

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 14, 1943, at 12:00 noon.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Thurston, Special Assistant to the Chairman  
Mr. Smead, Chief of the Division of Bank Operations  
Mr. Leonard, Director of the Division of Personnel Administration  
Mr. Vest, Assistant General Attorney  
Mr. Van Fossen, Assistant Chief of the Division of Bank Operations

Mr. Szymczak stated that he had asked that this meeting be held in view of the fact that as a member of the board of trustees of the Retirement System of the Federal Reserve Banks he had arranged to attend the special meeting of the board of trustees in New York on Friday, October 15, 1943, that the agenda for that meeting included the consideration of amendments to the rules and regulations of the Retirement System which would be necessary in order to put into effect the Presidents' Conference Plan and the amendments which had been proposed to enable the Board of Governors to have a separate plan for its employees, that it had been learned that the board of directors of the Federal Reserve Bank of Philadelphia had made its approval of the revision of

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the Retirement System of the Federal Reserve Banks subject to the condition that there be no separate plan for the employees of the Board of Governors, that he understood that Mr. Peyton would probably take a similar position on behalf of the Federal Reserve Bank of Minneapolis, and that there might be other Presidents who would be opposed to the Board of Governors plan. Mr. Szymczak also said that, because of the peculiar position in which he would be placed at the meeting of the board of trustees by reason of the fact that he was not only a trustee of the Retirement System but also a member of the Board of Governors, it was very important for him to know the position of the Board with respect to the matters on the agenda before he went to the meeting of the board of trustees.

Reference was made to the notice that had been sent to the trustees by the Secretary of the board of trustees, which included the agenda for the meeting, and in that connection Mr. Szymczak said that he had the feeling that, in view of the objection to the Board of Governors plan, the situation might develop in which all necessary actions would be taken at the first session of the meeting of the board of trustees to provide for the reorganization of that board and the management of the Retirement System and to approve the amendments which would put into effect the Presidents' Conference plan, that at the second session of the board of trustees they would take the necessary actions to carry out the resolutions adopted at the

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first session, but that they might hesitate to adopt the amendments providing for the Board of Governors plan, with the result that action might be postponed for further study which might mean indefinite delay in the adoption of the plan proposed for the employees of the Board of Governors.

Mr. Szymczak then brought to the attention of the Board members the memorandum addressed to the Board by the staff under date of October 13, 1943, to which was attached (1) an explanatory statement for the employees of the Board which set forth in some detail the proposed changes in the Federal Reserve Retirement System, (2) the form to be executed by existing employees of the Board who are members of the Retirement System, (3) the form to be executed by new employees of the Board if they were members of the Retirement System immediately before their employment by the Board, (4) the resolution of the Board of Governors embodying the plan, and (5) the amendments to the rules and regulations of the Retirement System enabling the Board to adopt the plan.

A general discussion followed of the situation presented by Mr. Szymczak and a number of questions were discussed with respect to the Board of Governors plan and the principal respects in which it differed from the benefits provided by the Civil Service Retirement System. Reference was made to the long period during which the Presidents' Conference plan had been considered by the Reserve Banks and

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the Board had had under consideration a plan for its employees. Reference was also made to the fact that at the joint meeting of the Board and the Presidents on June 29, 1943, the Presidents had been advised that the Board of Governors would like to receive the Presidents' Conference plan as soon as possible in order that the Board might offer its own plan to its employees. A question was raised as to why the consideration of the amendments providing for the Board of Governors plan had been deferred to the second session of the meeting of the board of trustees instead of being approved at the first session along with the other changes proposed to be made in the plan.

Mr. McKee suggested that there appeared to be three matters on which action would be required, (1) the reorganization of the Retirement System, (2) the Presidents' Conference plan, and (3) the Board of Governors plan, and that action on all three of these matters should be tied together.

It was pointed out that, although the plan for reorganization contemplated by the Presidents' Conference report provided that all of the trustees appointed by the Federal Reserve Banks should be Presidents of the Banks, it was understood that nine of the Reserve Banks had already appointed their Presidents as members of the board of trustees, so that the reorganization would result in the substitution of only three Presidents for existing representatives on the board, and that otherwise the membership of the board would continue

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the same as before the reorganization.

Mr. Ransom observed that it would seem that at the first session of the meeting of the board of trustees approval could be given in principle to the amendments providing for the Board of Governors plan with the understanding that the amendments would be formally approved at the second session of the meeting.

