

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 23, 1954. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Johnson, Controller
Mr. Sprecher, Assistant Director, Division
of Personnel Administration
Mr. Molony, Special Assistant to the Board

In a letter dated August 10, 1954, to the heads of executive departments and agencies, Mr. Philip Young, Chairman of the Civil Service Commission, discussed the Federal Employees' Group Life Insurance Act of 1954, which at that time had been passed by both houses of Congress and was awaiting action by the President, and requested comment within ten days concerning a list of classes of employees proposed to be excluded by regulation from the privilege of purchasing group life insurance under the Act. In a reply dated August 17, 1954, and signed by Governor Mills, it was noted that because of absences of members of the Board it would not be possible for the Board to comment or express its views on any question under the new legislation within the ten-day period, that the Board undoubtedly would wish to consider the entire matter very carefully, and that the Board would write further on the subject at the earliest possible date.

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In a second letter to the heads of executive departments and agencies, dated August 19, 1954, Mr. Young referred to the signing of the Act by the President on August 17 and called attention to the stipulation in the Act that the insurance provided thereby and the withholdings and contributions for that purpose were to become effective when directed by the Commission. Pursuant to that stipulation, the Commission directed that the insurance be effective on the first day of the first pay period beginning after August 28, 1954, provided, however, that if the head of any agency should request in writing on or before August 28 that a later effective date be set for his agency or any part thereof, the effective date for such agency or part thereof would be such other date approved by the Commission.

Accordingly, there had been sent to the available members of the Board prior to this meeting copies of Mr. Young's letter of August 19; a memorandum from the Division of Personnel Administration dated August 20 setting forth certain problems relating to the applicability of the Act to the members of the Board and the Board's staff; a second memorandum of the same date from the Division of Personnel Administration outlining significant differences between the group life insurance to be provided under the new law and that presently provided for employees of the Board and the Federal Reserve Banks under contract with the Connecticut General Life Insurance Company; and a Civil Service Commission news release dated August 17, 1954, covering the principal features

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of the group life insurance plan provided by the new legislation. There had also been sent to the available members of the Board a draft of letter to the Civil Service Commission which would request the Commission to take action so that it would be clear that the insurance provided by the new law would not be applicable to the Board of Governors prior to September 26.

At the request of the Acting Chairman, Mr. Vest discussed the legal questions involved in considering the applicability of the Federal Employees' Group Life Insurance Act of 1954 to the Board and its staff. He also stated that a memorandum to the Board was being prepared in the Legal Division which would review these points in more detail.

There followed a general discussion of various problems which appeared to merit consideration from the standpoint of the Board and it was agreed that these matters should have further consideration when a quorum of the Board was available.

Accordingly, it was agreed that a letter reading as follows should be sent over the signature of Governor Szymczak, as Acting Chairman, to Chairman Young of the Civil Service Commission, provided that Governor Vardaman, who was unable to attend this meeting, had no objection to it:

In our letter to you dated August 17, 1954, it was stated that because of absences of members of the Board it would not be possible for the Board to comment or express its views by August 20 on any question under the Federal Employees' Group Life Insurance Act of 1954 but

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that the Board undoubtedly would wish to consider the entire matter very carefully and would write you further on the subject at the earliest possible date.

It is now understood that in order to provide the coverage contemplated by the new law, the insurance is to become effective on August 29 for the employees to which it is to apply. As you may know, there is now in effect a group life insurance policy covering the employees of the Board and the twelve Federal Reserve Banks which provides insurance for each employee in an amount equal to his salary for the preceding twelve months. This presents a number of problems, including duplication of insurance, which it will be impossible for the Board to work out by August 29. Accordingly, the Board requests that the Civil Service Commission take action so that it will be clear that the insurance provided by the new law will not be applicable to the Board of Governors prior to September 26.

It would be very much appreciated if we could have your response to this request by Thursday, August 26.

Secretary's Note: Governor Vardaman having indicated that he had no objection, the letter was transmitted to Mr. Young on August 23, 1954.

The meeting then adjourned. During the day the following additional actions were taken by the Board with Governors Szymczak, Vardaman, and Mills present:

Letter to the Presidents of all Federal Reserve Banks reading as follows:

Referring to the Board's letter of April 9, 1954, Mr. Gardner L. Boothe, II, has returned to his duties as Administrator, Office of Defense Loans. Therefore, the temporary designation of Mr. J. J. Connell as Acting Administrator is terminated.

Approved unanimously.

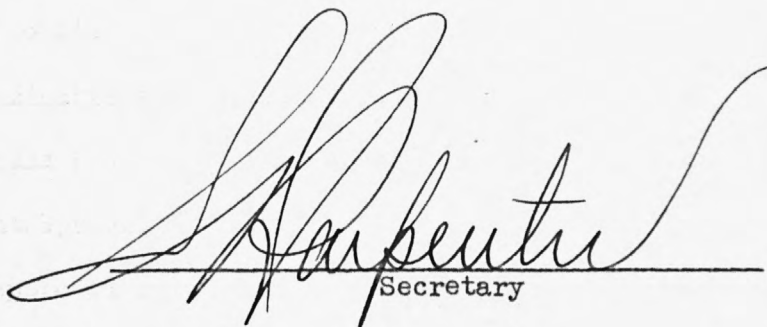
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Minutes of the Board of Directors of the Board of Education of the City of New York, held on August 23, 1954, at 12:00 P.M. in the Board Room, 110 West 42nd Street, New York 36, New York.

Memorandum dated August 17, 1954, from Mr. Johnson, Controller, recommending that in order to comply with a suggestion by Arthur Andersen & Co. the Board authorize the Controller's Office to proceed with commitments to purchase a supply of card-check and earnings statement for payroll use and a Todd check signing machine, at a total estimated cost of \$823.40. The memorandum stated that it was planned to institute this change with the first pay day in 1955 (as the supply of currently used paper payroll checks is expected to be exhausted about that time) and to provide for the funds in the 1955 budget of the Office of the Controller.

Approved unanimously.



Secretary