

Farm Credit Administration

1501 Farm Credit Drive
McLean, Virginia 22102-5090
(703) 883-4000

INFORMATIONAL MEMORANDUM



February 2, 2012

To: Chairman, Board of Directors
Chief Executive Officer
All Farm Credit Banks

From: Gary Van Meter, Director
Office of Regulatory Policy

A handwritten signature in black ink that reads 'Gary K. Van Meter'.

Subject: Maximum Bank Director Compensation for 2012

Section 4.21 of the Farm Credit Act of 1971, as amended (Act), and Farm Credit Administration (FCA) regulation § 611.400 require an annual adjustment in the maximum annual compensation payable to Farm Credit System (FCS) bank directors to reflect the change in the Consumer Price Index (CPI). With the release of annual CPI data for 2011, the FCS bank director compensation maximum for 2012 changes accordingly.

The 2012 maximum is determined by the 2011 maximum plus the increase in the average CPI over the prior year as follows:

2012 Maximum Director Compensation = 2011 Maximum Director
Compensation x (2011 Annual Average CPI/2010 Annual Average CPI)

2011 Annual Average CPI ¹	= 224.939
2010 Annual Average CPI	= 218.056
2012 Maximum Compensation	= \$52,800 x (224.939/218.056)
	= \$52,800 x 1.031565
	= \$54,466.65

The maximum compensation payable to FCS Bank Directors in 2012 is \$54,467².

By issuance of this Informational Memorandum, the FCA rescinds the Informational Memoranda dated February 3, 2011, on the calculation of maximum bank director compensation.

If you have any questions regarding the annual adjustment process, please call Mike Wilson, Office of Regulatory Policy, (703) 883-4124, TTY (703) 883-4434, or contact him by e-mail at wilsonm@fca.gov.

Attachment

Copy to: Each FCS institution

¹ Based on the annual average Consumer Price Index for all Urban Consumers, U.S. City Average, All Items, 1982-84 = 100. Unadjusted series CUUR0000SA0, U.S. Bureau of Labor Statistics.

² Rounded to the nearest dollar.

**Farm Credit Administration
Summary of Annual Adjustments of Maximum
Farm Credit System Bank Director Compensation**

<u>Year</u>	<u>Annual Average CPI</u> ¹	<u>Annual CPI Adjustment Percentage</u>	<u>Maximum Bank Director Compensation</u>
1997	160.5	1.029528	\$22,474
1998	163.0	1.022945	\$22,990
1999	166.6	1.015576	\$23,348
2000	172.2	1.022086	\$23,864
2001	177.1	1.033613	\$24,666
2002	179.9	1.028455	\$25,368
2003 ²	184.0	1.015810	\$25,769
2004 ²	188.9	1.317894 ³	\$26,358 ³
2005	195.3	1.352990 ³	\$27,060 ³
2006	201.6	1.033880	\$47,290 ⁴
2007	207.342	1.032258	\$48,815
2008	215.303	1.028482	\$50,205
2009	214.537	1.038396	\$52,133
2010	218.056	0.996451	\$51,948 ⁵
2011	224.939	1.016403	\$52,800
2012		1.031565	54,467

¹ Based on the annual average Consumer Price Index (CPI) for all Urban Consumers, U.S. City Average, All Items, 1982-84 = 100. Unadjusted series CUUR0000SA0, U.S. Bureau of Labor Statistics.

² The annual adjustments for maximum director compensation for 2003 and 2004 were made via Bookletters BL-045, dated March 12, 2003, and BL-048, dated March 1, 2004, respectively.

³ The maximum annual director compensation was determined by using the 1992 maximum compensation level at \$20,000 times the percentage increase in the average CPI since October 1992, using the October 1992 effective annual average CPI: $\$20,000 \times (184.0/139.6167) = \$26,358$ for 2004 and $\$20,000 \times (188.9/139.6167) = \$27,060$ for 2005.

⁴ Via its Bookletter BL-051, dated December 15, 2005, FCA authorized FCS banks to pay compensation for 2006 at a level not to exceed \$45,740 plus the annual adjustment of inflation. The 2006 maximum director compensation is calculated as follows: $\$45,740 \times (195.3/188.9) = \$47,290$ (See Informational Memorandum, dated February 15, 2006 (Rescinded)).

⁵ The change in the CPI from 2008 to 2009 resulted in a slight reduction in the computed maximum director compensation for 2010 when compared to the 2009 level. Because the reduction in the computed maximum director compensation was not considered significant, FCA did not require FCS banks that have directors already receiving compensation above \$51,948 to reduce their compensation levels to the 2010 maximum.