

Farm Credit Administration

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Informational Memorandum

March 15, 2010

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

From: Andrew D. Jacob, CFA, Director
Office of Regulatory Policy

Subject: Maximum Bank Director Compensation for 2010

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) bank¹ directors to reflect the change in the Consumer Price Index (CPI). With the release of annual CPI data for 2009, the FCS bank director compensation maximum for 2010 changes accordingly.

The 2010 maximum is determined by the 2009 maximum plus the increase or decrease in the average CPI over the prior year as follows:

2010 Maximum Director Compensation = 2009 Maximum Director Compensation x (2009 Annual Average CPI/2008 Annual Average CPI)

2009 Annual Average CPI² = 214.537
 2008 Annual Average CPI = 215.303
 2010 Maximum Compensation = \$52,133 x (214.537/215.303)
 = \$52,133 x 0.996442
 = \$51,947.51³

The maximum compensation payable to FCS Bank Directors in 2010 is \$51,948.

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

¹ The four Farm Credit Banks and CoBank, ACB.

² 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.

³ Rounded to the nearest whole dollar.

With the issuance of this Informational Memorandum, the FCA rescinds the Informational Memorandum, dated January 27, 2009, 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

**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		0.996451	\$51,948

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 adjustment 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 for 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)).