

Minutes for June 3, 1960

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Handwritten initials and signatures for each board member, written over horizontal lines. The initials are: Martin (M), Szymczak (S), Mills (M), Robertson (R), Balderston (CB), Shepardson (S), and King (K).

Minutes of the Board of Governors of the Federal Reserve System  
on Friday, June 3, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. King

Mr. Sherman, Secretary  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Sprecher, Assistant Director, Division of  
Personnel Administration  
Mr. Landry, Assistant to the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of New York and Minneapolis on June 2, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Home Bank, Compton, California, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	1
Letter to the Sellersburg State Bank, Sellersburg, Indiana, granting its request for permission to exercise a specific fiduciary power.	2

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Retirement benefits and uniform treatment of employees of Federal Reserve Banks entering military service (Items 3 and 4). There had been circulated two memoranda from the Division of Personnel Administration dated May 5, 1960, covering two interdependent subjects as follows:

- (1) Recommendations by the Retirement Committee of the Retirement System of the Federal Reserve Banks to amend Resolutions covering benefits to be provided for members entering the military service.
- (2) Recommendations of the Presidents' Conference of December 16, 1958, in response to the Board's letter of February 19, 1958, requesting the Conference to review the "Policy for Uniform Treatment of Employees of the Federal Reserve Banks Entering Service in the Armed Forces of the United States" which was adopted in 1948.

It was the recommendation of the Division of Personnel Administration that both the Resolutions proposed by the Retirement Committee of the Retirement System of the Federal Reserve Banks and adopted by its Board of Trustees on June 17, 1959, and the recommendations of the Presidents' Conference of December 16, 1958, be approved.

Mr. Sprecher said that there had been a delay in presenting these recommendations to the Board in order to provide time for clarification of certain items and coordination of the two proposals. In the case of the Retirement Committee's recommendations, several suggestions were made concerning the wording of the Resolutions. In the case of the recommendations made by the Presidents' Conference, one of the major points was open to question to the extent that President Johns, the then Chairman of the Personnel Committee, orally requested that Board action

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on the recommendations of the Presidents be held up pending further study by the Subcommittee on Personnel of the doubtful point. Mr. Sprecher said that questions concerning the Resolutions had now been clarified in the current proposal of the Retirement Committee and that the Subcommittee on Personnel had reaffirmed its original recommendations. The Division of Personnel Administration believed that all of the problems that had arisen had been resolved to the point where both of these recommendations were in order to be presented to the Board, Mr. Sprecher said, and he then reviewed the recommendations as set forth more fully in the memoranda from the Division of Personnel Administration dated May 5, 1960.

Governor Mills then raised a number of questions as to the integration of Social Security benefits at the Federal Reserve Banks with those of the Retirement System, as well as questions regarding retention by Reserve Bank employees of privileges under the Retirement System while in the armed services and duplication of disability payments from the military services and the Retirement System.

Mr. Sprecher stated that Reserve Bank employees were protected in their rights in the Retirement System while in the armed services. If they returned to the Reserve Bank after completing their military service, they would make up their contributions for the period while away from the Reserve Bank and would receive full credit for that period. As to the possibility of duplication in disability benefits payable by the military services and the Retirement System, Mr. Sprecher expressed

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his understanding that disability benefits by the Retirement System would be paid without reference to the fact that an individual had been in military service, but he stated that he would look into this question and submit a memorandum to the Board for its information.

Secretary's Note: A memorandum from Mr. Sprecher regarding this question was circulated to the Board under date of June 9, 1960.

Governor Balderston then raised a question as to the proposed authorization for the Reserve Banks to pay a maximum of one month's salary to employees entering or leaving military service involving a period of 6 months or more. Mr. Sprecher replied that this provision did not change prevailing procedure, and he called attention to the fact that it was only permissive and that Reserve Bank practices varied, at least as to timing of such payments.

Unanimous approval was then given to the two recommendations of the Division of Personnel Administration relating to benefits to be provided for Reserve Bank employees who are members of the Retirement System of the Federal Reserve Banks and uniform treatment of such employees entering military service. Approval also was given to a letter to the Presidents of all Federal Reserve Banks transmitting the statement of policy for uniform treatment of employees entering military service and to a letter to the Secretary of the Retirement System approving the Resolutions adopted by the Board of Trustees on June 17, 1959. A copy of the letter to the Reserve Bank Presidents, together with the statement of policy, is attached as Item No. 3. A copy of the letter to the Secretary of the Retirement System is attached as Item No. 4.

