

November 22, 2018

To: Members of the Law Society of Saskatchewan

Colleagues,

Last year we reported that the study of future initiatives and related costs would be the focus of the Benchers in 2018. Indeed, it was.

Strategic planning was the major event in our 2018 corporate planning calendar. On June 20 – 22, 2018, the Benchers met for 3 days of facilitated discussions, centered on the future of legal regulation in Canada. I thank the Staff of the Law Society, SLIA, the Board of Directors for SLIA¹ and our (then) Federation Council Representative, Gregory Walen, Q.C., for their participation, perspective and thought-leadership.

While strategic planning is an important governance “check-in” for most continuous improvement organizations, rapid changes in the social and economic context in which legal services are delivered provided a real sense of urgency to our discussions in June. Bill Gates famously said: “We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction”.²

It was with necessary “action” in mind that the Benchers pursued their discussions in Waskesiu, as well as the many discussions which followed since then. The result is a forward-thinking strategic plan for the Law Society, set out over the next three years. While official communication about our strategic plan is intended to coincide with the launch of our new website in mid-December, we are providing a [link](#) for your reference.

Administration’s plans for putting the theory of strategy into operation were broken down into dollars and cents at Convocation on October 26, 2018, where the 2019 Law Society Budget was discussed and, ultimately, ratified. Unlike previous years, our discussions around budget did not just centre on one financial year in isolation, but was built out of the cost of: 1.) maintaining existing programming; and 2.) strategic development over the next several years. The Benchers concluded that efforts to maintain current fee levels with subsidies from Society reserves would be detrimental to the long-term financial health of the organization. Considering a wide range of factors and potential options, the Benchers determined that a fee increase in the amount of \$300 for 2019 is necessary.

The rationale for this increase is set out below.

¹ Non-Bencher members include: Michael Milani Q.C. (past chair) and Pat Kelly Q.C and Tom Shonhoffer Q.C.

² https://www.brainyquote.com/quotes/bill_gates_404193
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a.) The Cost of Change

The environment in which legal services are being delivered is changing in profound ways and at an ever-increasing pace. While this letter is not an appropriate forum to address the key drivers of change in any comprehensive way, those wishing to read more may consult a recent article published in the Benchers' Digest entitled, "[The Impact of Changing Technology](#)". While there are many emerging issues to confront - globalization, changing demographics and unmet legal need, to name a few - it is the rapid advancement of technology that offers the starkest example of how quickly things are moving and why it is critical for both the profession and legal regulators to prepare now for change.

The internet has and will continue to dramatically transform the ways in which we gather information, communicate, transact business and provide services in all settings, including the professions. By some estimates, the number of devices connected to the Internet of Things by the year 2020 will approximate 21 billion³. Online reputation systems, communities of legal experience and the growth of online legal services directly available to the public from beyond our borders pose, and will continue to pose, new and fundamental challenges to our regulatory capacity as the global web-based economy continues to emerge.

At the same time, developments in other transformative technologies like artificial intelligence and blockchain will continue to transform all aspects of human endeavour and the delivery of legal services will be no exception.

The legal profession in Canada, a \$25B industry, has and will continue to innovate to embrace new opportunities in the delivery of legal services. Legal regulation simply must grow, evolve and modernize in order to keep pace. At the same time, no one, even the most respected futurist, can predict with any certainty where things will be at in a decade. Therefore, change will not be an event, but an ongoing process involving the continuing development of strategy.

In the face of change, legal regulation will have to become more flexible, more agile and will need to continually provide new and better programming and resources to remain relevant and, like the profession, will have to improve its value statement for both the membership and, ultimately, the public that, *together*, we serve.

b.) Use of the Surplus

The Benchers, led by our Governance Committee, spent a significant amount of time considering the surplus in 2017 and 2018, which has resulted in the development of policy to determine how Society reserves should be used, and more fundamentally, a process and a rationale for determining appropriate reserve levels. Earlier this year, the Benchers adopted an operating reserve policy, which provides for the maintenance of an operating reserve equal to three months of average budgeted operating expenses. Additionally, significant consideration has been given to ensuring that the Society remains in a financial position to fund capital investment/reinvestment (i.e. the creation of a capital reserve) and to fund strategic development moving forward. Though policy is currently in development in both respects, Law Society administration approached budget forecasting over the lifespan of the current strategic plan with these discussions in mind.

