departments.
2. The public and the media are paying increased attention to our work, and they are frequently critical. This means we must do the work better than ever.
3. Alberta's strong economy and high cost of living continues to drive up the cost of doing business, and there is the additional expense of maintaining offices in two cities.
4. Although we have made considerable progress in our complaints and investigations throughput, we will continue to introduce efficiencies in our regulatory processes to move matters more expeditiously through to hearings.
5. Good management practices and expectations of the profession and the public require us to be more up-to-date with our business technology. A number of significant multi-year projects were initiated in 2014 to enhance our business processes and technology. Much of this work will carry forward into 2015.
6. During the 2014 business planning and budgeting process, it became evident that the current funding model will not sustain the Strategic Plan 2014 - 2016 (and beyond) without significant upward pressure on the traditional suite of fees and levies. This realization led the Benchers and Law Society management to a discussion about the need to move to more of a user pay model that places the burden of funding on specific risk areas of practice and lawyer conduct profile. Management is developing a discussion paper proposing changes to the way in which fees are assessed. This work will carry on into 2015 with an eye to implementing any approved changes to the funding model facilitated by the planned increased automation of our business processes.

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. Governments in much of the Commonwealth are requiring legal professional regulators to be aware of their role of protecting clients as "consumers".

The Strategic Plan calls for increased focus on education and support for lawyers so that they perform better, provide higher quality legal services, avoid negligence, manage risk more effectively, properly manage trust funds and demonstrate high levels of ethical behaviour. Building on work begun in 2014, we will continue to develop an organizational strategy to support this focus and for measuring our progress, recognizing that, in our current organizational model, our activities are housed in a variety of different departments and related external organizations.

This is a budget for an organization required to move forward, and to do 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, 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 the business 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 the aspirational goal of being a model regulator.

The business plan describes the proposed new or developmental work to be carried out in 2015, in addition to the continuing work of delivering all of our core programs. We will also respond to emergent situations as they arise.

The Strategic Plan 2014 – 2016 drove the development of the 2014 Business Plan. To a large extent, the initiatives outlined in the 2014 Business Plan are multi-year activities that carry over into the plan for 2015. In addition to core and ongoing regulatory work, the major themes that emerged from the 2014 Business Plan and the work that was completed is described in the following table:

2014 Themes	2014 Accomplishments
<p>1. Carry on the work to refine our conduct processes to become a more proactive regulator with an eye to reduce the number and length of hearings by developing tools and processes that facilitate early intervention.</p>	<ul style="list-style-type: none"> • The Counsel team introduced a series of process changes designed to reduce the number and length of hearings. • The Conduct area focused on a review of our complaint process and how we investigate complaints designed to increase throughput and to help identify candidates for early intervention. • Non-bencher adjudications were approved by the Benchers. • Single Bencher hearings were implemented. • The pilot phase of the Early Intervention Project was completed and is being independently evaluated. Feedback from pilot participants has been extremely favourable.
<p>2. Develop and implement an insurance model for trust defalcation claims and a more cost effective structure for our indemnity program.</p>	<ul style="list-style-type: none"> • The new indemnity program came into effect July 1, 2014 combining insurance coverage for errors and omissions and trust defalcation claims under a combined insurance policy. The legacy Assurance Fund will be wound down over a period of time as trust defalcation claims occurring prior to July 1, 2014 are assessed and adjudicated. • A new governance structure was established in conjunction with the creation of the Alberta Lawyers Insurance Exchange (ALIEX) to oversee the indemnity program and ensure compliance under the Alberta Insurance Act.
<p>3. Explore ways to increase consumer access to legal services through refinements to our regulatory structure (e.g. consideration of alternate business structures).</p>	<ul style="list-style-type: none"> • The Law Society held a round-table to gather information and to begin consideration of the issues which might arise if the Law Society were to regulate alternative business structures. Benchers and senior staff from Alberta, decision-makers and senior staff from Saskatchewan and Manitoba, and observers from other law societies attended and contributed to the round-table discussion. The session ended with a decision that the prairie law societies would work jointly on this initiative, and the three CEO's have had their first planning meeting in that regard.

2014 Themes	2014 Accomplishments
<p>4. To facilitate the sustainable achievement of the strategic plan, make considerable investments in our organizational support infrastructure including:</p>	
<p>4 (a) Implement a series of business systems upgrades to introduce a variety of online self-service transactions for lawyers and the public to enhance customer service, improve internal efficiencies and, over time, reduce cost.</p>	<ul style="list-style-type: none"> • An online member portal was designed during 2014 with pilot testing slated for the fall of 2014. • Significant upgrades to our core business application (InSite) were completed.
<p>4 (b) Introduce more collaborative technologies and refine business processes, information management and data storage systems to increase staff and volunteer effectiveness and, over time, reduce cost.</p>	<ul style="list-style-type: none"> • A cross-functional project team completed the vendor selection, design and implementation (in the fall of 2014) of a new video conference facility to link the Calgary and Edmonton offices. • A roadmap and implementation plan was developed to enhance the Law Society's enterprise content management system. • A number of significant upgrades were made to our primary collaboration tool (SharePoint). • The expanded use of our core Bencher collaboration tool (Boardbooks) to address the work of committees and conduct panels was actively explored with a view to implement in 2015.
<p>4 (c) Enhance our staff performance management through training programs related to core competencies and through the implementation of an improved human resource information system (or HRIS).</p>	<ul style="list-style-type: none"> • A comprehensive training program for the Law Society's management team was designed and successfully implemented in 2014. • A cross-functional project team completed the vendor selection and design of an improved HRIS during 2014 with implementation slated for early 2015.

2014 Themes	2014 Accomplishments
4 (d) Assess the human resource capacity of the organization through an initial organizational capacity review.	<ul style="list-style-type: none"> An initial review of our organizational capacity has been completed in 2014 the results of which will be incorporated into an action plan during 2015.
4 (e) Renovate the recently expanded Calgary office space to accommodate planned growth.	<ul style="list-style-type: none"> Two of three planned phases of the Calgary office renovations have been completed in 2014 with the final phase on track for completion by the summer of 2015.

In our 2014 Business Plan, we attached various initiatives to one of the five strategic goals contained in the Strategic Plan 2014 – 2016. In reality and in most cases, the initiatives tend to span more than one strategic goal. For instance, while refining our conduct processes moves us closer to our aspiration to become a model regulator, it also directly supports reinforcing public confidence in the Law Society as the regulator of the profession.

Consequently, we've changed our approach in the way we organize our business plan for 2015 by identifying six key themes on which we plan to focus our attention and resources in 2015. These themes build on the work that was identified in the 2014 Business Plan and support the achievement of the 2014 – 2016 Strategic Plan. The key themes are:

1. *Continue the work from 2014 to enhance our business systems and processes including:*

- a. The introduction of more online web-based self-service transactions to improve customer service, streamline business processes and reduce cost;
- b. The development of a roadmap and implementation plan to introduce a more effective enterprise content management system designed to manage information in a more compliant, secure, accessible and useable manner;
- c. The development of a plan to introduce a revised revenue model for the Law Society that shifts more of the funding burden to lawyers and law firms on the basis of regulatory risk and financial capacity; and
- d. The introduction of enhanced collaborative tools to ensure the Benchers, volunteers and staff can work together in the most effective manner possible.

2. *Become a more business like organization by continuing to:*

- a. Instill our values throughout the organization;
- b. Enhance our governance model;
- c. Become a more inclusive organization as a model for the profession;
- d. Support the development of our staff and volunteers through training; and
- e. Contribute to the work of the Federation of Law Societies.

3. *Become a more proactive regulator through:*

- a. Enhanced lawyer competency through the quality legal services initiative; and
- b. Augmented risk management through the revised indemnity program (ALIA and ALIEX), ongoing refinements to the trust safety program and improvements in our data collection processes and how we utilize that information.

4. Develop a continuing quality improvement program in our regulatory process through:

- a. A plain english initiative for our complaints process;
- b. The implementation of the Tribunals office;
- c. A transition to an online application process for the bar admission (CPLED) program;
- d. A migration to an online lawyer Trust Safety self-report; and
- e. Implementation of non-Bencher adjudicators.