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Messrs. Johnson and Sprecher then withdrew from the meeting.

Transmittal of Reserve Bank examination report to House Banking and Currency Committee (Item No. 5). Governor Szymczak reported that yesterday afternoon Chairman Martin received a request from Congressman Patman for the report of examination made of the Federal Reserve Bank of Chicago during 1959. Mr. Patman asked that the report be delivered before the end of the day. Therefore, before leaving to keep a speaking engagement, Chairman Martin transmitted it to Mr. Spence, Chairman of the Committee on Banking and Currency of the House, with a letter in the form of attached Item No. 5. Governor Szymczak stated that, at Chairman Martin's request, he spoke to Governors Mills and King about Mr. Patman's letter and the action taken, and it was understood that the matter would be placed before the Board today for ratification of the action taken. Thereupon, Chairman Martin's action in sending the 1959 report of examination of the Federal Reserve Bank of Chicago to the Chairman of the Committee on Banking and Currency of the House was ratified.

Department store statistics program. At Governor Balderston's request, Mr. Sherman reported on recent developments in connection with the department store statistics program, last discussed at the meeting of the Board on May 11, 1960. He said that the joint committee appointed in the light of the Board's action consisted of Alfred E. Eisenpreis, Director of Research, Allied Stores, Sam Flanel, General Manager, Controllers' Congress, Dr. Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget, Morgan H. Rice, Vice President,

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Federal Reserve Bank of Dallas, and himself. The first meeting of the committee was held in the Board's offices on the afternoon of May 24. This meeting was marked by a good atmosphere, one of cooperation, but there was a clear understanding that no commitments now existed as to what final arrangements might be adopted by the Federal Reserve in connection with the collection and distribution of department store data. Mr. Sherman said that as an outgrowth of the May 24 meeting, which had lasted for over three hours, it was agreed that a first step for the joint committee would be to prepare a complete inventory of department store and other retail trade data being collected and distributed (either generally or on a limited basis) by the Federal Reserve. An evaluation of these reports would follow, such evaluation to be in terms of whether each report was primarily for the use of the Federal Reserve, the stores, or the general public. Subsequently, there would also be an evaluation of the quality of the existing reports with a view to indicating where reports that were of a type that warranted continuance needed improvements in quality to make them statistically acceptable.

Mr. Sherman went on to say that a principal difficulty of the assignment was the lack of a clearly stated objective toward which the committee might direct its efforts. The general nature of the assignment was to improve retail trade data, and at this stage the discussion avoided the question of who was to collect what. Certain problems relating to this phase of the question had been discussed, however, with the result

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that there was an awareness within the committee that there are some in the System who wish to free it from responsibility for collecting and distributing department store data. In this connection, Mr. Bowman had reiterated a view that he previously had expressed both to the Federal Reserve and to the trade, that he believed that an ultimate solution to getting satisfactory data on retail consumption would require that a single agency have the responsibility for compiling such data, including determination of statistical standards to be applied.

One other point reported by Mr. Sherman was that, following the committee meeting on May 24, Mr. Bowman called to say that although he had been generally satisfied with the first meeting of the committee, he was confronted with a practical problem in preparing the Federal budget for fiscal 1962. Since it was apparent that ultimate disposition of the question of responsibility for collecting department store data was not imminent, he needed to determine in the near future what kind of program for improvement of data on retail trade should be put into the budget, which would be shaped up for presentation to the Congress in January 1961. One of the factors in his planning for some improvement in national retail trade data was the question of possible financial support to be given by the Federal Reserve to the program. Mr. Bowman was assuming that, for the present, existing department store reports would continue to be made and financed by the Federal Reserve, on national, regional, and local scale, and he was hopeful that in addition the Federal Reserve's interest

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in better information on consumption would justify its supporting a program he had in mind and which he would discuss with Mr. Noyes.

Mr. Sherman said that he had informed Mr. Bowman that it seemed safe to assume that basic department store data would be continued by the Federal Reserve for the time being but that it was quite likely that changes in the extent of Federal Reserve reports would take place fairly soon.

