A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 8, 1943, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans

Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Goldenweiser, Director of the Division of Research and Statistics
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, General Attorney
Mr. Vest, Assistant General Attorney
Mr. Wyatt, General Counsel

Mr. Szymczak presented a memorandum addressed to him under date of June 5, 1943, by Mr. Smead and reading as follows:

"Since the submission of the last report (No. 5) of the Retirement Committee of the Presidents' Conference considerable thought has been given to suggestions of the Retirement Committee of the Federal Reserve Banks, of which Mr. Rounds is Chairman, and a revised report (No. 6) has now been drafted which modifies materially the previous recommendation of the Presidents' Conference Committee. The principal points of difference are as follows:

"The plan previously under consideration included adoption of a formula which would provide allowances equal to one-half the highest average salary over any ten-year period after 35 years' service, with slightly higher relative allowances to the lower paid employees. This plan would have provided a maximum retirement allowance of $7,500, of which the pension portion paid for by the employing Bank would have been on a life basis and the annuity portion paid for by the employee on a cash refund basis.

"Under that plan allowances would have been 'fixed', i.e., employees would have paid certain specified rates of contribution and the employing Bank would have paid a sufficient amount to purchase the balance of the allowance called for by the formula.

"The plan now under consideration provides for using the highest average salary for any ten-year period for the pension part only of the allowance. The annuity part purchased by the employee's contributions would be whatever those contributions would buy. This plan contemplates increasing the maximum salary used in determining allowances from $12,000 to $15,000 and leaves the pension part on a cash refund basis. In addition, in the case of the lower paid employees, allowances under the formula would be increased to the extent necessary to provide a minimum pension of $24 for each of the last twenty years of service.

"Using the average salary for the last ten years of service and increasing the maximum salary taken into consideration from $12,000 to $15,000, will increase allowances substantially in the higher brackets. For example, an employee with 35 years' service and a salary of $15,000 at and after age 55 would, under our present plan, receive a retirement allowance of $7,094, and with 45 years' service of $8,187. Under the plan now under consideration, corresponding allowances would be $7,590 and $9,277, respectively. If the pension portion of these allowances was converted to a life basis, as in the Civil Service, the allowances would be increased to approximately $8,340 and $10,300 per annum, respectively. This compares with a maximum of $7,500 proposed in the plan considered by the last Presidents' Conference.

"Being a member of the Subcommittee of the Presidents' Conference Committee on the Retirement System, I am supposed to give Mr. Hays, Chairman of the Subcommittee, any suggestions I wish to make with respect to Report No. 6 prior to June 10. Before doing so I should like very much to know whether the Board Members would be willing to approve changes in the Retirement System which would provide allowances of from $9,000 to $10,000. A copy of the draft of Report No. 6 is attached."

There was a lengthy consideration of the whole question of retirement benefits for employees of the Federal Reserve Banks in the light of the position previously taken by the Board that it would favor the adoption of a retirement program for the employees of Federal Reserve Banks which would be as near the Civil Service program as possible. There was also discussion of the comparative benefits that would be provided under the plans proposed in reports Nos. 5 and 6 of the Presidents' Conference committee, the existing retirement plan, the plan proposed to be adopted for the employees of the Board of Governors, and under Civil Service retirement.

At the conclusion of the discussion, it was agreed unanimously that Mr. Smead should advise Mr. Hays, chairman of the subcommittee of the Presidents' Conference Committee on Retirement, as follows:

1. The Board would not approve any plan that would contemplate a retirement allowance in excess of $7,500 on the basis of the pension portion being on a life basis and the annuity portion on a cash refund basis.
2. Although the Board expresses no opinion as to whether it would approve or disapprove the plans contemplated in reports Nos. 5 and 6, it would much prefer that the same plan be adopted for the employees of the Federal Reserve Banks as is contemplated by the Board for its own employees.
3. The Board has taken the position that the plan proposed for its own employees must be put into operation promptly, irrespective of whether a decision is reached by the Presidents as to a program for Federal Reserve Bank employees, and therefore it is hoped that final action can be taken by the Presidents at their next meeting.

Mr. Ransom presented a telegram just received from Mr. Lichtenstein, Secretary of the Federal Advisory Council, inquiring whether there was any objection to a meeting of the executive committee of the Council on July 7, 1943, at the usual time.

It was unanimously agreed that Mr. Lichtenstein should be advised that members of the Board saw no objection to the meeting.

The meeting then recessed and reconvened at 2:15 p.m. with the same attendance as at the morning session except that Mr. Dreibelbis was not in attendance and Mr. Knoke, Vice President of the Federal Reserve Bank of New York, and Mr. Harley, of the Board's Division of

Research and Statistics, were present.

Mr. Evans made an informal report on the International Food Conference recently held at Hot Springs, Virginia, which he had attended in an advisory capacity, following which Mr. Leonard, Director of the Division of Personnel Administration, joined the meeting and Messrs. Goldenweiser, Smead, Vest, Wyatt, Knoke, and Harley withdrew.

Mr. Szymczak stated that Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, had just called him on the telephone and had stated that the executive committee of the Bank, in response to a request from Mr. Davis, War Food Administrator, had granted Mr. Edmiston, Vice President, a leave of absence for 30 days or less to assist Mr. Davis in Washington, and that Mr. Hitt had inquired whether the approval of the Board of such action was required. Mr. Szymczak said that he asked Mr. Hitt whether the Bank would pay Mr. Edmiston's salary during the period and that, upon receiving an affirmative reply, he told Mr. Hitt that he should submit the matter by telegram for consideration by the Board.