5. Make the necessary operational refinements to fully support the new indemnity program (ALIA and ALIEX) through:

- a. The introduction of deductibles and surcharges to shift the burden of funding the indemnity program to lawyers who demonstrably pose greater risk; and
- b. The application of the new governance structure for the indemnity program and implementation of structures and processes to comply with the requirements of the Superintendent of Insurance.

6. Regulate in a way to make legal services more accessible to the public including:

- a. Continuing to explore introducing alternate business structures to our regulatory framework; and
- b. Enhancing the transparency and effectiveness of our admissions processes to assist internationally trained lawyers and those holding non-Canadian law degrees to navigate our requirements.

The table below depicts how the above 2015 business plan themes support the achievement of the 2014 – 2016 Strategic Plan:

2015 Business Plan Focus	2014 - 2016 Strategic Goals				
	Model Regulator	Public Confidence	Principles of Justice	Access to Justice	Organizational Support
1. Business systems	✓	✓	✓	✓	✓
2. Model corporation	✓	✓		✓	✓
3. Proactive regulator	✓	✓			
4. Continuing quality improvement	✓	✓			
5. New indemnity program	✓	✓		✓	
6. Accessible legal services	✓	✓			

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 developing a business plan, which forms the foundation for this budget.

Assurance Fund Transition

During 2014, the Law Society established a new Trust Safety Insurance (TSI) program. This new insurance program migrated the Assurance Fund program for compensating victims of lawyer misappropriation of trust funds from an adjudicative to an insurance model. The TSI program is part of the combined insurance policy administered and funded through the Alberta Lawyers Insurance Association (ALIA) and the Alberta Lawyers Insurance Exchange (ALIEX). The new insurance policy covers both errors and omissions and trust misappropriation claims.

The Assurance Fund has transitioned to a legacy fund designed to compensate victims of trust fund misappropriation that occurred prior to July 1, 2014 – the date at which the new TSI coverage became effective. The balance remaining in the Assurance Fund will be depleted over the next few years as legacy claims are paid. As part of the transition, the Trust Safety and Custodianship programs previously funded through the Assurance Fund have been moved to the Law Society’s General Fund as part of the Regulation core area. The annual cost of these key public protection programs will now be funded through the Practice Fee rather than the legacy Assurance Fund levy.

To facilitate comparison of budgets from 2014 to 2015, a consolidated budget for the General and Assurance Funds is presented in this document.

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

1. Regulation

Regulation consists of our membership, conduct, counsel, trust safety and custodianship programs.

The membership team deals with all aspects of applications for entry into the profession and for Professional Corporations and Limited Liability Partnerships. This team also deals with all changes in membership and annual renewals. The bar admission program (Canadian Centre for Professional Legal Education - CPLED) is funded through this department.

The conduct and counsel teams work in concert to review, resolve (where possible), and investigate complaints, refer matters to Practice Review where appropriate, and prosecute when necessary.

2. Professionalism, Competence & Access (PC&A)

PC & A bundles together all of our programs that support the professional work of lawyers, including Continuing Professional Development (CPD), practice advice, pro bono, libraries, CanLII, equity ombudsperson, and equity programs. Policy development work is also centered in this core area.

3. Governance

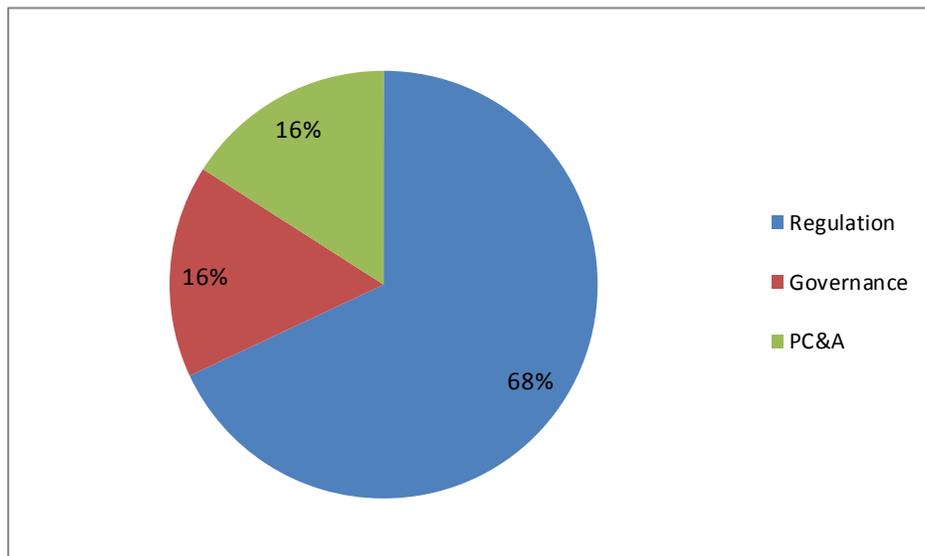
Governance includes our Secretariat and Governance teams designed to support the Benchers in their governance role.

4. Organizational Support

This core area provides 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, Human Resources and Tribunals Office.

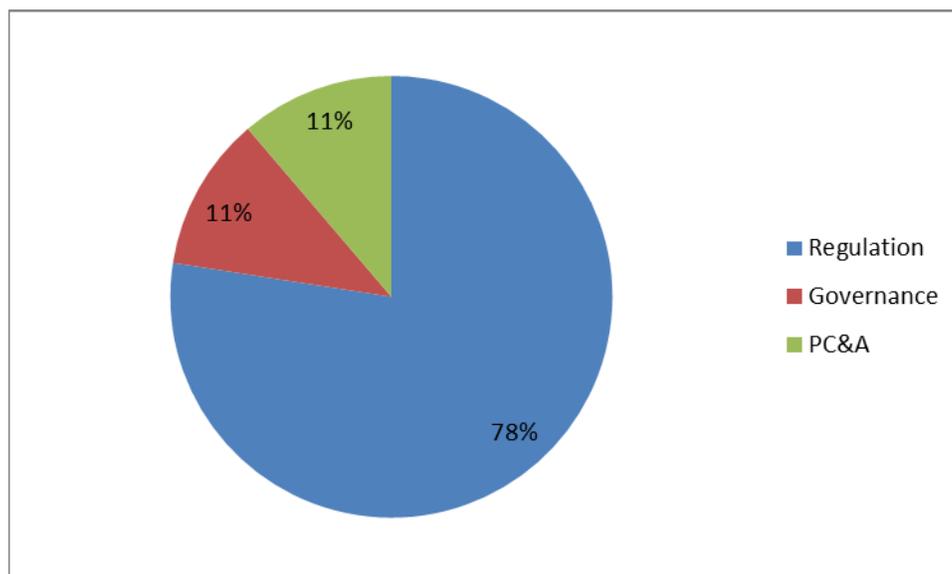
Budget Resource Allocation

While we organize our work in the above areas, the following chart illustrates where our budget resources are focused. In this analysis, organizational support costs are allocated to each of these activity areas based on relative cost.



Staff Resource Allocation

The 2015 budget provides for 123 full-time equivalent (FTE) staff relative to 122 in 2014. Staff costs represent about 60% of the total budget. The following chart depicts how staff resources are deployed. Again, organizational support staff resources (FTEs) are allocated to each of the activity areas based on relative FTE's.



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 activities of our four core areas, area goals and significant initiatives planned in each area.

Regulation

Core Activities:

This area consists of the following inter-related groups that work in close coordination to deliver the core regulatory services of the Law Society designed to protect the public:

Membership

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) is funded through this department.

On an annual basis, this group of 10 employees processes renewals for approximately 9,000 active, 2,000 inactive and 6,000 insured lawyers. Over 450 applications for students-at-law are handled by this group. In addition, the Membership department processes annual renewals for about 2,700 Professional Corporations and 190 Limited Liability Partnerships.

Conduct

The conduct teams (Conduct, Investigations and Practice Review consisting of 31 staff) review, resolve (where possible), and investigate complaints, refer to practice review where appropriate, and prosecute as necessary. The Conduct 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.

Counsel

This department combines an active litigation role with corporate counsel responsibilities. With a team of 9 staff and contract counsel, the Counsel department acts as litigators and counsel on behalf of the Law Society for all types of internal hearings and appeals, including disciplinary hearings. This department monitors challenges and threats to solicitor-client privilege and takes targeted action.