Mr. Sherman stated that the department stores had been informed of recent developments by Messrs. Flanel and Eisenpreis. The latter made a report at a meeting of the Controllers' Congress held in Pittsburgh in the week beginning May 30 and attended by representatives from about 200 large stores, and a press statement announcing formation of the joint committee had been released on June 2, 1960.

Governor Balderston noted that following approval by the Board on May 11, 1960, of a letter to Mr. Alfred C. Thompson, President of the National Retail Merchants Association, concerning the establishment of the joint committee of five to study the department store reports, copies of correspondence regarding the subject had been sent to President Johns, Chairman of the Presidents' Conference, who in turn had sent copies to the other Reserve Bank Presidents. Governor Balderston went on to say that some of the Presidents had asked Mr. Johns why the Board had not accepted the recommendation contained in a letter sent to the Board on March 30, 1960, by President Irons in his capacity as Chairman of the Conference Committee on Research and Statistics, namely, that the Board,

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prior to the formation of a joint committee to study the department store reports, make an announcement that the System was committed to a policy of terminating the collection and distribution of department store data as soon as arrangements could be effected to transfer the responsibility to the Bureau of the Census, and that, in the event such arrangements could not be effected within a reasonable period of time, the System intended to reexamine the existing department store statistical series with a view to modification and reduction to the extent deemed necessary by the System for purposes of monetary and credit policy analysis and determination. In a subsequent conversation with President Johns, Governor Balderston said he had explained the Board's reasoning, and President Johns had asked that he (Governor Balderston) meet with the Presidents' Conference on June 13 to give all members of the Conference the benefit of a similar explanation.

Governor Balderston then turned to Mr. Noyes and asked whether he was prepared to comment on Mr. Bowman's contemplated program for inclusion in the 1962 budget.

Mr. Noyes described the program that had been indicated by Mr. Bowman, stating that it was intended to provide weekly and monthly sales data for retail trade and for the so-called GAAFF series on a national basis and to a very limited extent for standard metropolitan statistical areas. Mr. Bowman was hopeful that the Federal Reserve would provide financial support that would permit this program to be extended to a

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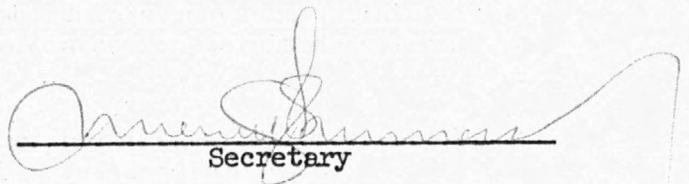
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larger number of metropolitan areas. It was Mr. Bowman's view that this retail trade program would be conducted entirely by the Bureau of the Census and that it would be handled independently of the Federal Reserve's reports on department store trade. Mr. Noyes stated that Mr. Bowman expected shortly to present a formal request to the Board for financial assistance in this program.

During a further discussion of the department store reports, Messrs. Thomas and Young commented on the timing of possible actions that might be taken to reduce System outlays for such work.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Szymczak today approved on behalf of the Board a letter to the Federal Reserve Bank of Kansas City (attached Item No. 6) approving the designation of 60 persons as special assistant examiners.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1  
6/3/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960



Board of Directors,  
Home Bank,  
Compton, California.

Gentlemen:

The Federal Reserve Bank of San Francisco has forwarded to the Board of Governors your letter of May 18, 1960, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of San Francisco of the Federal Reserve Bank stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon. Under the provisions of Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of San Francisco.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 2  
6/3/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960



Board of Directors,  
Sellersburg State Bank,  
Sellersburg, Indiana.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to act in a specific fiduciary capacity.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to Sellersburg State Bank, Sellersburg, Indiana, to act as trustee, registrar, and paying agent of a first mortgage bond issue of approximately \$1,500,000 of the Silver Creek School Building Corporation, Sellersburg, Indiana, and as registrar of the stock of such corporation. This permission is given with the understanding that your bank will not accept any other fiduciary appointments without first obtaining the permission of the Board.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
6/3/60

S-1744

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960



Dear Sir:

At the request of the Board in its letter of February 19, 1958, the Conference of Presidents reviewed the "Policy for Uniform Treatment of Employees of the Federal Reserve Banks Entering Service in the Armed Forces of the United States," which has been in effect since October 25, 1948. The Conference recommended and the Board has approved certain revisions in this policy which are included in the attached statement.

