

No. 98-64
Date: December 21, 1998

FEDERAL HOUSING FINANCE BOARD

Adoption of 1999 Compensation
for the Managing Director of the Office of Finance

WHEREAS, the Federal Housing Finance Board (Finance Board) has oversight authority for all Office of Finance (OF) operations, which includes the compensation paid to the Managing Director of the OF (Managing Director) (12 C.F.R. §941.3(a) and. 941.9(b)(6)); and

WHEREAS, the regulations of the Finance Board require the OF board of directors to select and employ the Managing Director under an annual employment contract, subject to the approval of the Finance Board, (12 C.F.R. §941.9(b)(6)); and

WHEREAS, on November 9, 1991 the Finance Board approved the Federal Home Loan Bank (FHLBank) Presidents' Compensation Plan (Compensation Plan), see Bd. Res. 91-565, which established a method of determining compensation for the FHLBank Presidents; and

WHEREAS, since 1992 the compensation of the Managing Director has been determined pursuant to the Compensation Plan . See Bd. Res. 92-596 (Aug. 3, 1992); and

WHEREAS, on January 2, 1997, the Finance Board published a final rule amending its existing regulation governing the compensation of Bank employees (Compensation Regulation), 61 FR 2 (Jan. 2, 1997), 12 C.F.R. § 932.41, which removed the FHLBank Presidents from the Compensation Plan; and

WHEREAS, as a result of the amendments to the Compensation Regulation the Managing Director is the only remaining person subject to the provisions of the Compensation Plan; and

WHEREAS, section 932.41(b)(1)(i)-(iv) of the Compensation Regulation, among other things, establishes an annual base salary cap for each FHLBank President, directs each Bank to establish a reasonable base salary for its Presidents not to exceed the applicable base salary cap, and requires each Bank to report the approved base salary of its President to the Finance Board by January 31 of each year, 12 C.F.R. § 932.41(b)(1)(i)-(iv); and

WHEREAS, section 932.41(c)(2)(i)-(vi) establishes parameters for annual incentive payments for Bank Presidents that base the amount of incentive compensation on the degree to which the President has met certain objective performance targets, 12 C.F.R. § 932.41(c)(2)(i)-(vi); and

WHEREAS, the Board of Directors of the Finance Board (Board of Directors) has determined that it would be appropriate to subject the compensation paid to the Managing Director to the same limits that currently apply to the FHLBank Presidents, as revised to reflect differences in their respective responsibilities, and to rescind all prior Finance Board-resolutions addressing the manner in which the Managing Director is to be compensated; and

WHEREAS, the Board of Directors has determined that it may approve the compensation for the Managing Director pursuant to 12 C.F.R. §941.9(b)(6) by establishing through this Resolution compensation parameters that the OF board of directors may not exceed.

NOW, THEREFORE BE IT RESOLVED, that the OF board of directors shall establish a reasonable base salary for the Managing Director for 1999, which base salary shall not exceed the maximum base salary that may be paid to a President of a FHLBank (other than the FHLBank of San Francisco), which cap for 1999 has been set at \$345,000 pursuant to Board Resolution No. 98-63, and the OF board of directors shall report to the Finance Board by February 28, 1999 the base salary that has been established for the 'Managing Director; and

FURTHER RESOLVED, that if the OF board of directors decides to provide incentive compensation to the Managing Director for 1999, the OF board of directors shall, prior to February 28, 1999, by resolution, establish reasonable numerical performance measures and targets related to the achievement of goals, which goals are to be established by the OF board of directors, in its discretion; any incentive payment made to the Managing Director for 1999 shall be based solely upon the extent to which the OF achieves the performance targets established by the OF board of directors; and

FURTHER RESOLVED, that the maximum incentive payment to the Managing Director shall not exceed the difference between his 1999 base salary and 125% of \$345,000, which is the 1999 base salary cap for FHLBank Presidents other than the President of the FHLBank of San Francisco established pursuant to Board Resolution No. 98-63; and

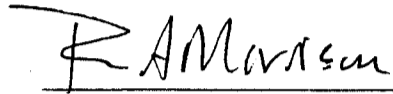
FURTHER RESOLVED, that, if the 1999 compensation for the Managing Director includes any incentive compensation, then prior to March 31, 2000, the OF board of directors shall adopt and submit to the Finance Board a resolution showing the results of the Managing Director's achievement of the OF performance measures and the amount of the 1999 incentive payment made to the Managing Director; and

FURTHER RESOLVED, that the OF board of directors shall not make any incentive payment to the Managing Director if the most recent examination of the OF by the Finance Board has identified an unsafe or unsound practice or condition with regard to the OF; if the Finance Board subsequently resolves the examination finding of an unsafe or unsound practice or condition in favor of the OF, then the OF may pay to the Managing Director any incentive payment he otherwise would be entitled to receive; and

FURTHER RESOLVED, Board Resolution 91-565 (November 19, 1991), which approved the Compensation Plan; Board Resolution 92-596 (August 3, 1992), which made the Managing

Director subject to the Compensation Plan; Board Resolution 96-50 (July 3, 1996), which amended the incentive compensation provisions of the Compensation Plan; Board Resolution 96-54 (July 23, 1996), which reduced the maximum incentive payment allowable under the Compensation Plan; and any other resolution of the Finance Board that would limit or otherwise affect the compensation that may be paid to the Managing Director in 1999 or subsequent years, are hereby rescinded, effective January 1, 1999.

By the Board of Directors of the
Federal Housing Finance Board

A handwritten signature in black ink, appearing to read "B. Morrison". The signature is written in a cursive style with a large initial "B" and a long horizontal stroke extending to the right.

Bruce A. Morrison, Chairman