

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 14, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Mills

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Leonard, Director, Division of
Bank Operations
Mr. Allen, Director, Division of
Personnel Administration
Mr. Solomon, Assistant General Counsel

The following requests for travel authorization were presented:

Mr. Thomas, Economic Adviser to the Board. To travel to New York, New York, during the period May 23-26, 1954, to participate in a symposium on the subject, "Statistics in Modern Life", being sponsored by the New York Area Chapter of the American Statistical Association in connection with the bicentennial anniversary of Columbia University, and to attend other meetings in connection with the bicentennial anniversary.

Mr. Young, Director, Division of Research and Statistics. To travel to New York, New York, on June 10, 1954, to participate in a meeting of the National Planning Association's Committee on Business Policy.

Approved unanimously.

Prior to this meeting there had been circulated to the available members of the Board a draft of letter for the signature of the Chairman to Mr. Roger W. Jones, Assistant Director for Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

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In your letter of May 6, 1954, you request an expression of views with respect to the recommendations contained in Proposal No. 2 of the Committee on Retirement Policy for Federal Personnel.

It is believed that the details of the proposal constructively carry out the basic thinking from which it was developed and which is outlined in the six principles set out on Page 4. The equity and practicality of these principles speak for themselves and it is believed that the advantages to be gained by their adoption through legislative acceptance of the proposal will be in the public interest.

Naturally, experience in the administration of the proposed plan can be expected to reveal problems which could not be foreseen. There should be no serious difficulty in arriving at solutions that will preserve the thinking against which the proposal has been developed.

Proposal No. 2 of the Committee on Retirement Policy for Federal Personnel, referred to in the above draft of letter, would extend old-age and survivors insurance coverage to employment subject to the Civil Service Retirement Act, with the Civil Service Retirement System modified to take into account that old-age and survivors insurance benefits would be payable.

Governor Mills stated that a brief form of reply to the Budget Bureau had been prepared intentionally in this case, a representative of the Bureau having requested that the Board's comments be in broad terms so that the Bureau's report to the Congress on the proposal might be submitted as promptly as possible. Governor Mills also said that he favored the principle of integrating social security benefits with those payable under the Civil Service Retirement System.

At the request of the Board, Mr. Allen commented on the matter and stated certain reasons which led him to question the advisability of

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integrating Civil Service retirement benefits with those available under old-age and survivors insurance coverage. For these reasons, it was Mr. Allen's suggestion that the Board might comment on Proposal No. 2 of the Committee on Retirement Policy for Federal Personnel without going on record at this time as favoring legislative acceptance of the proposal.

There followed a discussion based on Mr. Allen's comments during which Governor Mills expressed the opinion that the points which Mr. Allen had mentioned would be clarified in the course of Congressional hearings.

Thereupon, the letter to the Bureau of the Budget was approved unanimously in the form set forth above.

There had been sent to the members of the Board prior to this meeting copies of:

1. A letter dated May 11, 1954, from Mr. Wurts, Chairman of the Retirement Committee, Retirement System of the Federal Reserve Banks, to Mr. Samuel Alexander, Internal Revenue Service, New York, New York, reviewing the discussion at a meeting which he and Mr. John V. Duncan, Counsel for the Retirement System, had on the preceding day with Mr. Alexander and one of his associates regarding a question which the Bureau of Internal Revenue had raised with respect to the third paragraph of section 9 of the Rules and Regulations of the Retirement System of the Federal Reserve Banks. The Bureau's objections were based upon the view that the third paragraph of section 9 permits discretionary additions to retirement allowances, and the retirement allowances available under that part of the plan were not definite as required by the regulations of the Bureau. Mr. Wurts' letter also stated that the matter was being brought to the attention of the Chairman and Secretary of the Board of Trustees of the Retirement System and to the attention of the Board of Governors of the Federal Reserve System.

2. A letter dated May 11, 1954, from Mr. Wurts to the Board of Governors enclosing a copy of his letter to Mr. Alexander. The May 11 letter called attention to the fact that the Bureau had requested the Retirement System to suspend the granting of any further special additional benefits under the third paragraph of section 9 pending settlement of the question raised by the Bureau.

