

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, September 17, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Allen, Director, Division of
Personnel Administration

Prior to this meeting there had been sent to the members of the Board copies of a letter dated August 11, 1953, from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, to Chairman Martin requesting an informal expression of the Board's views with respect to the course which should be followed by the Bank in the case of Mr. E. P. Paris, Vice President in charge of the New Orleans Branch. The letter explained that Mr. Paris, age 62, had had two light heart attacks, one several years ago and one several months ago, which had not totally disabled him in the sense that he could not come to the Bank but had made it necessary for him to discontinue certain activities of a public and bank relations nature requiring travel and a considerable expenditure of physical energy. The letter went on to review Mr. Paris' situation under the Retirement System of the Federal Reserve Banks and mentioned the hesitancy of the Bank's directors to recommend involuntary retirement in view of Mr. Paris' 35 years of

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faithful and uncriticized service. It pointed out, however, that in the opinion of the Bank's executive committee and officers, the Bank's interest and the public's interest would be best served by Mr. Paris' retirement with a supplement to the pension portion of the retirement.

There had been sent to the members of the Board along with the letter from President Bryan copies of a memorandum dated September 15, 1953, from the Division of Personnel Administration discussing the possible alternatives available to the Reserve Bank. The memorandum referred to the authorization given by the Board to the Reserve Banks in its letter of March 17, 1944, (S-741; F.R.L.S. #9152) to make supplemental payments to the Retirement System in cases of involuntary termination of service of members after age 55 and completion of 25 years of service in amounts necessary to provide a retirement allowance consisting of (a) an annuity of equivalent actuarial value to the member's accumulated contributions, plus (b) a pension equal to the pension which the member would receive if he were age 65 at the date of involuntary termination of employment, reduced by 2-1/2 per cent for each year the member lacks of being age 65. The memorandum also referred to the authority granted to the Reserve Banks in the Board's letter of March 15, 1946 (S-905; F.R.L.S. #9093) to make payments in the case of certain officers and employees involuntarily separated from service in amounts equal to one half of a month's salary for each

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year of service or fraction thereof, with a maximum payment equal to six months' salary (any salary in excess of \$15,000 to be disregarded). The memorandum pointed out that these formulas were available to the Reserve Banks only when the individual was involuntarily separated, but that in those cases where the Bank's directors hesitated to recommend an involuntary separation but were of the opinion that a supplemental payment was desirable in order to replace the employee, the Board had suggested in its letter of May 10, 1949, that the matter be submitted to the Board for consideration, together with the recommendation of the Bank's directors. The memorandum stated that if the Atlanta Bank should separate Mr. Paris involuntarily, it could pay into the Retirement System under existing authorization the sum of \$10,065, and thereby increase his allowance under option 4, which President Bryan had indicated Mr. Paris would elect, from \$5,719 to \$6,626 per annum. In conclusion, the memorandum suggested the following alternatives:

1. The Board might advise the Atlanta Bank that it would not favor any supplemental payment.
2. The Board might advise the Bank that it would approve the application of the formulas set forth in S-741 and S-905 even though Mr. Paris was not separated involuntarily. (This would be consistent with action taken by the Board in five similar cases in 1950 and 1951.)
3. The Board might advise the Bank that, while sympathetic to the problem, it would not favor a payment

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as large as \$10,000; it might suggest, however, that some adjustment be made in Mr. Paris' retirement allowance during the time he is not eligible for Social Security benefits.

In commenting on the matter, Mr. Allen said that the case of Mr. Paris seemed to fall into a "twilight zone", since he was not disabled to the extent that he could apply for disability retirement under the Retirement System at this time but on the other hand his physical condition was such as to impair his efficiency. He pointed out that similar cases had arisen in the past and that they called for the exercise of judgment in the light of the facts involved.