At this point a wire from Mr. Hitt was brought into the meeting which stated that, subject to the Board's approval, the executive committee of the Bank at its meeting today granted a leave of absence with pay for a period of 30 days or less to Mr. Edmiston to permit him to be engaged during that time as a special assistant on a temporary basis to Mr. Davis as War Food Administrator. The telegram asked for advice by wire.

Mr. Szymczak referred to the responsibility of the Board with respect to the maintenance of adequate management of the Federal Reserve Banks and to the necessity for the Banks being prepared at all times effectively to carry on their operations, including the matters in which the Board had a special interest such as the administration of Regulations V and W, Treasury financing, examination of member banks, research, and other responsibilities which were in contemplation, and questioned whether, in view of the absence of Mr. Davis, Mr. Edmiston should be away from the Bank. He also referred to the comments contained in the reports of examination of the St. Louis Bank made by the Board's examiners and to other information available to the Board with respect to the shortcomings of the executive personnel of the Bank other than Mr. Davis.

Mr. Ransom suggested that the action of the executive committee of the St. Louis Bank should be considered in the light of the action taken by the Board in approving a leave of absence for Mr. Davis to serve as War Food Administrator, and expressed the opinion that, the decision of the Board in approving the leave of absence for Mr. Davis having been made, a decision on the absence of Mr. Edmiston was relatively unimportant notwithstanding the acknowledged weakness of other officers of the Bank.

During the course of the discussion, Mr. Ransom talked to Mr. Davis on the telephone, who stated that, while he disliked to take Mr. Edmiston away from the Bank at this time, the very important question of food subsidies was to be decided shortly and he was in desperate need of the services of someone like Mr. Edmiston, in whom he had complete confidence, to collect from the Government offices in Washington which had been working on the problem all of the available information and to prepare it in digest form so that it would be available to him (Mr. Davis) in reaching his conclusions on the problem, that it was expected that an administration policy decision on that problem would be reached within 30 days, that all of Mr. Edmiston's expenses other than his salary would be paid by the Office of the War Food Administrator, and that Mr. Edmiston would be available in connection with the discussion of the retirement program at the Presidents' Conference on June 25 and 26 and for the meeting of the Federal Open Market Committee on June 28. Mr. Davis inquired, Mr. Ransom said, whether there was someone in the Board's Division of Research and Statistics who could go to St. Louis during Mr. Edmiston's absence, and he had replied that he did not know whether a man could be spared. He added that he did not feel that much could be accomplished by having someone from the Board's staff go to the Bank for such a short period.

All of the members present were of the opinion that, in view of Mr. Davis' need of help in the solution of a very difficult problem, there was no practical choice in the present situation other than to make the services of Mr. Edmiston available to Mr. Davis, particularly since he had made it clear that there was no present expectation that Mr. Edmiston would be away from the Bank for more than 30 days. However, Mr. Szymczak expressed the opinion that the leave of absence for Mr. Edmiston raised directly the question of the responsibility of the Board with respect to the adequacy of the official personnel of the Federal Reserve Bank during Mr. Davis' absence and what action the Board should take to meet the situation, and stated that it would be his suggestion that the Chairman, Vice Chairman, or some other member of the Board talk with Messrs. Davis and Nardin about the steps that should be taken to strengthen the executive personnel of the Bank. He also proposed that, in order that all of the members of the Board might have closer contact with personnel problems at the Reserve Banks, the suggestions contained in his memorandum of March 9, 1943, with respect to the transfer to the Board's Personnel Committee of matters assigned to him relating to Federal Reserve Bank personnel and with respect to rotation of the membership of the Personnel Committee, be put into effect promptly.

At the conclusion of the discussion, it was agreed that a decision on Mr. Hitt's wire should be deferred until the meeting of the Board tomorrow when Mr. McKee would also be present.

At this point Mr. Leonard withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 7, 1943, were approved unanimously.

Letter to Mr. Bryan, First Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the various changes in the personnel classification plan for the New Orleans, Jacksonville and Nashville Branches as submitted with your letter of May 26, except for the increase in the maximum annual salary for the position of Assistant Chief Clerk in the Fiscal Agency Department of the New Orleans Branch.

"An increase in the maximum annual salary of the position would have required certification to the Joint Committee but under the Executive Order of April 8, such increases which would have required certification are no longer permitted. Accordingly, the Board is unable to approve the proposed increase.

"In accordance with your request, the Board has canceled the provision on page 36 of the personnel classification plan of the New Orleans Branch which provides that 'only one person will occupy this position (Asst. Chief Clerk, Fiscal Agency Dept.) unless permission is granted by Board', thus removing a restriction which was placed upon the position by the Reserve Bank.

"As requested, the numbers of pages 8, 9, 10, and 11 of the personnel classification plan of the New Orleans Branch have been changed to 9, 10, 11, and 12 respectively.

"The page covering the position of Building Custodian and Mechanic at the Nashville Branch also has been renumbered 7b in accordance with Mr. Clark's letter of June 3."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of June 1 to Governor Szymczak regarding your discussion with Mr. Smead when he was in Kansas City recently with respect to converting your Oklahoma City Branch to a full power branch.

"You state that it is your feeling the Bank's Board of Directors favor the granting of full powers to the Oklahoma City Branch if it can be done without requiring the Tulsa banks and perhaps other banks in the eastern part of the State, who now have their transactions with the head office, to transact business with the Oklahoma City Branch. You further state it is your understanding that you will be advised whether the Board is agreeable to an arrangement of that kind.

"The Board sees no reason why some arrangement such as that mentioned above can not be worked out and would be glad to consider any plan for the purpose you may care to submit."

Approved unanimously.

Thereupon the meeting adjourned.

Assistant Secretary.

Approved:

Vice Chairman.