³ <https://en.wikipedia.org/wiki/Gartner>
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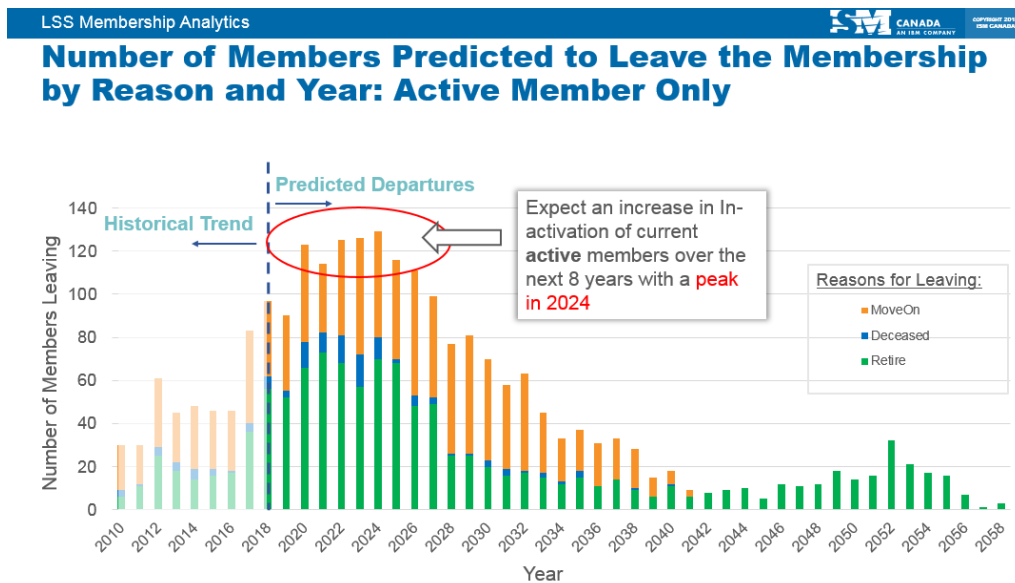
- Administration built a financial model which looks several years into the future, and specifically at our asset position over time, assuming a spectrum of possible fee levels ranging from an increase of \$0 - \$500 in 2019. This model considers:
 - The ongoing cost of day-to-day operations, estimating inflation, increases based on cost of living and a declining investment balance; and
 - Both low and high cost-estimates for strategic development, which do not presently anticipate an increase in staffing.

Our modelling suggests that if present fee levels were maintained over the next few years, not only would any surplus assets which are currently available to maintain operating and capital reserves and to fund strategic development be eroded, the Society would also be facing the loss of a basic operating reserve. While funding operations out of surplus has the desirable effect of lowering fees, it is not sustainable. A significant erosion of the surplus not only impedes our profession’s ability to invest in its future, but will ultimately lead to large, future fee increases. The membership will be faced with a “double-whammy” of sorts - a significant increase to replace both the subsidization *and* the increase in costs.

Based on demographic research conducted in 2018, the Benchers were also concerned that dramatic future increases may ultimately visit hardship on what our data suggests will be a shrinking membership pool in the years ahead. This is discussed under the next heading.

c.) The Baby Boomers

In our renewal communication from last year, we offered statistics to demonstrate that 43% of our membership cohort is over the age of 50. At that time, we indicated that we would examine the issue more closely in 2018, and we did. We contracted the services of ISM Canada (an IBM Company) to assist us with two proof-of-concept pieces to explore the value of predictive analytics to drive evidence-based decision-making. One of our inquiries aimed at understanding when and at what rate the baby boomers, a population swell commonly referred to by demographers as “the pig in the python,” would exit the profession. This study suggests, as represented in the infographic below, that between 2020 and 2028, we can expect to lose on average 120 members per year.