Trust Safety

The purpose of the trust safety program is to support lawyers in the proper management of client trust accounts and to mitigate the risk of lawyer misappropriation of client trust funds. In 2015, this group will consist of 17 employees and is supported by the investigative team in the Conduct group.

Custodianships

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. This area consists of 2 employees and contract custodians.

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 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.
- 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.
- Through our trust safety program, effectively protect the public interest with respect to the safety of trust property.

2015 Initiatives:

- Carry on the work to enhance our proactive regulatory programs with an eye to reduce the number and length of hearings by developing tools and processes that facilitate early intervention.
- Develop a continuing quality improvement program in our regulatory process including:
- A plain english initiative;

- Enhance the transparency and effectiveness of our admissions processes to assist internationally trained lawyers and those holding non-Canadian law degrees to navigate our requirements;
- Transition to an online process for the bar admission program; and
- Migrate to a fully online Trust Safety reporting system.

Professionalism, Competence and Access

Core Activities:

This group, consisting of 9 staff, 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 three 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.

Commencing in the fall of 2014, this group will also undertake the policy work of the Law Society under the supervision of the Director of Professionalism, Competence and Access. 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.

Goals:

- Support the professionalism and competence of lawyers through Practice Advisors providing ethics and practice management advice, 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).
- Manage policy issues and prepare policy matters for Benchers discussion.

2015 Initiatives:

- Continue to increase the range of online practice resources to assist lawyers in achieving excellence in their practices.
- Continue to explore ways to increase consumer access to legal services through refinements to our regulatory structure including the introduction of alternate business structures.
- To support the goal of becoming a more pro-active regulator, a key piece of work in 2015 will be to move towards the development of a comprehensive quality legal services program. In order to move this program forward in 2015, we will complete the review and assessment of existing Law Society programs which support the competency of lawyers, including, among others, the CPD program. These programs will be evaluated, and where necessary modified, to ensure they align with current goals. In addition, work will continue on the development of new program initiatives which support the goal of early intervention. Finally, we will continue to collaborate with CPLED, LESA, the Federation of Law Societies and other stakeholders to identify best practices and encourage creative approaches.

Governance

Core Activities:

The governance of the organization is the focus of this core area. This business unit consists of seven staff and includes the office of the Executive Director, the Director of Regulation and Deputy Executive Director and the Governance department.

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 governance training and information to assist the Benchers in their work.
- Be an active participant in national governance of the profession (primarily through the Federation of Law Societies of Canada).

2015 Initiatives:

- Apply the new governance structure for the indemnity program and continue to implement processes to comply with the requirements of the Superintendent of Insurance.

Organizational Support

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 24 employees. The teams that comprise Corporate Services are:

- The Accounting team handles the financial reporting, budgeting, payroll and cash management of the Law Society, ALIA and ALIEX.
- 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.
- The 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 Privacy Officer is contained in this area.
- 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, ALIEX and CPLED.
- 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.

Business Technology

Core Activities:

This group of seven 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 business applications, 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 at the Law Society.

Goals:

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

Human Resources

Core Activities:

This team, consisting of four 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 resources.
- 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.

Tribunals Office

Core Activities:

This team of three employees will coordinate and support adjudication proceedings and provide adjudicator training.

Goals:

- Effective support and coordination of adjudicative proceedings.
- Design and provisions of adjudicator training.

2015 Organizational Support Initiatives:

- Implement an enhanced Human Resource Information System designed to streamline processes and improve staff performance management and development.
- Further refine training and performance management related to core competencies for Law Society management and front line staff.
- Implement a series of business system upgrades to introduce a number of online self-service transactions for lawyers and the public designed to enhance customer service and improve internal efficiencies (and, ultimately, to reduce cost).
- Introduce more collaborative technologies and implement changes to business process, data management and storage systems to increase staff effectiveness and productivity (and, ultimately, to reduce cost).
- Conclude the renovations to the recently expanded Calgary office space to facilitate planned growth.
- Continue the organizational capacity review that began in 2014 to assess the human resource capacity of the organization relative to what we need to accomplish over the longer term.
- Continue the work begun in 2014 to explore alternate revenue streams intended to shift the burden of funding based on risk and financial capacity. This work will include a review and update of our cost recovery structure designed to capture all costs driven by the associated regulatory activities.
- Implement the Tribunals Office.
- Implement non-Bencher adjudications.

Budget

Budget Structure

The budget of The Law Society includes three operating funds and a capital budget:

- 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 occurring prior to July 1, 2014 (claims for trust defalcations occurring after July 1, 2014 are covered under the new Trust Safety Insurance program in ALIA/ALIEX); and
- The **Viscount Bennett Fund**, a donated sum, the income from which funds scholarships for law students in graduate programs.
- The **Capital Budget** is required to fund investments in assets with an economic life over one year including business technology items, leasehold improvements and furniture.

In discussing the budget structure, we refer to:

- **Budget 2015**, which means the fiscal year beginning January 1, 2015 and ending December 31, 2015;
- **Budget 2014**, which means the fiscal year beginning January 1, 2014 and ending at December 31, 2014; and
- **Forecast 2014**, which is our forecast of the actual revenue and actual spending for the fiscal year beginning January 1, 2014 and ending December 31, 2014 based on actual results to June 30, 2014 plus management's current estimate of anticipated results from July 1, 2014 to December 31, 2014.

Summary budgets for the consolidated General and Assurance fund, the Viscount Bennett fund and capital spending are provided in the following pages.

The business plan and budget for the indemnity program (ALIA and ALIEX) is not included in this document. That plan is presented to and approved by the Advisory Board of the indemnity program. The Insurance and Trust Safety Insurance levies will be approved by the Advisory Board in the spring of 2015 in advance of the insurance policy year that commences on July 1, 2015.

Budget Assumptions

This budget is built on the following assumptions:

- a) This draft budget assumes an increase in the combined practice fee and Assurance Fund levy of \$90 to \$2,620 (a 3.6% increase) from 2014. This proposed increase provides the amount of funding required to support the business plan as presented and maintain an adequate contingency reserve as outlined in Appendix 3.
- b) Excluding staff additions and merit increases, we have assumed a 3.5% increase in wage costs. This increase is designed to keep our compensation levels on pace with labour market trends in Alberta. These labour market trends are depicted in Appendix 7.
- c) Fee revenue is based on active and inactive membership growth rates of 1.9% and 2.3% respectively as described in Appendices 5 and 6.
- d) 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.
- e) The provision for Assurance Fund claims and costs under the legacy adjudicative model is very difficult to predict. Consequently, the budget for this item is based on recent historical experience. Actual claims experience may differ significantly from the budget amount.

Combined General and Assurance Fund Budget

Rounded to the nearest thousand \$

	2015 Budget	2014 Forecast ¹	2014 Budget	Variance 2015 Budget to 2014 Budget	Variance 2014 Forecast to 2014 Budget
Revenue					
Fees	\$ 25,789	\$ 24,478	\$ 24,199	\$ 1,591	\$ 280
Management fees	2,208	1,860	1,860	348	
Investment income	1,095	1,618	830	265	788
Other	125	80	141	(16)	(61)
Total revenue	<u>29,218</u>	<u>28,037</u>	<u>27,030</u>	<u>2,188</u>	<u>1,007</u>
Expenses					
Regulation	10,538	10,177	10,780	(241)	(603)
Professionalism and competence	3,759	2,885	3,020	739	(135)
Governance	2,342	2,921	3,118	(776)	(196)
Organizational support	12,387	11,974	11,382	1,005	592
Total expenses	<u>29,027</u>	<u>27,957</u>	<u>28,299</u>	<u>727</u>	<u>(342)</u>
Net Income (loss)	<u>\$ 191</u>	<u>\$ 79</u>	<u>\$ (1,270)</u>	<u>\$ 1,461</u>	<u>\$ 1,349</u>
General Fund net income (loss)	\$ (93)	\$ 816	\$ 545	\$ (638)	271
Assurance Fund net income (loss)	284	(737)	(1,815)	2,099	1,078
	<u>\$ 191</u>	<u>\$ 79</u>	<u>\$ (1,270)</u>	<u>\$ 1,461</u>	<u>\$ 1,349</u>

¹ The 2014 forecast is based on actual results to June 30, 2014 plus management's current estimate of anticipated results from July 1, 2014 to December 31, 2014.