During a discussion of what views should be expressed to the Atlanta Bank, Governor Vardaman stated that he would regard an involuntary separation as justified in this case since Mr. Paris' condition was such that he could not discharge fully his duties as Vice President in charge of the New Orleans Branch and it did not appear that it would be feasible to transfer him to duties elsewhere within the Bank. In the circumstances, he felt that the best interests of the System would be served through an arrangement that would make it possible for Mr. Paris to leave the Bank at this time with an appropriate supplementation of his retirement allowance under the formulas available to the Bank in the case of an involuntary separation.

Governor Robertson indicated that although he was sympathetic to the problem presented in this case, there was a question in his mind

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whether it would be advisable to make an exception to the provisions of the Retirement System since a deviation therefrom in one case might lead to abuses in other instances. He later stated, however, that he would not look with disfavor upon a decision by the Atlanta Bank's directors to make a supplementary contribution on Mr. Paris' behalf under the existing authorizations if the directors could justify such action fully as being in the best interest of the System.

Chairman Martin stated that his initial reaction was the same as Governor Robertson's, that is, that it would be unwise to deviate from the provisions of the Retirement System, but that upon further consideration he doubted whether it would be well to allow the efficiency of the System to suffer by retaining Mr. Paris. At the same time he questioned whether Mr. Paris should be asked to retire without special consideration in view of his record. He felt that in a case such as that of Mr. Paris there would be no stigma attached to an involuntary separation.

Following further discussion, it was suggested that Chairman Martin discuss the matter with President Bryan when the latter was in Washington next week to attend the Presidents' Conference, at which time Chairman Martin might say to President Bryan that the Board would lean toward the Bank's directors separating Mr. Paris involuntarily, with the understanding that there was no stigma attached to such action in these circumstances, and to their making a supplemental contribution

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on behalf of Mr. Paris under the existing authorizations, provided the directors could justify such action from the standpoint that it was in the best interest of the System and the Bank.

This suggestion was approved unanimously.

The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 16, 1953, were approved unanimously.

Letter to the Board of Directors, City Bank and Trust Company of Reading, Reading, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment and operation of two branches by City Bank and Trust Company of Reading, one to be located at 160 Spring Street, and the other at 206 North 5th Street, Reading, Pennsylvania, provided each of the branches is established within one year from the date of this letter.

Approved unanimously, for transmittal through the Federal Reserve Bank of Philadelphia.

Letter to the Board of Directors, Farmers & Merchants State Bank, Fredericksburg, Virginia, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the

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Federal Reserve System approves the establishment and operation of a branch at the southwest corner of Princess Anne and Amelia Streets, Fredericksburg, Virginia, by the Farmers & Merchants State Bank, Fredericksburg, Virginia, provided the branch is established within six months from the date of this letter.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Richmond.

Letter to the Board of Directors, Merchants Trust Company,
Muncie, Indiana, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at 1719 Broadway, Muncie, Indiana, and a branch at 2700 West Jackson Street, Muncie, Indiana, by Merchants Trust Company, provided formal approval is issued by the appropriate State authorities and the branches are established within six months after the date of this letter.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Chicago.

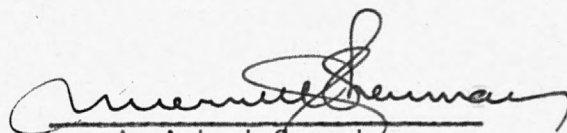
Memorandum dated September 10, 1953, from Mr. Sherman, Assistant Secretary of the Board, discussing a proposal by the Foreign Operations Administration and the Bureau of the Budget to arrange a visit to the United States by a group of about 13 high-level German banking officials during the four-week period beginning November 15, 1953. The memorandum stated that the Bureau of the Budget would like to have the group visit the Board during the week of November 15, and that it was the feeling of members of the Board's staff that cooperation

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in the program would be desirable. The memorandum recommended that if the visit eventuated a luncheon be arranged with the members of the Board and appropriate members of the staff in the Board's dining rooms some day during the week of November 15.

Approved unanimously.


 Assistant Secretary