

Minutes for March 26, 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>MA</u> x	_____
Gov. Szymczak	<u>MS</u> x	_____
<u>1</u> /Gov. Vardaman	_____	_____ x
Gov. Mills	_____	<u>_____</u> x
Gov. Robertson	<u>R</u> x	_____
Gov. Balderston	<u>CB</u>	_____
Gov. Shepardson	<u>SS</u>	_____

In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 26, 1957. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration
 Mr. Hackley, Associate General Counsel
 Mr. Sprecher, Assistant Director, Division of Personnel Administration

Mr. Johns, President, Federal Reserve
 Bank of St. Louis

Maximum permissible rate of interest on V-loans. (Item No. 1)

Chairman Martin referred to a letter addressed to him under date of March 18, 1957, by the Dittmore-Freimuth Corporation, Milwaukee, Wisconsin, which stated that the bank from which the corporation in the past had obtained V-loans for the financing of defense contracts had advised that due to the limitation of 5 per cent on the rate of interest which the bank was allowed to charge it could not participate in another V-loan as the rate of interest was too low. The letter also stated that the corporation was willing to pay a higher rate of interest and appealed to the Board to increase the maximum rate as soon as possible.

Chairman Martin also referred to a draft of reply to the corporation which would state that the Board had given this matter serious consideration and was prepared to authorize an increase in the maximum

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rate of interest if the concurrence of the guaranteeing agencies were obtained; that the matter was now under consideration by the Department of Defense; and that the Board was awaiting word from that Department before taking any action.

After a brief discussion during which Chairman Martin stated that the proposed increase is still under consideration by the Department of Defense, unanimous approval was given to a letter to the Dittmore-Freimuth Corporation in the form attached to these minutes as Item No. 1.

Proposed changes in the Bank Plan of the Federal Reserve Retirement System. Mr. Johns was present, as Chairman of the Special Joint Committee appointed to review the study by Industrial Relations Counselors Service concerning the Bank Plan of the Retirement System, to discuss with the Board the procedures that might be followed in further consideration by the Board of the proposals of the Committee for changes in the Retirement System.

Chairman Martin first called upon Governor Robertson, who referred to certain phases of the Committee's proposals on which he felt that the Board should be fully informed and then suggested the possibility of arranging a meeting of the Board with the Special Joint Committee and the actuary for the Retirement System.

President Johns responded by discussing the current availability of the members of the Committee, from which it appeared that one of the

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director-members would be out of the country until about the middle of April. He also reported that the representative of the actuary would not be available until late in May.

Turning to the over-all nature of the Committee's recommendations, Mr. Johns discussed the information collected by Industrial Relations Counselors Service pertaining to the Reserve Banks' competitive position from the standpoint of retirement and related benefits and said that on the basis of such information the package of benefits proposed by the Special Committee was believed to be comparable to the benefits offered by that part of the market with which the Banks compete. He then proceeded to outline the complex problems presented in integrating the Bank Plan with Social Security and mentioned reasons why the Committee decided to reject certain of the major recommendations of the counseling service. A principal guide for the Committee, he said, was that the plan should not be more expensive to the Reserve Banks than the per capita cost to the Government of the Civil Service Retirement System; and within that framework the Committee endeavored to arrive at a package of benefits which would be equitable and maintain the competitive position of the Reserve Banks. In conclusion, he expressed the view of the Committee that the proposals met these objectives reasonably well, acknowledging that other combinations of benefits might be argued to be equally satisfactory.

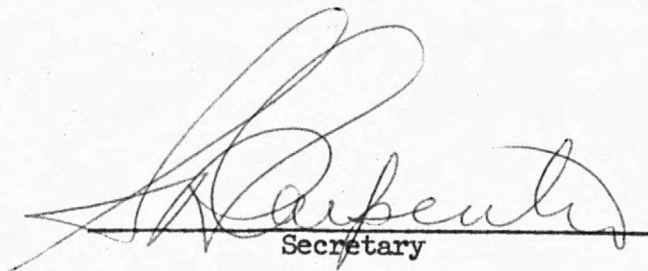
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In response to a question by Governor Balderston whether Industrial Relations Counselors Service had been informed of the proposals of the Special Joint Committee, Mr. Johns said it was the view of the Committee, particularly the two director-members, that it would be premature to discuss the matter with the counseling firm at this time, it being felt that such discussion should preferably be deferred until the various elements within the Federal Reserve System had reached some sort of agreement on a plan. If, however, the Board wished to consult with the counseling firm at this point, he thought it might be desirable for the Special Committee to meet first with the firm to provide background on the Committee's proposals.

Following a further discussion, Chairman Martin requested that President Johns give additional consideration to the question of procedure and let the Board have the benefit of his views.

The meeting then adjourned.



Secretary

Item No. 1
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March 26, 1957.

Mr. Ray H. Dittmore, President,
Dittmore-Freimuth Corporation,
2517 East Norwich Street,
Milwaukee 7, Wisconsin.

Dear Mr. Dittmore:

Reference is made to your letter of March 18 regarding the maximum permissible rate of interest which banks are allowed to charge on V-loans.

The Board of Governors has the responsibility of fixing rates and fees in connection with these loans after consultation with the guaranteeing agencies and the matter of an increase is under consideration at the present time.

Sincerely,

(Signed) Wm. McC. Martin, Jr.

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