Viscount Bennett Fund Budget

Rounded to the nearest thousand \$

	2015 Budget	2014 Forecast ¹	2014 Budget	Variance 2015 Budget to 2014 Budget	Variance 2014 Forecast to 2014 Budget
Revenue					
Investment income	\$ 78	\$ 178	\$ 71	\$ 7	\$ 107
Expenses					
Organizational support	5	4	4	1	0
Scholarships	60		60		(60)
Total expenses	65	4	64	1	(60)
Net Income (loss)	\$ 13	\$ 174	\$ 7	\$ 6	\$ 167

¹ The 2014 forecast is based on actual results to June 30, 2014 plus management's current estimate of anticipated results from July 1, 2014 to December 31, 2014.

Capital Budget

The 2015 capital budget and a brief description of planned spending in specific areas is provided below. The fee proposed in this budget document also funds the annual capital budget. The cost of capital assets (items such as computer equipment, leasehold improvements, furniture, office equipment, etc.) are written off (or amortized) to operating expenses over the useful life of the particular asset category. For example, leasehold improvements are expensed evenly over the term of the applicable premises lease. The capital assets of the Law Society also support the operations of ALIA and ALIEX. The Law Society charges ALIA a management fee to recover a portion of the cost of such assets as well as a portion of rent and other overhead costs.

The 2015 capital budget for business systems and technology is a continuation of a three plan that commenced in 2014 designed to upgrade the Law Society’s business systems and processes. A more detailed description of this multi-year plan is included in Appendix 9.

The proposed 2015 Capital Budget is outlined in the table below:

	<u>Budget 2015</u>	<u>Forecast 2014</u>	<u>Budget 2014</u>
Furniture and equipment			
Edmonton office	\$ 5,000	\$ 500	\$ 15,000
Calgary office	95,000	300,000	\$ 194,000
	<u>100,000</u>	<u>300,500</u>	<u>209,000</u>
Business Systems and Technology			
E-Business	250,000	290,000	240,000
Enterprise Content Management	250,000	125,000	340,000
HR Information System	75,000	225,000	240,000
Collaborative Technologies	150,000	100,000	165,000
Business Continuity and Security	50,000	55,000	50,000
Video Conference Equipment	-	225,000	190,000
Equipment refresh	75,000	75,000	75,000
Server Infrastructure	-	100,000	100,000
	<u>850,000</u>	<u>1,195,000</u>	<u>1,400,000</u>
Leasehold improvements			
Calgary office	381,000	564,000	500,000
	<u>\$ 1,331,000</u>	<u>\$ 2,059,500</u>	<u>\$ 2,109,000</u>

Furniture and equipment

Additional furniture will need to be purchased in 2015 in conjunction with the upgrades to the office space in Calgary and minor furniture upgrades are anticipated in the Edmonton office.

The 2014 forecast for furniture additions and leasehold improvements for the Calgary office are greater than budgeted in 2014 due to:

- Delays in furniture spending originally planned in the fall of 2013; and
- Elements of the renovations completed in 2014 but originally planned for 2015 to address immediate staffing requirements.

Business systems and technology

E-Business - \$250,000

Building on the platform developed in 2014, the Law Society will continue to implement e-Business solutions that allow the public and lawyers to access services via the web from a variety of devices (laptops, smartphones, tablets etc.). In addition, departmental functionality and processes will continue to be developed in conjunction with e-Business implementations to reduce the process burden associated with paper based transactions.

Enterprise Content Management - \$250,000

During 2014 the Law Society undertook a review of enterprise content management (ECM) across the organization. This work led to the production of an information management roadmap. The roadmap provides guidance in respect of systems, processes, legal, regulatory and business requirements to understand how best to provide an enterprise wide information management and content management environment. During 2015 and beyond the tasks identified within the roadmap will take place. Implementing information management and content management as a multi-year endeavor permits operational units an opportunity to review, develop and redesign existing processes, to leverage the move to ECM to test new workflows, and to determine where additional business process automation would enhance timeliness and efficiency while streamlining existing processes.

Human Resource Information System (HRIS) - \$75,000

During 2014 a HR Information System was implemented. During 2015 it is planned to introduce a number of additional modules and features to continue the improvement of workflow, processes and reporting.

Collaborative Technologies - \$150,000

During 2015 the use of collaborative technologies and services will continue to be extended providing Benchers, volunteers and staff with access to common file stores, shared workspaces and enhanced mobile services. In addition, a number of business application developments will be undertaken to improve operational effectiveness and efficiency. These developments will be

centered on our financial systems, the internal and external web sites, SharePoint and improvements to accessing and using information through tools such as BoardBooks. Moving forward, we will continue to streamline and coordinate the collaborative tools and take advantage of the functions provided to ensure Benchers, volunteers and staff can work together in the most effective manner possible.

Business Continuity and Security - \$50,000

The extensive use of information systems, network solutions and technology equipment within Law Society along with the confidential nature of data held within the organization places a high degree of onus on continuity, security and privacy. During 2015 it is planned to undertake continued testing and review of processes and services, concentrating on core business data base usage and mobile device management.

Equipment Refresh - \$75,000

During 2015 it is planned to replace a number of portable PC's and iPads that have reached the end of their serviceable life.

Leaseholds improvements

In conjunction with the renewal of the Calgary premises lease in 2014, the final phase of renovations to that office will take place during 2015. During 2014, an entire new floor and a portion of an existing floor were renovated. In 2015, the our public meeting spaces used primarily for hearings, committee and Bencher meetings and remaining office areas will be renovated.