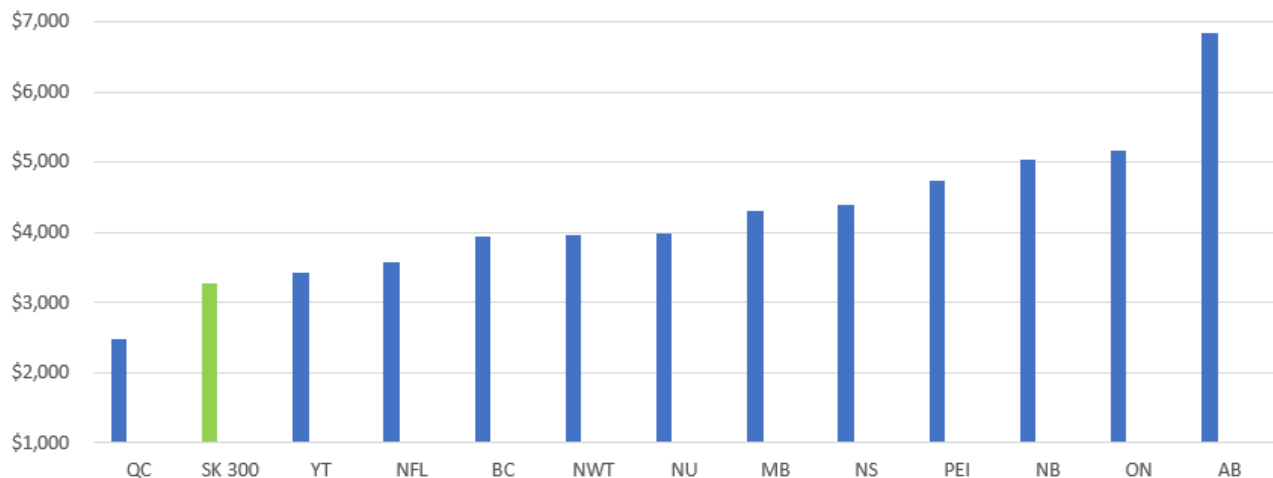
While we cannot say with any certainty how many new entrants to the membership we can expect over that same period, we can easily predict that our membership numbers will shrink in the very near future. Our data suggests an overall reduction of approximately 300 members within the next five years. This kind of major demographic swing is not without precedent. In our very recent history, we have also observed our membership numbers swell from 1,350 to our present cohort of approximately 1,900 between the years 2008 and 2016, a dramatic increase over a relatively short period of time, thought to be linked to a period of significant economic prosperity in the province.

Membership dues represent approximately 70% of our revenue.

d.) Our Fees in the National Context

Even with this fee increase, Saskatchewan remains the second most affordable place in Canada to practice law, aside from Quebec. Our place in the national context is demonstrated in the infographic set out below.

Total Annual Fees by Province (Including Insurance Levy)



In addition to being the second most affordable place to practice law in the Country, Saskatchewan lawyers likely also receive the most value in return for their money. The clearest example is the growing list of electronic resources we provide directly to the desktops of our members, featuring Westlaw, which, alone, is a resource with a value of over a thousand dollars annually to each of our members. Our renewed strategic plan emphasizes a desire to provide proactive supports for the profession through education, relevant resources and increased access to day-to-day practice assistance in order to equip our members with the tools necessary to keep pace with change and ensure the safe and effective practice of law in the public interest in the years ahead.

Conclusion

While a fee increase is never an easy or comfortable decision, we are satisfied after consideration and debate of all available options, that a moderate increase is necessary at this time. One careful decision at a time, we commit to continue to use our very best efforts to provide “more for less,” as together, we tackle the challenges that lay ahead.

1. Where do Member Fees Go?

The work of the Law Society, as regulator of the legal profession in Saskatchewan, is multi-faceted. With our mandate to act in the public interest, many of our programs provide support to the profession in providing quality legal services. Some of the initiatives your fees support are as follows:

Regulation and Governance	1,511
Libraries (“Legal Information and Resources”)	450
Special Fund Assessment	100
Lawyers Concerned for Lawyers	12
CPLED - Bar Admissions Course	59
Federation of Law Societies of Canada	28
Pro Bono Law Saskatchewan	<u>15</u>
	\$2,175
GST	<u>108.75</u>
Total	\$2,283.75

2. Deadline for Payment

We have extended the deadline for payment of the annual fees to **December 13, 2018**.

If you have any questions, please contact Ruth Armstrong at ruth.armstrong@lawsociety.sk.ca.

3. Renewal Process

The membership renewal process has changed. Please review the “How-to” membership renewal fact sheet that will be included in the email message to members.



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Executive Director