Chairman Eccles suggested that it would be preferable to have the old board of trustees approve all of the proposed amendments but that, if there appeared to be any reluctance to adopt this procedure, it might be well for the Board of Governors to advise the board of trustees that the Board would approve the Presidents' Conference proposal only on condition that the board of trustees approve the amendments providing for the Board of Governors plan.

Mr. Van Fossen was asked about the order of procedure which had been arranged for the meeting of the board of trustees, and he replied that it was his understanding that the procedure was in accordance with an idea advanced by Mr. Rounds, Chairman of the Retirement Committee, as he seemed to feel that it would be more appropriate for the old board of trustees to pass on the reorganization and the Presidents' Conference plan and for the reorganized board to act on the amendments to provide for the Board of Governors plan because the new board would be responsible for the administration of that plan after it was put into effect.

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Chairman Eccles stated that the question of the procedure followed by the board of trustees was one for it to determine but that he felt that the Board should condition the approval of the Presidents' Conference plan upon the adoption of the amendments necessary to provide for the plan proposed by the Board for its employees.

At the conclusion of a discussion, it was unanimously agreed that Mr. Szymczak should be authorized on behalf of the Board of Governors to state at such time during the meeting of the board of trustees as he deemed appropriate (1) that the amendments to the rules and regulations of the Retirement System embodying the changes recommended by the Presidents' Conference which had to do with the organization and management of the Retirement System were approved by the Board of Governors, and (2) that the Board approved the amendments to the rules and regulations of the Retirement System to make effective the recommendations of the Presidents' Conference for changes in the benefits of the Retirement System referred to in the first paragraph of Mr. Morrill's letter of October 7, 1943, to Mr. Rounds, as Chairman of the Retirement Committee, including such additional changes as might be necessary for clarification of the rules and regulations, with the understanding, however, that in addition to the foregoing changes the board of trustees at the same time would also adopt the additional amendments to the rules and regulations of the Retirement System referred to in the second paragraph of the above-mentioned letter of October 7 for the purpose of enabling the Board of Governors to adopt a special plan for its employees known as the Board of Governors plan.

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This action was taken with the further understanding that whatever communication Mr. Szymczak might deem necessary from the Secretary of the Board of Governors during the course of the meeting of the board of trustees, to state the position of the Board of Governors with respect to the amendments to the rules and regulations of the Retirement System, would be sent by Mr. Morrill to Mr. Szymczak upon the latter's telephone request and with his approval.

At this point Messrs. Thurston, Smead, Leonard, Vest, and Van Fossen 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 October 13, 1943, were approved unanimously.

Memorandum dated October 12, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Pauline Marcou be appointed as a clerk in that Division, with basic salary at the rate of \$1,560 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated October 11, 1943, from Mr. Morrill, recommending that J. B. Bell be appointed as a laborer in the Secretary's

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Office on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory should develop in the investigation of his references his services might be terminated immediately.

Approved unanimously.

Memorandum dated October 12, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Miss Caroline Hammill, a junior economist in that Division, be increased from \$2,900 to \$3,200 per annum, effective October 16, 1943.

Approved unanimously.

Memorandum dated October 13, 1943, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that the following increases in basic annual salaries of employees in that Division be approved:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Virginia M. Paquin	Clerk	\$1,620	\$1,740
Ruth Jarvis	Maid	1,200	1,320

Approved unanimously, effective October 16, 1943.



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Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of October 9, 1943, the Board of Governors approves the payment of salaries to Messrs. Edward A. Heath and Laurence H. Jones as Assistant Cashiers at the rates of \$5,000 and \$6,000 per annum, respectively, for the period from November 1, 1943 to March 31, 1944, inclusive, if fixed by your board of directors at such rates."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, with a copy of the letter from the War Department and enclosures to all Liaison Officers, reading as follows:

"There are enclosed for your guidance copies of memoranda received by the Board from the War Department, the Navy Department, and the United States Maritime Commission, dated October 9, October 9, and October 12, 1943, respectively, regarding the procedure to be followed in connection with adjustments under sections 5 and 6 of the standard form of guarantee agreement dated April 6, 1943. The forms referred to in the enclosed memoranda are identical for all three Services; and, accordingly, only one set of these forms is enclosed herewith."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morie  
Secretary.

Approved:

W. Steeles

Chairman.