

# The Law Society

*of British Columbia*



## 2010 Fees and Budgets

Presentation to:  
Benchers  
July 10, 2009



## 2010 Overview

- Finance Committee reviewed and considered budgets for General Fund, Special Compensation Fund and the Lawyers Insurance Fund at four meetings during June
- Executive Committee reviewed the overall fee proposal at its June meeting
- No General Fund fee increase
- Pro Bono funding, Federation and CanLII contributions are unchanged year over year
- Special Compensation Fund assessment reduced by \$100 to \$50
- Based on economic conditions and projecting into 2010, the trust administration fee at \$10 is not expected to be sufficient to cover the cost of the Law Society's trust assurance and forensic audit program. An increase in the trust administration fee will be necessary in 2010 and the Benchers will be asked to consider in late 2009/early 2010
- The current economic downturn is likely to generate increased claims activity over the next two to three years. In addition, the economic downturn has also affected the value and related income of the Fund's investment portfolio. As a result, the Finance Committee recommends the first increase in the insurance assessment since 1993, increasing the Insurance assessment by \$200 to \$1,600



## 2010 Fee Recommendations

	2010	2009	Difference	Δ%
General Fund Fee	\$ 1,320.04	\$ 1,323.04	\$ (3.00)	-0.2%
Federation of Law Societies	\$ 20.00	\$ 17.00	\$ 3.00	
CanLII	\$ 30.74	\$ 30.74	\$ -	
Pro Bono Contribution	\$ 13.22	\$ 13.22	\$ -	
Law Society Fee	\$ 1,384.00	\$ 1,384.00	\$ -	0.0%
BCCLS Fee	\$ 166.00	\$ 166.00	\$ -	
LAP Fee	\$ 56.00	\$ 56.00	\$ -	
Advocate Subscription	\$ 27.50	\$ 27.50	\$ -	
Total Practice Fee	\$ 1,633.50	\$ 1,633.50	\$ -	0.0%
Special Fund Assessment	\$ 50.00	\$ 150.00	\$ (100.00)	
<i>Total Non-Insured Mandatory Fees (excluding GST)</i>	<i>\$ 1,683.50</i>	<i>\$ 1,783.50</i>	<i>\$ (100.00)</i>	<i>-5.6%</i>
Insurance Assessment	\$ 1,600.00	\$ 1,400.00	\$ 200.00	
<i>Total Insured Mandatory Fees (excluding GST)</i>	<i>\$ 3,283.50</i>	<i>\$ 3,183.50</i>	<i>\$ 100.00</i>	<i>3.1%</i>



## 2010 General Fund Highlights

- Balanced General Fund budget with no use of reserve
- Practising membership increases by 1% from 2009 forecast to 10,300 members
- E-filing revenue less than 2008 due to fewer transactions and fee waiver on discharge filings
- No interfund borrowing necessary in 2010
- Capital expenditures funded by capital allocation from practice fee
- Overall operating expenses increase 3.5%
- Operating expense change mainly due to market-based salary adjustments and external counsel fees
- Market-based salary adjustments consistent with executive limitation requiring market-based salaries, external counsel fees based on current caseload levels
- Staffing increase less than one FTE
- Reduced communications expenses based, in part, on electronic distribution of annual report to all members



# TAF Budget and Projections

- 2009 first quarter TAF revenue down 38% over same quarter last year
- Accumulated TAF reserve has been used in supporting the trust assurance and forensic audit program in 2008 and remaining reserve expected to be used by early 2010
- At this time, difficult to project number of TAF transactions in 2010 as a result of current economic conditions
- An increase in TAF during 2010 is likely
- This will be communicated in annual general meeting materials, with quantum and timing to be determined
- Finance Committee to assess TAF results in late 2009/early 2010, with a view to considering the quantum and timing of any TAF increase

# Decrease 2010 SCF Assessment



*Recommend \$100  
reduction of SCF  
assessment from  
\$150 to \$50\* for 2010*

\* Nominal fee and reserve required by the Legal Profession Act



## 2010 LIF Assumptions

- Claims costs expected to be higher than in previous years due to recession-related claims experience
- Investment income expected to be less due to market conditions and reduced assets
- Part B claims expected to increase due to recession-related activity and not currently included in insurance fee
- Recommend a \$200 increase to generate additional insurance assets to offset increased claims costs



# LIF Fee History







# RESOLUTIONS



Be it resolved that:

The Benchers recommend to the members at the 2009 Annual General Meeting a practice fee of \$1,633.50 commencing January 1, 2010, consisting of the following amounts:

General Fund	\$1320.04
Federation of Law Societies	\$20.00
CanLII	\$30.74
Pro Bono Contribution	\$13.22
BCCLS	\$166.00
LAP	\$56.00
Advocate	<u>\$27.50</u>
Practice Fee	\$1,633.50



Be it resolved that:

- the insurance fee for 2010 pursuant to section 30(3) of the Legal Profession Act be fixed at \$1,600;
- the part-time insurance fee for 2010 pursuant to Rule 3-22(2) be fixed at \$800; and
- the insurance surcharge for 2010 pursuant to Rule 3-26(2) be fixed at \$1,000.