Appendix 1 - Detailed Combined General and Assurance Fund Budget

	<u>2015 Budget</u>	<u>2014 Forecast</u>	<u>2014 Budget</u>	<u>Variance 2015 Budget to 2014 Budget</u>	<u>Variance 2014 Forecast to 2014 Budget</u>
Revenue					
Fees	\$ 25,849,200	\$ 24,538,150	\$ 24,258,500	\$ 1,590,700	\$ 279,650
Management fees	2,208,000	1,860,000	1,860,000	348,000	-
Investment income	1,095,000	1,618,000	830,000	265,000	788,000
Other	65,300	20,300	81,000	(15,700)	(60,700)
	<u>29,217,500</u>	<u>28,036,450</u>	<u>27,029,500</u>	<u>2,188,000</u>	<u>1,006,950</u>
Expenses					
<i>Regulation:</i>					
Practice Review	611,500	484,800	508,400	103,100	(23,600)
Investigations	1,535,700	1,536,100	1,618,000	(82,300)	(81,900)
Membership	1,735,300	1,495,040	1,648,200	87,100	(153,160)
Trust Safety	1,716,595	1,312,300	1,597,000	119,595	(284,700)
Counsel	1,735,800	2,115,700	2,107,300	(371,500)	8,400
Custodianships	819,100	830,200	781,800	37,300	48,400
Conduct	2,384,200	2,402,500	2,518,900	(134,700)	(116,400)
	<u>10,538,195</u>	<u>10,176,640</u>	<u>10,779,600</u>	<u>(241,405)</u>	<u>(602,960)</u>
<i>Professionalism, Competence and Access:</i>					
Joint Library Committee	856,000	913,800	913,800	(57,800)	-
Assist	380,500	374,200	370,000	10,500	4,200
Alberta Law Review	45,000	63,000	63,000	(18,000)	-
PBLA	430,511	372,100	374,400	56,111	(2,300)
CanLII	344,000	318,600	318,000	26,000	600
Lawyer referral service	76,500	78,000	78,000	(1,500)	-
	<u>2,132,511</u>	<u>2,119,700</u>	<u>2,117,200</u>	<u>15,311</u>	<u>2,500</u>
Departmental costs	1,626,700	765,300	902,900	723,800	(137,600)
	<u>3,759,211</u>	<u>2,885,000</u>	<u>3,020,100</u>	<u>739,111</u>	<u>(135,100)</u>
<i>Governance:</i>					
Secretariat	1,293,300	1,619,800	1,479,600	(186,300)	140,200
Governance	627,500	-	-	627,500	-
Policy & Research	-	840,600	1,220,000	(1,220,000)	(379,400)
Federation of Law Societies of Canada	228,100	223,000	223,000	5,100	-
Legal Archives Society of Alberta	193,000	238,000	195,000	(2,000)	43,000
	<u>2,341,900</u>	<u>2,921,400</u>	<u>3,117,600</u>	<u>(775,700)</u>	<u>(196,200)</u>
<i>Organizational support:</i>					
General corporate costs	936,200	1,331,600	676,200	260,000	655,400
Premises operating costs	2,249,400	2,002,700	1,950,300	299,100	52,400
Amortization	1,247,000	1,095,000	1,083,500	163,500	11,500
Indemnity bond premium (Assurance Fund)	156,000	404,000	350,000	(194,000)	54,000
Provision for claims and costs (Assurance Fund)	500,000	1,000,000	1,000,000	(500,000)	-
Human Resources	969,800	871,700	864,000	105,800	7,700
Administration	1,228,100	1,202,200	1,287,700	(59,600)	(85,500)
Privacy and Records Management	493,900	470,300	470,000	23,900	300
Accounting	461,300	451,500	437,700	23,600	13,800
Business Technology	2,618,100	2,538,500	2,589,300	28,800	(50,800)
Tribunals Office	582,000	-	-	582,000	-
Communications	945,400	606,700	673,300	272,100	(66,600)
	<u>12,387,200</u>	<u>11,974,200</u>	<u>11,382,000</u>	<u>1,005,200</u>	<u>592,200</u>
Total consolidated expenses	<u>29,026,506</u>	<u>27,957,240</u>	<u>28,299,300</u>	<u>727,206</u>	<u>(342,060)</u>
Consolidated net income (loss)	<u>\$ 190,994</u>	<u>\$ 79,210</u>	<u>\$ (1,269,800)</u>	<u>\$ 1,460,794</u>	<u>\$ 1,349,010</u>
General Fund net income					
General Fund net income	\$ (93,806)	\$ 816,310	\$ 544,800	\$ (638,606)	\$ 271,510
Assurance Fund net income	284,800	(737,100)	(1,814,600)	2,099,400	1,077,500
	<u>\$ 190,994</u>	<u>\$ 79,210</u>	<u>\$ (1,269,800)</u>	<u>\$ 1,460,794</u>	<u>\$ 1,349,010</u>

Appendix 1 (Continued) - Analysis of Budget Changes from 2014 to 2015

Forecast 2014 vs. Budget 2014

The forecast net income for 2014 is better than budget by \$1,349,010 primarily due to:

- Better than anticipated practice fee, investment income and cost recovery revenues.
- Lower than expected salary costs in Governance due to retirements and other staff changes in the latter half of 2014.
- Lower than budgeted salary costs in Professionalism, Competence and Access as the Director and related support roles were filled later in the year than planned.
- Higher than expected costs related to the defined benefit pension plan resulting from a change in Canadian accounting standards. Under this new standard, actuarial gains and losses¹ can no longer be deferred and amortized over future accounting periods. The conversion to the new standard will result in a non-cash retroactive charge to expenses of about \$600,000 in 2014. The quantum of this conversion charge was unknown when the 2014 budget was prepared.

Budget 2015 vs. Budget 2014

The increase in net income from 2014 to 2015 of \$1,548,305 is explained as follows:

Revenue – budget increase of \$2,188,000

The increase in revenue is due primarily to the proposed fee increase of \$90 per lawyer combined with an assumed increase in membership. Increases in the management fee charged to ALIA/ALIEX and investment income account for the balance of the increase in the revenue budget from 2014 to 2015.

Expenses – budget increase of \$727,206

A summary of the major components of the change in total expenses is provided below:

¹ When estimating a pension liability at the end of a fiscal period, actuaries use various assumptions about prospective interest rates, mortality rates, salary levels and other factors. An actuarial gain or loss occurs as these factors change from one fiscal period to the next.

Appendix 1 (Continued) - Analysis of Consolidated Budget Changes from 2014 to 2015

2015 total budgeted expenses	\$ 29,026,506
2014 total budgeted expenses	28,299,300
Increase	<u>727,206</u>

Expense change components:

Increased premises operating costs due to a higher lease rate for the Calgary office premises effective January 1, 2015	299,100
Increased amortization expense due to recent capital additions for Calgary office renovations and business systems and technology	163,500
Increase in general corporate costs due to the introduction of merchant banking fees in 2015 with the planned introduction of online payment facilities	180,000
Increase in communications costs related to a planned survey of the legal profession, internal and external website updates and a planned rebranding of the Law Society	175,000
Decrease in estimated claims expense in the legacy Assurance Fund anticipated as this fund is wound down during 2015 and onwards	(500,000)
Decrease in the premium for the Assurance Fund indemnity bond as bond coverage is switched to the new indemnity program (ALIA/ALIEX)	(194,000)
Overall wage increases due primarily to an assumed 3.5% increase to keep pace with the overall Alberta labour market	515,000
Other miscellaneous increases	88,606
	<u>\$ 727,206</u>

Appendix 2 - Contingency Reserve Balances

Introduction

In setting the practice fee each budget year, the Benchers need to consider what a target contingency reserve for the General Fund should be to maintain a safe (or comfortable) contingency fund in the event of unforeseen circumstances. The analysis below provides a recommended target fund balance range for the General Fund.

A discussion as to the estimated amount of the contingency reserve in the Assurance Fund is also provided below.

General Fund

Our research indicates that most not-for-profit organizations target between one and two months of operating expenses as a financial reserve for contingencies. For the Law Society's General Fund, this translates into roughly \$2.3 to \$4.6 million of contingency reserve.

As shown in Appendix 4, the draft budget as presented will result in an estimated contingency reserve in the General Fund of \$3.3 million, at the mid-point of the range described above.

Assurance Fund

As described earlier in this document, trust defalcation claims that occur after July 1, 2014 will be addressed under the new indemnity program (ALIA and ALIEX coverage). The legacy Assurance Fund will be wound up over the period of time required to pay for claims related to trust defalcations that occurred prior to July 1, 2014. In 2015 and future years, the Assurance Fund will cover the cost of claims and actuarial fees. To date, management estimates that the fund reserves built up over time will be adequate to deal with legacy claims in 2015 and future years. Consequently, there will be no Assurance Fund levy in 2015. Management will reassess the need for an Assurance Fund levy in 2016 as legacy claims experience unfolds during 2015.

Appendix 3 - Fund Balances

GENERAL FUND	Rounded to the nearest thousand \$			
	Budget 2015	Forecast 2014	Actual 2013	Actual 2012
Invested in capital assets	\$ 2,865	\$ 2,781	\$ 1,817	\$ 2,061
Unrestricted funds	(2,574)	(2,397)	(2,249)	(1,967)
Fund balance	291	384	(432)	94
Unrestricted funds	(2,574)	(2,397)	(2,249)	(1,967)
Deferred revenue	5,864	4,640	4,076	3,787
Effective contingency reserve	\$ 3,290	\$ 2,243	\$ 1,827	\$ 1,820
ASSURANCE FUND	Budget 2015	Forecast 2014	Actual 2013	Actual 2012
Contingency reserve	\$ 4,377	\$ 4,092	\$ 4,829	\$ 5,158
Deferred revenue	-	1,100	1,094	1,048
Effective contingency reserve	\$ 4,377	\$ 5,192	\$ 5,923	\$ 6,206

Appendix 4 – Fee Sensitivity Analysis

General Fund											
BUDGET 2015											
If the Annual Fee is....	\$ 2,530	\$ 2,560	\$ 2,580	\$ 2,600	\$ 2,620	\$ 2,640	\$ 2,660	\$ 2,680	\$ 2,700	\$ 2,720	
Change from 2014...	\$ -	\$ 30	\$ 50	\$ 70	\$ 90	\$ 110	\$ 130	\$ 150	\$ 170	\$ 190	
Then.....											
Revenue	\$ 27,585,700	\$ 27,862,300	\$ 28,046,700	\$ 28,231,100	\$ 28,415,500	\$ 28,599,900	\$ 28,784,300	\$ 28,968,700	\$ 29,153,100	\$ 29,337,500	
Expenses	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	28,421,795	
Net income (loss)	(836,095)	(559,495)	(375,095)	(190,695)	(6,295)	178,105	362,505	546,905	731,305	915,705	
Effective contingency reserve - end	\$ 1,717,005	\$ 2,270,205	\$ 2,639,005	\$ 3,007,805	\$ 3,376,605	\$ 3,745,405	\$ 4,114,205	\$ 4,483,005	\$ 4,851,805	\$ 5,220,605	

The 2014 fee was \$1,960 for the annual practice fee and \$570 for the Assurancy levy for a total of \$2,530.

