

Minutes for February 18, 1957

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<u><i>[Signature]</i></u>	_____
Gov. Szymczak	<u><i>[Signature]</i></u>	_____
Gov. Vardaman	<u><i>[Signature]</i></u>	_____
Gov. Mills	<u><i>[Signature]</i></u>	_____
Gov. Robertson	<u><i>[Signature]</i></u>	_____
Gov. Balderston	<u><i>CCB</i></u>	_____
Gov. Shepardson	<u><i>[Signature]</i></u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 18, 1957. The Board met in the Special Library at 3:00 p.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary

Chairman Martin stated that when he was in Des Moines, Iowa, last week Mr. Jesness, Deputy Chairman of the Federal Reserve Bank of Minneapolis, talked to him about the contemplated termination of Mr. Powell's services as President of the Bank. Mr. Jesness commented, Chairman Martin said, that Mr. Deming, who is to be Mr. Powell's successor, would be at the Bank this week to meet the officers and, since it would not be possible to keep the proposed change from being known publicly much longer, the directors would like to complete the details of the change as soon as possible. Chairman Martin then asked to what extent the matter had been discussed last week while he was away.

Governor Balderston stated that Chairman Perrin had called to say that the directors would like to provide for Mr. Powell the same retirement benefits that he would be entitled to if he were 65 years of age at the time of retirement. He also said there was an informal discussion of this proposal by the members of the Board and it was agreed that there should be no departure from the Rules and Regulations of the

2/18/57

-2-

Retirement System of the Federal Reserve Banks. Mr. Perrin called Governor Balderston again last Friday morning and said that his board of directors would like an opportunity to raise again the matter of retirement benefits, particularly in view of the fact that a liberalization of the benefits of the Retirement System was under consideration which, if adopted, would increase Mr. Powell's retirement benefits substantially. Governor Balderston added that he had asked the Board's staff to check the possible increase in benefits and that in Mr. Powell's case they would amount to approximately \$3,500, but that Mr. Powell's separation undoubtedly would take place before the revision of the Rules and Regulations could be approved and put into effect, if they were approved.

Chairman Martin concurred in the decision of the Board not to depart from the Rules and Regulations of the Retirement System. However, he said, Mr. Jesness had suggested that in view of Mr. Powell's long service, including his service as a member of the Board of Governors, the Reserve Bank should do everything it could to be liberal, particularly in view of the short notice that would be given to Mr. Powell if his services as President were terminated as of March 31 and if the liberalized retirement plan were made effective a short time thereafter. It would be totally unreasonable for the sake of a few months to have Mr. Powell excluded from the increased retirement benefits, particularly since he knows about the proposed changes and would feel badly if he were not given the benefit of the higher allowances. Mr. Jesness emphasized, Chairman Martin said, that the directors were anxious to do

2/18/57

-3-

everything they could to handle the matter in an appropriate way.

Chairman Martin agreed with this approach.

During the ensuing discussion of the present status of the proposed revision of the Retirement System and what could be done under the existing Rules and Regulations, the point was made that the Board had not had an opportunity to consider the revision and might not be willing to approve it. There was also a discussion of the payments that might be authorized for Mr. Powell under the Board's letter of June 7, 1956, with respect to payments to or on behalf of an employee upon involuntary separation from service.

At the conclusion of the discussion there was unanimous agreement that Mr. Powell should be given the maximum benefits under existing authorizations, including if possible an arrangement which would continue his eligibility to receive the increased benefits which would be provided by the revision of the Retirement System of the Federal Reserve Banks if the revision should become effective within a reasonable time.

Secretary's Note: Pursuant to this action, after conferring with the staff, Governor Balderston informed Mr. Perrin by telephone on Tuesday, February 19, as follows:

The Board has given further consideration to the matter that you and I discussed last week. As I informed you, the Board is not willing to approve any action not authorized by the Rules and Regulations of the Retirement System and by the Board's letter of June 7, 1956, with respect to separation allowances. However, the Board desires, as you do, that Mr. Powell be entitled to any increased retirement benefits that might result from the contemplated revision of the Retirement System. Accordingly, the Board would be

2/18/57

-4-

willing to approve an arrangement, authorized by your directors, under which Mr. Powell would be retained on the payroll of your Bank as Adviser at the monthly rate of \$1,250 for a period of not to exceed six months from the date of the termination of his service as President.

