No.: **1999-49**
Date: **October 1, 1999**

FEDERAL HOUSING FINANCE BOARD

Waiver of Compensation Regulation to Authorize Federal Home Loan Bank of Chicago to Make Supplemental Retention Payment

WHEREAS, section 12(a) of the Federal Home Loan Bank Act (Bank Act), 12 U.S.C. § 1432(a), authorizes each Federal Home Loan Bank (FHLBank) to, among other things, select, employ and fix the compensation of such officers, employees, attorneys and agents as shall be necessary for the transaction of its business, subject to the approval of the Federal Housing Finance Board (Finance Board); and

WHEREAS, the Finance Board regulations at 12 C.F.R. part 932 (Compensation Regulation) require the Finance Board annually to determine and publish by November 30 caps on the base salary to be paid to the FHLBank presidents for the subsequent calendar year (12 C.F.R. § 932.19(b)); and

WHEREAS, pursuant to section 932.19(b) and (c) of the Compensation Regulation, compensation of FHLBank employees (salaries and incentive payments) is based on the base salary caps established by the Finance Board; and

WHEREAS, pursuant to section 932.19(e)(1) of the Compensation Regulation, no FHLBank shall make any payment to a FHLBank employee except as provided in the Compensation Regulation; and

WHEREAS, on or about May 28, 1999, Alex J. Pollock, president of the FHLBank of Chicago (Chicago Bank), received an unsolicited, bona fide offer of employment from a prominent, internationally recognized financial exchange to fill a chief executive position that is qualitatively more demanding in its functions, operations and skill set requirements from those of a president of an FHLBank, or of a financial institution of comparable asset size, for a salary that would be significantly in excess of the established base salary cap for the FHLBank of Chicago; and

WHEREAS, on June 29,1999, the board of directors of the Chicago Bank adopted a resolution wherein they determined that the departure of the president would be materially detrimental to the operations of the Chicago Bank; and

WHEREAS, in the June 29, 1999 resolution, the board of directors of the Chicago Bank has determined to pay its president $450,000, effective July 1, subject to the approval of the Finance Board; and

WHEREAS, on or about August 4, 1999, the Chicago Bank submitted a request to the Finance Board to waive its Compensation Regulation and approve the recommended payment to its president of $450,000; and

WHEREAS, the Finance Board regulations at 12 C.F.R. § 903.2 authorize the Finance Board to waive any provision, restriction or requirement of its regulations, not otherwise required by law, if such waiver is not inconsistent with the law and does not adversely affect any substantial existing rights, upon a determination that application of the provision, restriction or requirement would adversely affect achievement of the purposes of the Bank Act, or upon a showing of good cause; and

WHEREAS, Finance Board staff has reviewed the submission of the Chicago Bank and has determined that the Chicago Bank has provided sufficient evidence of the bona fide nature of the unsolicited offer received by the president of the Chicago Bank; and

WHEREAS, in the judgment of the Finance Board, the president of the Chicago Bank has provided unique and powerful leadership in the development of innovative mission-related products for the benefit of the Chicago Bank and for the Bank System; and

WHEREAS, based upon the information submitted by the Chicago Bank, Finance Board staff believes good cause exists to waive the provisions of section 932.19(e)(1) of the Compensation Regulation to authorize the Chicago Bank to make a "supplemental retention payment" of $105,000 to its president over and above the published base salary cap of $345,000;

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors of the Finance Board finds good cause to waive and hereby waives the provisions of section 932.19(e)(1) of the Finance Board Compensation Regulation to allow the Chicago Bank to make a supplemental retention payment to its president in the amount of $105,000, effective July 1, 1999.

IT IS FURTHER RESOLVED that the board of directors of the Chicago Bank shall have discretion in subsequent years to continue to make a supplemental retention payment to the current president of the Chicago Bank during his tenure as president in an amount not to exceed $105,000 in any one year.

IT IS FURTHER RESOLVED that any maximum incentive payment for the president of the Chicago Bank in 1999 and subsequent years shall be calculated in an amount not to exceed the difference between the sum of the base annual salary for the president and any supplemental retention payment, both as approved by the Chicago Bank, and 125 percent of the sum of the base salary cap published by the Finance Board and the supplemental retention payment.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison
Chairman