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3. A telegram dated May 12 from President Young, Chairman of the Board of Trustees of the Retirement System, to Governor Mills quoting a telegram which Mr. Young sent the same day to President Erickson, Chairman of the Executive Committee of the Retirement System, suggesting that a committee of three be appointed, one each to represent the Retirement System, the Presidents' Conference, and the Board of Governors, to discuss the subject with appropriate representatives of the Bureau of Internal Revenue. The telegram to President Erickson suggested the appointment of Mr. Wurts to represent the Retirement System and Mr. Johns, President of the Federal Reserve Bank of St. Louis, to represent the Presidents' Conference. Mr. Young's telegram to Governor Mills requested the name of the Board's appointee to the committee, provided the procedure suggested for handling the matter met with the Board's approval.

In addition, Governor Mills had received a telegram dated May 12, 1954, from Mr. Neal, First Vice President of the Federal Reserve Bank of Boston, indicating that President Erickson agreed with the suggested appointment of President Johns and Mr. Wurts, and that Mr. Neal was sending telegrams to the other members of the Executive Committee of the Retirement System requesting advice of their approval.

Chairman Martin suggested the designation of Governor Mills as representative of the Board of Governors on the joint committee, with the understanding that in this assignment Governor Mills might have the assistance of members of the Board's staff in any way that he desired.

Chairman Martin's suggestion was approved unanimously, with the understanding that advice of Governor Mills' designation would be sent by telegram to President Young.

In connection with the foregoing action, question was raised whether advice should be sent to all of the Federal Reserve Banks for their guidance concerning the objections interposed by the Bureau of Internal

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Revenue and the Bureau's request that the granting of further special additional benefits under the third paragraph of section 9 be suspended pending settlement of these questions with the Bureau. It was pointed out that probably there would be few cases where special benefits were granted under the third paragraph of section 9, that any such cases would be picked up when they reached the Retirement Office of the Federal Reserve Retirement System, and that the Board of Trustees of the Retirement System was to meet on June 22, 1954, at which time the status of the matter could be considered.

Secretary's Note: Subsequent to this meeting, the possibility was mentioned that there might be a number of involuntary separations from service at the Federal Reserve Banks in the near future, particularly in the fiscal agency departments, and that in the circumstances it might be desirable to advise all of the Federal Reserve Banks regarding the question raised by the Bureau of Internal Revenue. Therefore, the following letter, having been approved by all of the members of the Board, was sent to the Presidents of all Federal Reserve Banks on May 18, 1954:

Enclosed is a copy of a self-explanatory letter addressed to the Board by Mr. Wurts as Chairman of the Retirement Committee of the Retirement System of the Federal Reserve Banks. It will be noted that the Bureau of Internal Revenue has raised a question with respect to the third paragraph of section 9 of the Rules and Regulations of the Retirement System and has requested that pending a settlement of the question the granting of any further special additional benefits under that paragraph be suspended.

A committee, consisting of Governor Mills, President Johns of St. Louis, and Mr. Wurts of New York, has been created to consider this problem and it is hoped that it will be settled at the earliest convenient date. In the meantime, the Board requests that the Federal Reserve Banks defer any arrangements, under outstanding authorizations or otherwise, for any special benefits under the third paragraph of section 9.

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There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, St. Louis, Minneapolis, Kansas City, and Dallas stating that the Board approves the establishment without change by the Federal Reserve Bank of Boston on May 10 and by the other six Federal Reserve Banks on May 13, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 13, 1954, were approved unanimously.

Telegrams to Messrs. Leach and Bryan, Presidents of the Federal Reserve Banks of Richmond and Atlanta, respectively, reading as follows:

Reurtel today. Board approves effective May 15, 1954, rates of 1-1/2 per cent on discounts for and advances to member banks under Sections 13 and 13a and 2 per cent on advances to member banks under Section 10(b). Board's announcement on change in discount rate is being handed to press this afternoon for immediate release.

Approved unanimously, with the understanding that the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of Federal Reserve Bank branches would be advised by telegram, that advice would be sent to the Federal Register, and that the Board's press statement would be in a form similar to those recently issued concerning the reduction in the discount rate at other Federal Reserve Banks from 1-3/4 to 1-1/2 per cent.

