

DECISION MEMORANDUM OF THE FINANCE BOARD

ACTING WITHOUT A QUORUM

Date: November 2, 1994
No. 94-DM-45

ISSUE: Finance Board approval of 1995 salary ranges and 1995 merit increase guidelines for FHLBank Presidents and the Managing Director of the Office of Finance, in accordance with the FHLBank Presidents' Compensation Plan, approved by the Finance Board in November, 1991.

FACTORS CONSIDERED:

The Federal Housing Finance Board (Finance Board) approves the annual appointments of and compensation for FHLBank Presidents (12 U.S.C. Section 1432).

The Finance Board retains oversight and approval authority over all Office of Finance operations (12 C.F.R. Section 941.3(a) and 941.9(b)(6)).

The Finance Board approved the FHLBank Presidents' Compensation Plan (Plan) on November 19, 1991, which established a method of determining compensation for FHLBank Presidents and the Managing Director of the Office of Finance.

The Plan provides for periodic reviews to ensure external and internal equity is achieved in determining FHLBank Presidents' compensation through the use of salary surveys.

Salary surveys were conducted by The Wyatt Company, an international compensation consulting firm, for use in determining appropriate 1995 base salary recommendations.

Salary surveys indicate that, overall, salaries for executives in the financial industry decreased during 1994 as a result of mergers and diminishing numbers of financial institutions from previous years, as well as a conservative trend in increasing executive compensation during 1993-1994.

Consistent with the salary survey results, The Wyatt Company recommends shifting the FHLBanks of Pittsburgh and Seattle to salary range "B" from salary range "C", as a result of the increasing asset bases from 1991 through 1994 for these two Banks.

Salary surveys indicate that executive salaries in the financial industry are expected to increase by 4.4 percent during 1995.

DECISION:

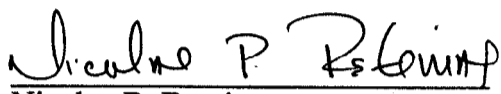
1. No adjustments will be made in 1995 to the salary ranges for the FHLBank Presidents that were approved by the Finance Board in 1994 under the FHLBank Presidents' Compensation Plan. Accordingly, effective January 1, 1995, the salary ranges for the FHLBank Presidents will remain:

"A" \$215,000 - \$280,000 - \$345,000
"B" \$175,000 - \$227,500 - \$280,000
"C" \$160,000 - \$208,000 - \$260,000

2. Salary range designation changes from "C" to "B" are approved for the Presidents of the FHLBanks of Pittsburgh and Seattle. The following columns reflect the salary ranges that were approved by the Finance Board for 1994 as well as the ranges approved by this Decision Memorandum for 1995.

	1994	1995 Recommended
"A"	San Francisco	San Francisco
"B"	New York Atlanta Dallas Boston Chicago	New York Atlanta Dallas Boston Chicago Pittsburgh Seattle
"C"	Pittsburgh Seattle Des Moines Cincinnati Indianapolis Topeka	Des Moines Cincinnati Indianapolis Topeka

3. The following merit increase guidelines for FHLBank Presidents and the Managing Director, Office of Finance, are approved. Merit increases recommended by the Boards of Directors of the FHLBanks and the Office of Finance for 1995 will be considered by the Finance Board in accordance with these guidelines.
- a. 4% "benchmark" or average increase.
 - b. 8% maximum merit increase.
 - c. Recommended merit increases in excess of the benchmark should be clearly justified in writing.
 - d. Merit increases shall be limited by salary range maximums with each salary range.


Nicolas P. Retsinas


Lawrence U. Costiglio

Attachments:

Tab 1	FHLBank Presidents' Compensation Plan Background Information
Tab 2	Exhibit 1: GSE & Financial Regulatory Agencies Summary
Tab 3	Exhibit 2: FHLBank President Job Match
Tab 4	Table 1: 1994 Salary Ranges & 1995 Recommended Salary Ranges
Tab 5	Table 2: Salary Survey Analysis
Tab 6	Table 3: 3 Year Average Asset Comparison
Tab 7	Table 4: Revised Salary Survey Analysis
Tab 8	Exhibit 3: Historical Salary Range Data 1992-1995
Tab 9	Exhibit 4: FHLBank Presidents' Salary Review Since 1991