Be it resolved that the Special Compensation Fund Assessment for 2010 be set at \$50.00





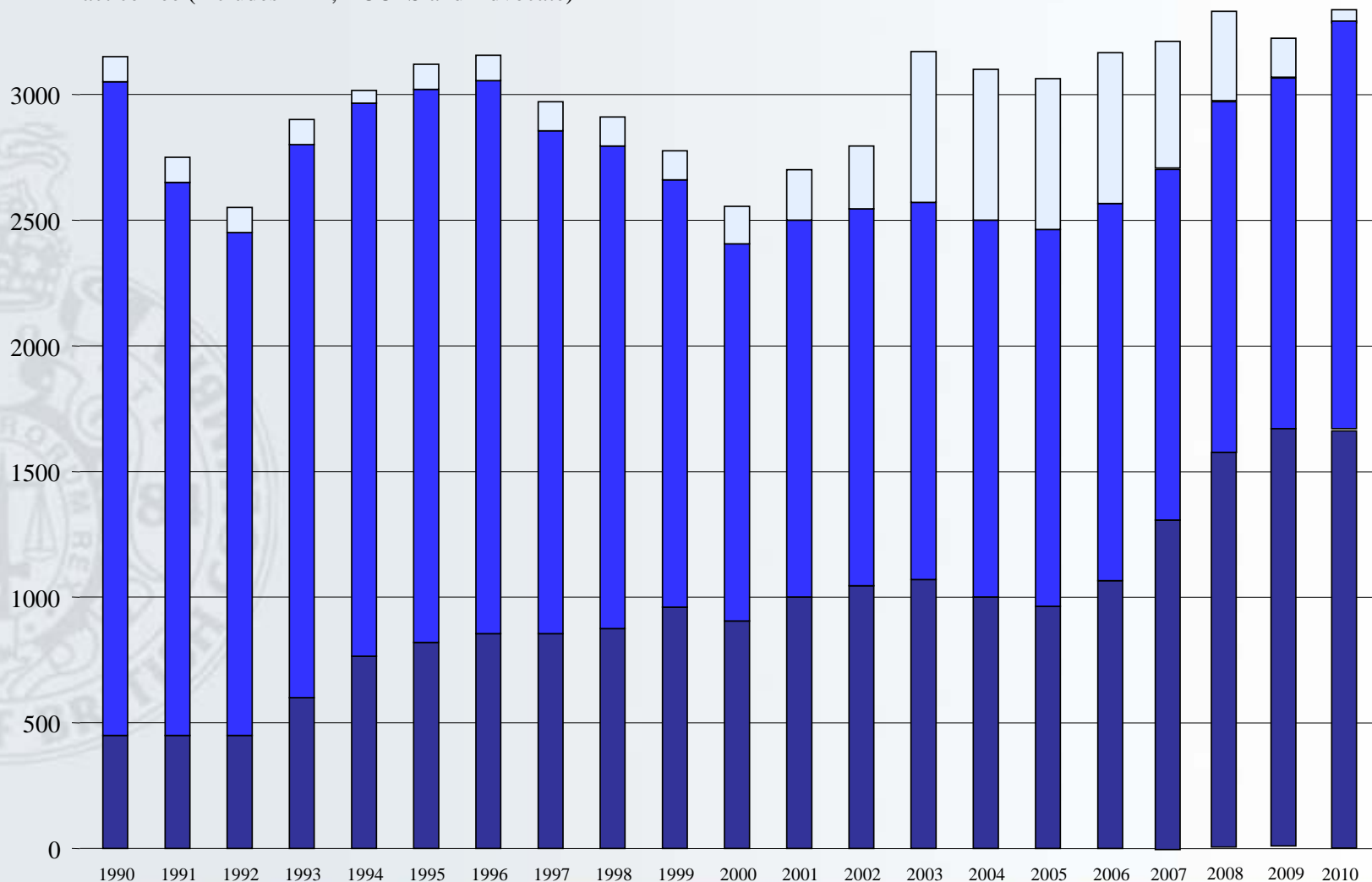
# APPENDICES





# Total Fee Comparison Year Over Year

- Special Fund Fee
- Insurance Fee
- Practice Fee (includes LAP, BCCLS and Advocate)





# Compulsory Fee Comparison (Full Time Practising Insured Lawyer)



All fees for period spanning 2009/2010 except Ontario and Saskatchewan (2009) and BC (2010)