Appendix 5 - Active Membership Growth Analysis

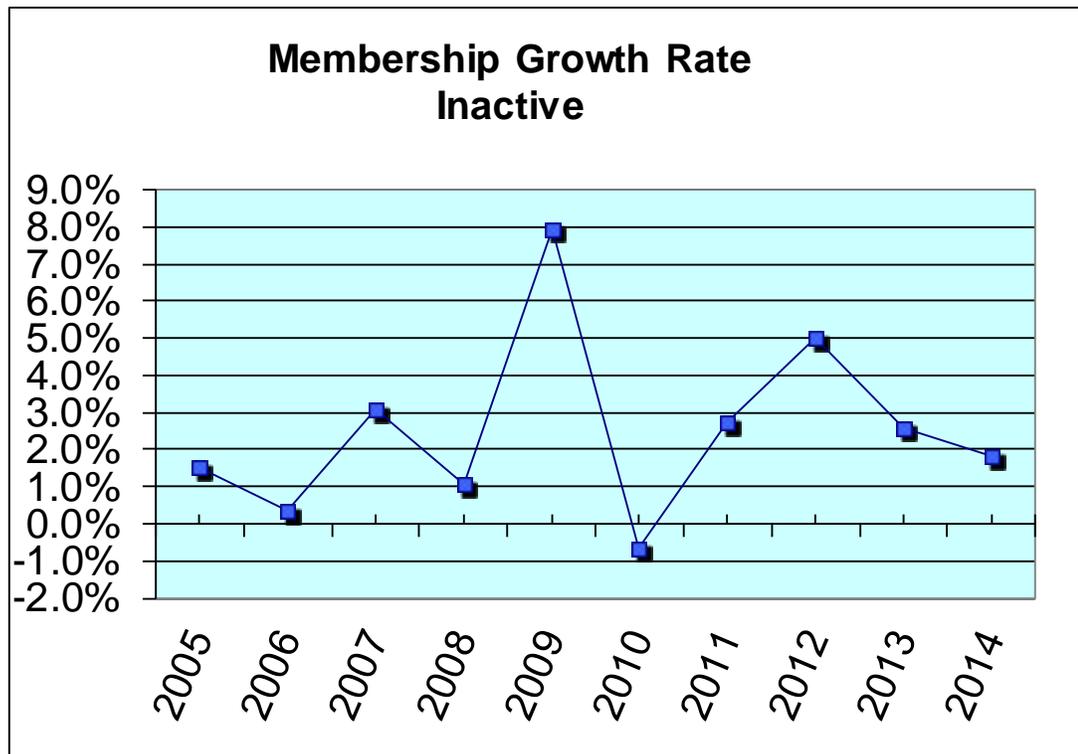


	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Jan	7,553	7,713	7,963	8,150	8,334	8,455	8,625	8,746	8,980	9,184
Feb	7,564	7,705	7,957	8,153	8,334	8,452	8,624	8,752	8,961	9,182
Mar	7,558	7,703	7,947	8,137	8,304	8,437	8,611	8,723	8,926	9,158
Apr	7,421	7,624	7,829	7,979	8,145	8,303	8,455	8,628	8,790	9,006
May	7,428	7,636	7,841	7,993	8,149	8,308	8,462	8,625	8,789	9,036
Jun	7,438	7,651	7,855	8,007	8,160	8,310	8,468	8,641	8,806	9,052
Jul	7,446	7,669	7,853	8,005	8,162	8,316	8,465	8,639	8,811	9,059
Aug	7,500	7,712	7,883	8,051	8,226	8,378	8,524	8,696	8,897	9,125
Sep	7,593	7,840	7,992	8,188	8,344	8,506	8,638	8,837	9,035	9,170
Oct	7,644	7,893	8,063	8,275	8,414	8,578	8,697	8,890	9,108	
Nov	7,689	7,929	8,113	8,310	8,432	8,604	8,737	8,935	9,157	
Dec	7,710	7,958	8,137	8,329	8,445	8,619	8,753	8,968	9,172	
Average	7,545	7,753	7,953	8,131	8,287	8,439	8,588	8,757	8,953	9,108

Growth	2.2%	2.7%	2.6%	2.2%	1.9%	1.8%	1.8%	2.0%	2.2%	1.7%
	<i>Average Growth Rate over last four years</i>							1.9%		

Projected Membership (Average 2014 x Average Growth Rate)	9,280 members
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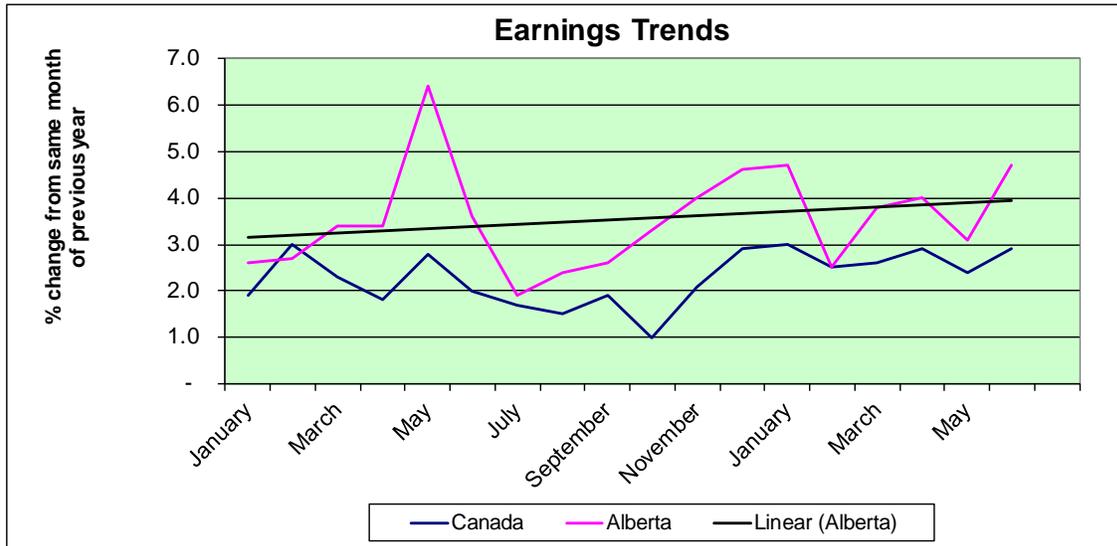
Appendix 6 - Inactive Membership Growth Analysis



	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Jan	1,661	1,699	1,711	1,784	1,795	1,956	1,894	2,003	2,059	2131
Feb	1,663	1,712	1,718	1,786	1,809	1,957	1,900	2,002	2,069	2131
Mar	1,674	1,725	1,744	1,806	1,845	1,970	1,908	2,030	2,081	2154
Apr	1,762	1,678	1,732	1,723	1,922	1,853	1,925	2,094	2,179	2113
May	1,665	1,680	1,733	1,731	1,927	1,852	1,927	2,024	2,072	2108
Jun	1,664	1,677	1,738	1,733	1,923	1,858	1,943	2,028	2,068	2125
Jul	1,686	1,689	1,744	1,750	1,935	1,873	1,964	2,047	2,085	2145
Aug	1,696	1,699	1,761	1,766	1,932	1,875	1,977	2,055	2,099	2155
Sep	1,700	1,697	1,767	1,778	1,944	1,884	1,978	2,065	2,104	2155
Oct	1,702	1,694	1,770	1,778	1,947	1,881	1,978	2,064	2,112	
Nov	1,698	1,695	1,778	1,778	1,952	1,885	1,979	2,057	2,113	
Dec	1,695	1,698	1,777	1,783	1,950	1,886	1,980	2,056	2,123	
Average	1,689	1,695	1,748	1,766	1,907	1,894	1,946	2,044	2,097	2,135
Growth	1.5%	0.4%	3.1%	1.1%	7.9%	-0.7%	2.7%	5.0%	2.6%	1.8%
<i>Average Growth Rate over last five years</i>								2.3%		

