

1/15/41
A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 15, 1941, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

Chairman Eccles stated that yesterday he had an opportunity to talk with Mr. Ruml, Chairman of the Federal Reserve Bank of New York, with respect to the consideration being given by the boards of directors of the Federal Reserve Banks of New York and Boston to the question of the selection of a member of the Federal Open Market Committee to succeed Mr. Harrison, and that he had also looked into the reported approval by the board of directors of the New York Bank of a payment of \$6,000 to Mr. Harrison upon the termination of his service as President of the Bank under the authority contained in the Board's letter of June 24, 1937 (S-7).

In this connection Chairman Eccles read a memorandum addressed to him under date of January 14, 1941, from Mr. Clayton, in which it was stated that Mr. Harrison is 54 years of age, and therefore is eligible for an immediate retirement allowance to be paid by the Retirement System of approximately \$1,950 per annum, or to a deferred

1/15/41

-2-

retirement allowance to begin at age 65 of approximately \$4,100 per annum, which does not take into consideration the payment of \$6,000 referred to above.

In the discussion which followed it was stated that, inasmuch as it was impossible to make a statement with respect to all cases in which separation payments or additions to retirement allowances could be made, the payments authorized in the Board's letter of June 24, 1937, (S-7), were not restricted to cases of involuntary separation as it was believed by the Board to be preferable to permit the boards of directors of the Federal Reserve Banks to make payments in any case where, in their opinion, they were justified.

It was also pointed out that during the summer of 1939 the Board's Personnel Committee requested the staff personnel committee to review the Board's outstanding instructions with respect to dismissal payments and supplementary contributions to the Retirement System and to submit a report thereon; that on December 4, 1939, the Board approved a recommendation of the staff committee that a report prepared by the committee on the matter be submitted to the Presidents of the Federal Reserve Banks for consideration at the conference of Presidents on December 12, 1939; that the conference of Presidents appointed a committee to confer with the Board's committee; that a meeting of the two committees was held on January 16, 1940, at which no definite conclusions were reached but it was understood that the Presidents' committee would give further consideration to certain questions

1/15/41

-3-

raised by it and confer again with the Board's committee; and that it was understood that Mr. Sinclair, Chairman of the Presidents' committee, was withholding further consideration of the matter pending the outcome of the report on official salaries at Federal Reserve Banks being submitted by Dr. Balderston.

All of the members of the Board concurred in the opinion that the authorization contained in its letter of June 24, 1937 (S-7), was granted for the purpose of preventing in any case, in so far as possible within reasonable limits, any hardship or injustice that might result in the event a payment were not made as a separation allowance or for the purpose of augmenting the retirement allowance; that it was never intended that the authority would be exercised to make an additional payment in a case such as that of Mr. Harrison's; and that if it had come to the Board's attention before it was made the payment would have been disapproved.

At the conclusion of the discussion, it was agreed unanimously that the subject should be referred to Mr. Szymczak for recommendation to the Board with respect to separation allowances.

Thereupon the meeting adjourned.

Chester Moriel

Secretary.

Approved:

W. H. ...

Chairman.