

Cost of Living (COL) Group Review



The United Church
of Canada

- December 2022

United Church of Canada Original State:

Use of Housing as COL Measure

- 2015: Comprehensive salary implemented, folding base salary and housing allowance for ministers not living in a manse into one comprehensive salary with a regional cost of living component based on median house sale values.
- Each community of faith was assigned to one of six cost of living (COL) groups based on data from Realtor.ca.
- 2019: COL group assignments were reassessed based on this data.
- 2021: Triennial re-assessment postponed. Volatile housing market across Canada made it an unstable single metric for measuring regional cost of living.

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Revised COL Measure

- Working with regional compensation specialists at Mercer, developed an approach to COL based on Canadian regional data set which incorporates expanded housing (+ property taxes and utilities), taxes, goods and services.
- Adjusted the current UCC COL group community of faith assignments to reflect the following elements using a Composite Approach:
 - **Increases in home values**
 - **Elements for utilities and property tax**
 - **Tax differences between provinces**
 - **Cost of goods and services**

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 - Increases in home values
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 - Tax differences between provinces
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- Mercer modified the weighting for housing component in its composite approach to yield a result more consistent with UCC current COL classifications.
- Model captures broader basket of cost of living variables, particularly property and provincial taxes which are reflected in the annual CPI economic adjustment.

Mercer Approach to Assigning COL Groups

Methodology

Composite Expenditure Indices

Location-specific index based on combined index derived for following categories

- Housing Expenditures
 - Mortgage principle, Interest and Insurance
 - Maintenance
 - Utilities
 - Property Tax
- Goods and Services Expenditure
- Provincial Income tax
- Category indices are weighted based on the expenditure profile of an average Canadian household
- To the extent that the weighted index results in a COL level change of more than +/-1, COLA level recommendation adjusted to result in maximum change of 1 level up or down.

Mercer Approach to Assigning COL Groups

Methodology

The composite index for each UCC location determines the COL group assigned.

COL Group	Location Composite Index Ranges
1	Below 97
2	97-99.9
3	100 – 105.9
4	106-113.9
5	114-121.9
6	122 and above

Mercer Approach to Assigning COL Groups

Category index represents a sum of constituent category indices

Category index for each expenditure category is derived by comparing location-specific expenses against those of a baseline (Regina, SK).

Established expenditure category indices are weighted based on the expenditure profile of a typical Canadian household.

Resulting weighted indices are combined to generate the combined or composite location index. For select locations the prior revised weighting compares to the prior approach as follows:

	Category Index	Category Weights	Weighted Category Indices		
			Regina, SK	Mississauga, ON	Surrey, BC
Housing	100	14%	14	38	22
Utilities	100	1%	1	2	2
Property Tax	100	4%	4	3	1
Goods & Services	100	38%	38	44	43
Income Tax	100	29%	29	31	29
Reserve	100	14%	14	14	14
Total		1.0	100	131	111

Mercer Summary of COL Group Assignment Findings

Based on the Mercer Composite Index approach, the COL level adjustment recommendations breakdown as follows.

COL Group Change	Number of Pastoral Charges	Percentage of Total Pastoral Charges
Total	1957	100%
No Change	874 pastoral charges	45%
COL Increase one level	768 pastoral charges	39%
COL Decrease one level	315 pastoral charges	16%
Total with changes	1083	55%



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