Projected Inactive members (Average 2014 x Average Growth Rate) | 2,180 members

Appendix 7 - Wage Cost of Market Increase Data



	Canada ¹	Alberta ²
2012 December	2.8	3.9
2013 January	1.9	2.6
February	3.0	2.7
March	2.3	3.4
April	1.8	3.4
May	2.8	6.4
June	2.0	3.6
July	1.7	1.9
August	1.5	2.4
September	1.9	2.6
October	1.0	3.3
November	2.1	4.0
December	2.9	4.6
2014 January	3.0	4.7
February	2.5	2.5
March	2.6	3.8
April	2.9	4.0
May	2.4	3.1
June	2.9	4.7

18 month average **2.29** **3.54**

12 month average **2.28** **3.47**

Budget 2015 use **3.50%**

¹ Average weekly earnings for all employees - Industrial aggregate, <http://www.statcan.ca>, % change from same month of previous year

² Average weekly earnings for all employees - provinces and territories, <http://www.statcan.ca>, % change from same month of previous year

Appendix 8 – Detailed Fee Schedule

	Budget 2015	Budget 2014	Budget 2013	Budget 2012	Budget 2011
Annual Fees					
Annual fee, active member (effective March 15, 2015)	\$ 2,620	\$ 1,960	\$ 1,760	\$ 1,700	\$ 1,700
Annual fee, active member practising in Lloydminster, AB and SK (effective March 15, 2015)	\$ 1,310	\$ 980	\$ 880	\$ 850	\$ 850
Annual fee, active member for pro bono services only (effective March 15, 2015)	\$ 190	\$ 190	\$ 190	\$ 180	\$ 180
Annual fee, inactive (effective March 15, 2015)	\$ 190	\$ 190	\$ 190	\$ 180	\$ 180
Assurance levy (effective March 15, 2015)	\$ -	\$ 570	\$ 570	\$ 570	\$ 570
Professional Corporation Fees					
Professional Corporation application fee	\$ 400	\$ 390	\$ 380	\$ 370	\$ 360
Professional Corporation annual renewal fee	\$ 190	\$ 190	\$ 190	\$ 190	\$ 185
Limited Liability Partnership Fees					
Limited Liability Partnership (LLP) registration fee (per partner)	\$ 120	\$ 120	\$ 120	\$ 110	\$ 110
Limited Liability Partnership (LLP) renewal fee (per partner)	\$ 60	\$ 60	\$ 60	\$ 50	\$ 50
Student Fees					
Application fee, Student (Section 40)	\$ 175	\$ 175	\$ 175	\$ 160	\$ 160
Admission fee, Student (Section 40)	\$ 430	\$ 420	\$ 410	\$ 400	\$ 390
Filing Assignment of Articles fee	\$ 90	\$ 90	\$ 90	\$ 80	\$ 80
Transfer Fees					
Transfer exam fee	\$ 1,190	\$ 1,170	\$ 1,150	\$ 1,130	\$ 1,110
Application fee, Out of Province transfer	\$ 220	\$ 210	\$ 210	\$ 200	\$ 200
Enrolment as a member, Out of Province transfer	\$ 1,090	\$ 1,070	\$ 1,050	\$ 1,030	\$ 1,010
Reinstatement Fees					
Reinstatement, suspended member	\$ 770	\$ 750	\$ 740	\$ 730	\$ 720
Reinstatement, retired Judge	\$ 570	\$ 560	\$ 550	\$ 540	\$ 530
Reinstatement, inactive member with matters open ¹	\$ 770	\$ 750	\$ 740	\$ 730	\$ 720
Reinstatement, inactive member with no matters open ² (under 1 year inactive status)	\$ 200	\$ 200	\$ 200	\$ 190	\$ 190
Reinstatement, inactive member with no matters open ³ (under 3 years inactive status)	\$ 360	\$ 350	\$ 340	\$ 330	\$ 330
Reinstatement, inactive member with no matters open ⁴ (over 3 years inactive status)	\$ 570	\$ 560	\$ 550	\$ 540	\$ 530
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	\$ 200	\$ 200	\$ 190	\$ 190
Reinstatement, resigned member	\$ 1,560	\$ 1,530	\$ 1,500	\$ 1,470	\$ 1,450
Application for reinstatement, disbarred member	\$ 7,770	\$ 7,620	\$ 7,470	\$ 7,320	\$ 7,210
Reinstatement exam fee	\$ 730	\$ 720	\$ 710	\$ 700	\$ 690
Foreign Legal Consultant Fees					
Foreign Legal Consultants initial permit	\$ 770	\$ 750	\$ 740	\$ 730	\$ 720
Foreign Legal Consultants annual renewal	\$ 150	\$ 150	\$ 150	\$ 140	\$ 140
Document Fees					
Issuing a document	\$ 50	\$ 50	\$ 50	\$ 40	\$ 40
Items returned by the bank	\$ 40	\$ 40	\$ 40	\$ 25	\$ 25
Certificate of Standing	\$ 120	\$ 120	\$ 120	\$ 110	\$ 110
Notarial Certificates (2 free certificates per year)	\$ 30	\$ 30	\$ 25	\$ 20	\$ 20

¹Inactive with any conduct, audit, practice review or insurance matters open at any time from the time they went inactive to the time of their reinstatement application

²Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time of their reinstatement application and have practised law in Canada within the previous 12 months

³Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time of their reinstatement application and have not practised law in Canada within the previous 12 months

⁴Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time of their reinstatement application and have not practised law in Canada for at least 12 of the past 48 months

Appendix 9 - Three Year Business Systems and Technology Plan

To: The Benchers
From: Andrew Norton, Director Business Technology
Date: 24 October, 2014
RE: **Continuing Towards a Connected Future**

Introduction

The purpose of this document is to provide Benchers with an update in respect of the 2014 capital projects and to present the recommended Business Technology 2015 capital budget proposal and likely 2016 investment plans.

The document is based on information contained within the 2014-2016 Strategic Plan, the approved 2014 Business Plan and Budget and the draft 2015 Business Plan and Budget.

Within the 2014 Business Plan a number of core benefits for the provision of business applications were identified:

- Providing a 21st century model regulator business systems environment;
- Efficient and effective business management;
- Improvement to customer service;
- A substantial decrease in the number of paper based transactions, activities and costs; and
- An improvement to the job designs of Law Society staff.

Moving to a Connected Future

Our organization is at a crossroad; the direction chosen will directly influence how we do business in the future.

Since the late 1980's, management information systems and the supporting technologies have slowly permeated the Law Society of Alberta to the point where we now use these systems (email, BoardBooks, Membership database, etc.) to support our business functions.

We use these systems to create and store a considerable amount of electronic information in addition to a significant paper repository; these two areas hold information including:

- Office documents, reports, membership applications, investigation reports and evidence binders, complaint records, correspondence, project charters, spreadsheets, e-mail and attachments, and discussion notes.
- Pictures, presentations, electronic documents and records created using Microsoft Office tools.
- Video, digital recordings – interviews, hearings, telephone records, voice mail.
- Website content – Intranet, Law Society public website.

Fast forward to the present day and like many other business organizations across all sectors, we need to note the limitations, risks and issues associated with our current position and agree on our future direction.

The following four questions set the scene:

1. What are the limitations?

- Our business processes are centered on paper and require extensive human intervention at every step to ensure accuracy - a costly and inefficient method of working particularly as transaction levels continue to grow.
- We manage our paper and electronic files as independent items using staff to reconcile the two.
- Our ability to implement cross functional business processes is severely hampered due to our lack of collaborative systems.
- We offer few opportunities for electronic, online interactions by lawyers and the public.