THE LAW SOCIETY OF BRITISH COLUMBIA									
DRAFT OPERATING BUDGET (excluding capital/depreciation)									
For the Year ended December 31, 2010									
GENERAL FUND SUMMARY									
		2010	2009	2010/2009		2010	2009		
		Budget	Budget	Budget	%	Budget	Budget	FTEs	FTEs
				Variance					Change
<b>GENERAL FUND REVENUES</b>									
Membership fees		12,876,325	12,704,458						
PLTC and enrolment fees		937,500	905,500						
Electronic filing revenue		507,100	483,600						
Interest income		379,000	141,250						
Other revenue		1,107,893	1,000,705						
<b>TOTAL GENERAL FUND REVENUES</b>		<b>15,807,818</b>	<b>15,235,513</b>	<b>572,305</b>	<b>3.8%</b>				
<b>GENERAL FUND EXPENSES</b>									
Benchers Governance		1,440,674	1,413,156			0.15	0.15		-
Communications and Information Services		1,782,283	1,887,183			17.85	17.85		-
Corporate Services		2,624,740	2,527,970			21.50	21.50		-
Education and Practice		3,124,853	3,106,003			30.90	30.32		0.58
Policy and Legal Services		1,582,517	1,480,724			11.10	11.10		-
Regulation		5,854,456	5,441,948			47.05	46.85		0.20
<b>TOTAL GENERAL FUND EXPENSES</b>		<b>16,409,523</b>	<b>15,856,984</b>	<b>552,539</b>	<b>3.5%</b>	<b>128.55</b>	<b>127.77</b>		<b>0.78</b>
<b>GENERAL FUND NET CONTRIBUTION</b>		<b>(601,705)</b>	<b>(621,471)</b>	<b>19,766</b>		<b>128.55</b>	<b>127.77</b>		<b>0.78</b>
Net Building (845 Cambie) Income	(1)	604,721	690,449	(85,728)		3.00	3.00		-
<b>GENERAL FUND NET CONTRIBUTION (Inc Bldg)</b>		<b>3,016</b>	<b>68,978</b>	<b>(65,962)</b>		<b>131.55</b>	<b>130.77</b>		<b>0.78</b>
<b>TRUST ASSURANCE PROGRAM</b>									
Trust Administration Fee Revenue		2,467,500	3,044,800	(577,300)	-19.0%				
Trust Assurance/Forensic Audit Expenses		3,648,304	3,526,410	121,894	3.5%				
<b>NET TRUST ASSURANCE PROGRAM</b>	(2)	<b>(1,180,804)</b>	<b>(481,610)</b>	<b>(699,194)</b>		<b>25.45</b>	<b>25.45</b>		<b>-</b>
<b>TOTAL NET GENERAL FUND &amp; TAP CONTRIBUTION</b>		<b>(1,177,788)</b>	<b>(412,632)</b>	<b>(765,156)</b>					

## Notes:

- (1) This line represents the profit of operating the building at 845 Cambie.
- (2) The net loss in 2009 is offset by the use of TAF reserve. Funding shortfall in 2010 will be considered in late 2009/early 2010.





**The Law Society of British Columbia - Lawyers Insurance Fund**  
**Consolidated Statement of Revenue and Expense**  
**For the Year ended December 31, 2010**

	2010 Budget	2009 Budget	2010/2009 Budget Variance	%	2010 Budget FTEs	2009 Budget FTEs	FTE Change
<b>Revenue</b>							
Annual assessment	11,698,700	10,516,601					
Investment income	5,107,632	6,069,358					
Other income	40,000	17,000					
	<u>16,846,332</u>	<u>16,602,959</u>	<u>243,373</u>	<u>1.5%</u>			
<b>Insurance Expense</b>							
Actuaries, consultants and investment brokers' fees	570,500	624,425					
Allocated office rent	116,052	116,076					
Contribution to program and administration costs of General Fund	1,390,235	1,341,820					
Legal	20,000	12,000					
Office	469,040	618,070					
Premium taxes	10,063	10,240					
Actuarial provision for claim payments	15,182,024	15,520,000					
Provision for ULAE	200,000	200,000					
Salaries, wages and benefits	2,286,574	2,104,591					
	<u>20,244,488</u>	<u>20,547,222</u>	<u>(302,734)</u>	<u>-1.5%</u>			
<b>Loss Prevention Expense</b>							
Contribution to co-sponsored program costs of General Fund	706,658	730,493					
<b>Total Expense</b>	<u>20,951,146</u>	<u>21,277,715</u>	<u>(326,569)</u>	<u>-1.5%</u>			
<b>Net Contribution</b>	<u>(4,104,814)</u>	<u>(4,674,756)</u>	<u>569,942</u>		<u>21.25</u>	<u>20.25</u>	<u>1.00</u>



The Law Society of British Columbia - Special Compensation Fund						
Statement of Revenue and Expense						
For the Year ended December 31, 2010						
					2010 Budget/ 2009 Forecast	
	2010 Budget	2009 Forecast			Variance	%
Revenue						
Annual assessment	515,000	1,530,000				
Recoveries	-	2,896,000				
	<u>515,000</u>	<u>4,426,000</u>			(3,911,000)	-88.4%
Expense						
Audit	9,000	12,100				
Loan interest expense	-	60,000				
Claims and costs	634,558	127,942				
Counsel and forensic audit fees	120,000	200,000				
Miscellaneous	2,250	57,300				
	<u>765,808</u>	<u>457,342</u>			308,466	67.4%
Net contribution	(250,808)	3,968,658			(4,219,466)	
Net assets (deficit) - Beginning of year	<u>445,008</u>	<u>(3,523,650)</u>				
Net assets - End of year	<u>194,200</u>	<u>445,008</u>				