The Board has not yet considered the proposed revision of the Retirement System of the Federal Reserve Banks. Therefore, it is not known whether or not the retirement benefits will be liberalized. However, in the event the increased benefits are approved within the six-month period already referred to, we are informed that this arrangement would preserve Mr. Powell's eligibility to receive such expanded benefits.

Because of the effect upon his insurance benefits in the event of death within the six-month interval, Mr. Powell might prefer to elect leave without pay and to forego the \$7,500 pay as Adviser.

Chairman Martin stated that Mr. Johns, President of the Federal Reserve Bank of St. Louis, had talked to him today and had recommended that Mr. Guy S. Freutel, now serving as Assistant Vice President of the St. Louis Bank, be made First Vice President to succeed Mr. Deming, who would be leaving to accept appointment as President of the Federal Reserve Bank of Minneapolis. Mr. Johns had taken the matter up with his board in executive session and there was unanimous agreement with the recommendation that Mr. Freutel be appointed as First Vice President with salary at the rate of \$20,000 per annum.

Chairman Martin was authorized to advise President Johns informally that if formal action were taken by the board of directors of the Federal Reserve Bank of St. Louis, the Board of Governors would approve the appointment of Mr. Freutel as First Vice President at the salary proposed.

2/18/57

-5-

After an informal discussion of a question raised by Governor Vardaman in connection with the program for the meeting with new Federal Reserve Bank directors on Wednesday, February 20, Governor Robertson suggested that the Board fix Wednesday, February 27, as the day upon which it would review the emergency planning memorandum prepared by the staff which was discussed previously at the meeting on February 6, 1957.

This suggestion was approved unanimously.

The meeting then adjourned.

Secretary's Note: On February 15 and 18, 1957, Governor Shepardson approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointment

Arthur J. Ruhle as Assistant Federal Reserve Examiner in the Division of Examinations, with basic annual salary at the rate of \$6,390, effective the date he assumes his duties.

Salary increases, effective February 24, 1957

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
Mona E. Dingle, Economist	Research and Statistics	\$9,205	\$9,420
Robert R. Moss, Economist	Research and Statistics	7,035	7,250
Catherine B. Davian, Secretary	International Finance	3,940	4,075
Eleanor Staples, Statistical Clerk	Bank Operations	4,075	4,210

2/18/57

-6-

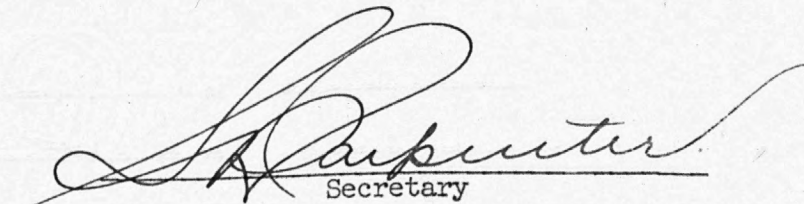
Salary increases, effective February 24, 1957 (Continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
W. J. McClelland, Supervisory Review Examiner	Examinations	\$10,750	\$10,965
Charles A. Noell, Guard	Administrative Services	3,215	3,300

Acceptance of resignation

Mabel W. Jones, Statistical Clerk, Division of Bank Operations, effective February 11, 1957.

Memorandum dated February 14, 1957, from the Office of the Controller recommending that the practice be continued of disbursing salaries for the Board's employees on the first preceding business day when pay day falls on a holiday, thus resulting in 27 pay days in 1957, and that a memorandum be sent to the members of the Board's staff in order that those filing a declaration of income for 1957 under the income tax laws might have this in mind.


Secretary