2. What is the effect?

- Inefficient and error prone business processes.
- The business is paperbound, reliant on staff to perform virtually each and every business process by hand with limited automation and support available from information systems.
- We are using costly human intervention to ensure our reports are timely, accurate and consistent.
- As the number of lawyers and transactions increase along with an expectation that customer service levels will improve our operating model of increasing staff numbers is not sustainable.

3. How do these issues present to our stakeholders?

- Slow, bureaucratic and outdated interaction.
- Increasing costs.
- An increasing level of frustration - when will we move to the 21st century?

4. What do we plan to do, what are the benefits and what is the anticipated level of investment?

- We plan to continue the implementation of applications and services during 2015 to support our strategic vision and mission.

Enterprise Content Management

Enterprise Content Management (ECM) is the umbrella that includes the concepts of Information Management, Electronic Records Management, Electronic Document Management, Business Process Management and Automation.

The Law Society has implemented and uses a suite of information systems linked with numerous paper driven business processes dating back 20 years and longer.

During 2014 the Law Society undertook a review of enterprise content management (ECM) across the organization. This work led to the production of an information management roadmap. The roadmap provides guidance in respect of systems, processes, legal, regulatory and business requirements to understand how best to provide an enterprise wide information management and content management environment.

During 2015 and beyond the tasks identified within the roadmap will take place. Implementing information management and content management as a multi-year endeavor permits operational units an opportunity to review, develop and redesign existing processes, to leverage the move to ECM to test new workflows, and to determine where additional business process automation would enhance timeliness and efficiency while streamlining existing processes.

The proposed investment for 2015 is \$250,000 utilized as follows:

Item	Budget	Notes
Business Consultancy	\$160,000	Project Management, Business Analysis, Process Analysis and Improvement, Change Management etc.
Technical Consultancy	\$ 40,000	System Consulting, Application Development, Database Design etc.
Training	\$ 20,000	
Equipment and Software	\$ 20,000	
Contingency	\$ 10,000	
Total	\$250,000	

The following information highlights some of the “hidden costs” of information management.

\$120; the average labor cost associated with finding a misfiled document.
(Coopers and Lybrand 1993)

\$14,000; the annual value of lost productivity due to workers’ inability to locate information.

IDC. “Hidden Costs of Information Work,” IDC, 2006

\$500,000; the recommended Discovery budget for a moderately sized case.

Gartner, “Reducing the Cost and Risk of EDiscovery, 2009

The Executive Director will sponsor the project with business managers forming a project steering group to ensure direction, schedule, cost and benefits reflect business requirements.

If we choose to continue on our present path without the investments proposed in 2015 and beyond we risk our ability to effectively manage the organization; we will continue to grow our mix of information and paper platforms and processes placing an growing burden on staff and increasing the cost of doing business.

eBusiness

Building on the platform developed in 2014, the Law Society will continue to implement e-Business solutions that allow the public and lawyers to access services via the web from a variety of devices (laptops, smartphones, tablets etc.). In addition, departmental functionality and processes will continue to be developed in conjunction with e-Business implementations to reduce the process burden associated with paper based transactions.

The proposed investment for 2015 is \$250,000 utilized as follows:

Item	Budget	Notes
Business Consultancy	\$130,000	Project Management, Business Analysis, Process Analysis and Improvement, Change Management etc.
Technical Consultancy	\$ 80,000	System Consulting, Application Development, Database Design etc.
Training	\$ 20,000	
Contingency	\$ 20,000	
Total	\$250,000	

To illustrate the estimated cost for one current manually intensive process; the Law Society currently physically processes approximately 23,000 invoices per year for billing and collecting lawyer dues and insurance renewals; with a total revenue value of \$44,000,000. The processes rely on significant human intervention with limited system integration or automation. Essentially, we print all of these invoices, place them in envelopes, mail them and receive and process payments via paper cheques. Using a calculation that assumes each invoice uses 30 minutes of staff time to handle at an average hourly rate of \$75 the total annual processing cost equates to \$862,000.

If 75% of these invoices were produced and managed electronically a saving of \$647,000 per year could be achieved. Against this would be an annual merchant bank expense of approximately \$500,000 leading to an estimated annual saving in the region of \$150,000.

In addition, moving into the online world will allow for a significant number of related membership transactions to be made available providing further value and benefit to all stakeholders. These transactions could include lawyer change of contact information, Trust Safety annual submissions, requests for member reports and certificates of standing.

The Director, Business Technology will sponsor the project with business managers forming a project steering group to ensure direction, schedule, cost and benefits reflect business requirements.

The risk of not providing these online services is the continuing lack of effective and efficient business processes and a lack of confidence from the public and lawyers as we insist on the continued use of traditional paper based processes.

Collaborative Technologies

During 2015 the use of collaborative technologies and services will continue to be extended providing Benchers, volunteers and staff with access to common file stores, shared workspaces and enhanced mobile services.

In addition, a number of business application developments will be undertaken to improve operational effectiveness and efficiency. These developments will be centered on our financial systems, the internal and external web sites, SharePoint and improvements to accessing and using information through tools such as BoardBooks.

Moving forward, we will continue to streamline and coordinate the collaborative tools and take advantage of the functions provided to ensure Benchers, volunteers and staff can work together in the most effective manner possible.

The proposed investment for 2015 is \$150,000 utilized as follows:

Item	Budget	Notes
Business Consultancy	\$ 50,000	Project Management, Business Analysis, Process Analysis and Improvement, Change Management etc.
Technical Consultancy	\$ 30,000	System Consulting, Application Development, Database Design etc.
Training	\$ 10,000	
Equipment and Software	\$ 50,000	
Contingency	\$ 10,000	
Total	\$150,000	

The Director, Business Technology will sponsor the project with business managers forming a project steering group to ensure direction, schedule, cost and benefit reflects business requirements.

Human Resource Information System (HRIS)

During 2014 a HR Information System was implemented. During 2015 it is planned to introduce a number of additional modules and features to continue the improvement of workflow, processes and reporting.

The proposed investment for 2014 is \$75,000 utilized as follows:

Item	Budget	Notes
Business Consultancy	\$25,000	Project Management, Business Analysis, Process Analysis and Improvement, Change Management etc.
Technical Consultancy	\$25,000	System Consulting, Application Development, Database Design etc.
Training	\$15,000	
Contingency	\$10,000	
Total	\$75,000	

The Director, Human Resources will sponsor the project with business managers forming a project steering group to ensure direction, schedule, cost and benefit reflect business requirements.

If we choose to continue on our present path we risk managing our people in an ineffective manner leading to poor morale and high turnover. In addition we may need additional staff to undertake the manual process and deal with the errors and inefficiencies they present.

Conclusion

The 2014-16 Strategic Business Plan contains a number of business system projects that will enable The Law Society of Alberta to provide collaborative, effective and efficient services to all stakeholders while enabling staff expertise and knowledge to be utilized in a manner that adds value.

During 2014 significant progress has been achieved as documented above and reported to Benchers in September 2014. The 2015 proposals build on this progress.

Proposed capital investment associated with these initiatives along with estimations of 2016 investment requirements are shown in the following table. Please note that the estimates included 2016 will likely change once the work in 2015 is complete. Law Society management will develop revised amounts for Bencher consideration and approval as part of the business plan and budget process in subsequent years.

Business Systems Capital Investment

Project	Capital (\$)				
	2014 (Approved)	2014 (Forecast-F)	2015 (Proposed-P)	2016 (Tentative-T)	Project Totals (F+P+T)
Enterprise Content Management	\$340,000	\$125,000	\$250,000	\$250,000	\$625,000
eBusiness	\$240,000	\$290,000	\$250,000	\$250,000	\$790,000
Collaborative Technologies	\$165,000	\$100,000	\$150,000	\$175,000	\$425,000
HR Information System	\$240,000	\$225,000	\$75,000	\$40,000	\$340,000
Security and Business Continuity	\$50,000	\$55,000	\$50,000	\$50,000	\$155,000
PC Upgrades	\$75,000	\$75,000	\$75,000	\$50,000	\$200,000
Network Server Upgrades	\$100,000	\$100,000	0	\$50,000	\$150,000
Video Conferencing	\$190,000	\$225,000	0	0	\$225,000
Annual Totals	\$1,400,000	\$1,195,000	\$850,000	\$865,000	\$2,910,000