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Memoranda from appropriate individuals concerned recommending personnel actions as follows:

Appointments, effective upon the date of assuming duties

| <u>Name and Title</u> | <u>Division</u> | <u>Type of appointment</u> | <u>Basic annual salary</u> |
|---------------------------------------|----------------------------|--|----------------------------|
| Edna L. Benjamin, Cafeteria Helper | Administrative Services | Temporary (two months) Part-time (four-hour day) | \$1,315 |
| Esther R. Myers, Cafeteria Helper | Administrative Services | Temporary (two months) Part-time (four-hour day) | 1,315 |

Transfer and appointment as Special Assistant Federal Reserve Examiner

Jean Startup, Stenographer, Division of Administrative Services. Transfer to the Division of Examinations, effective August 15, 1954, and appointment as a Special Assistant Federal Reserve Examiner for a period of approximately one year, also effective August 15, 1954, with basic salary at the rate of \$3,660 per annum, with official headquarters in Washington, D. C., with the understanding that Miss Startup would be granted the special travel allowance and other privileges granted with respect to Special Assistant Federal Reserve Examiners by the Board's action of August 2, 1951, and with the further understanding that at the termination of her assignment with the field examining staff, Miss Startup would return to her position in the Division of Administrative Services, with such salary adjustments as she would have had if she had remained in that position.

Change in status of appointment

Ruth E. Ellis, Cafeteria Helper, Division of Administrative Services. From temporary (two months) on part-time (four-hour day) basis to temporary indefinite, with no change in basic annual salary at the rate of \$1,315, effective upon the expiration of her present appointment.

James R. Jordan, Cafeteria Laborer, Division of Administrative Services. From temporary (two months) to temporary indefinite, with no change in basic annual salary at the rate of \$2,552, effective upon the expiration of his present appointment.

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Salary increases, effective May 23, 1954

| <u>Name and Title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|--------------------------------|--------------------------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| | <u>Research and Statistics</u> | | |
| Grace R. Sahn, Draftsman | | \$4,285 | \$4,410 |
| Stanley J. Sigel, Economist | | 7,640 | 8,360 |

Resignations

Alexander S. Barnes, Assistant Federal Reserve Examiner,
Division of Examinations, effective May 26, 1954.

Paul D. Ring, Assistant Federal Reserve Examiner, Division
of Examinations, effective July 24, 1954.

Approved unanimously.

Memorandum dated May 10, 1954, from Mr. Allen, Director, Division of Personnel Administration, recommending, for reasons stated, that annual and sick leave standing to the credit of the following individuals recently employed by the Board without break in service direct from other Government agencies be transferred to their respective accounts at the Board:

Mrs. Reta M. America, Clerk-Typist, Division of Examinations

Mr. Levernon Wood, Messenger, Division of Administrative Services

The memorandum also recommended that the Board adopt this same procedure in connection with all subsequent cases involving employment by the Board of employees from other Government agencies where such employment is accomplished without a break in their continuous Government service.

Approved unanimously.

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Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of May 4, 1954, submitting the request of The Luzerne-Hadley Bank, Lake Luzerne, New York, for approval under the provisions of paragraph 11, Section 9 of the Federal Reserve Act, of its retirement on December 9, 1953, of 200 shares of local preferred stock at the retirable value of \$1,250. It is noted that, through inadvertence, the prior approval of State and Federal Reserve authorities was not obtained in accordance with applicable laws.

After considering all available information and in view of the small amount involved, the Board of Governors concurs in the Reserve Bank's recommendation and approves the retirement by The Luzerne-Hadley Bank, Lake Luzerne, New York, as of December 9, 1953, of the preferred stock as stated above. Please advise the bank accordingly.

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the retirement.

Approved unanimously.

Letter to Mr. Wiltse, Vice President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of May 10, 1954, submitting the request of Bank of Allwood, Clifton, New Jersey, for an extension of time within which it may establish a branch in the Richfield Shopping Center of Clifton, Clifton, New Jersey.

It has been noted that the store originally selected as the site for the proposed branch was not expressly built for banking purposes and that there were certain undesirable features in connection with its use as a banking facility. Accordingly the developer of the shopping center has, for a nominal increase in rent, agreed to extend his project by adding a building adjacent to the original site which would eliminate the undesirable features and add a drive-in window with a roof over the driveway.

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After considering all available information, the Board of Governors concurs in the Reserve Bank's recommendation and, therefore, extends to December 22, 1954, the time within which Bank of Allwood, Clifton, New Jersey, may establish a branch in the Richfield Shopping Center of Clifton, Clifton, New Jersey. Please advise the bank accordingly.

It is understood that the Department of Banking and Insurance of New Jersey has authorized the extension as requested.

Approved unanimously.


Secretary