In addition to the benefits outlined in the statement, the Board approves the payment, at such time or times as the Reserve Bank deems best, of up to one month's unearned salary to employees entering on or leaving extended active duty if such duty involves a period of six months or more. The specific amounts for varying periods of service are left to the discretion of the Bank concerned within the limit specified.

The Board also approves the Banks continuing to make payments to the Retirement System currently to cover the cost of the retirement benefits for employees entering military service.

It is the Board's understanding that an employee entering service in the Armed Forces of the United States will be advised that: (1) no death benefits will be payable from the Retirement System during the period of his separation from employment (benefits are provided under the Servicemen's and Veterans' Survivors' Benefits Act of 1956); and (2) he and his family will not be covered under the Bank's hospital-surgical-medical insurance program during his tour of active service involving more than 30 days of duty, as the current Dependents Medicare Program of the Federal Government provides coverage for dependents of servicemen.

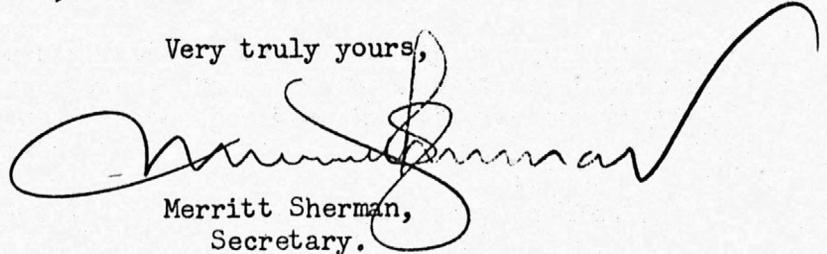
The Board authorizes the granting of military leave (in addition to regular vacation allowance) to officers and employees of the Reserve Banks for a period of sufficient duration, not in excess of 30 days per calendar year, to fulfill the annual field training obligation of Reserve organizations. The specific salary payments while on such military leave are left to the discretion of the individual Reserve Banks.

Since employees entering on duty with the Armed Forces no longer contribute toward the cost of the National Service life insurance premiums, the policy of reimbursing the cost of such premiums is no longer applicable.

This letter supersedes and cancels the following Board letters:

<u>Letter</u>	<u>Date</u>	<u>Loose-Leaf Reference</u>
-	October 29, 1940)	
S- 998	November 12, 1947)	#9064
-	October 25, 1948)	
S-1156	October 9, 1950)	
S- 244	December 14, 1940)	#9091
S- 247	December 19, 1940)	

Very truly yours,



Merritt Sherman,  
Secretary.

Enclosure: Statement of Policy

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Policy for Uniform Treatment of Employees of the Federal Reserve Banks  
Entering Service in the Armed Forces of the United States

In accordance with the intent of Congress as expressed in the current Federal Acts regarding military duty with the Armed Forces, the following instrument of policy has been adopted with respect to employees who enter upon active service in the Armed Forces.

Benefits cited below will be granted employees, other than temporary employees, who enter upon active duty in the Armed Forces of the United States pursuant to such Federal laws and statutes, including persons who voluntarily enlist thereunder. Such benefits however, will not apply to employees who voluntarily remain in the service longer than required under the said legislation.

While an employee is in such military service, he shall be deemed not to be in the active service of the Bank within the meaning of the Rules and Regulations of the Retirement System of the Federal Reserve Banks.

At the expiration of such military service the employee will be reinstated (provided the Bank's circumstances have not so changed as to make it impossible or unreasonable to do so) in the position he left, or one of like seniority, status, and pay, provided:

- 1. He presents a certificate in evidence of satisfactory completion of training and service;

- 2. (a) Inductee on active duty for not more than four years:

Makes application for re-employment within 90 days after he is relieved from training and service or from hospitalization continuing after discharge for a period of not more than one year;

- (b) Six-month trainee:

Makes application within 60 days after discharge from active duty for training or from hospitalization;

- (c) Reservist undergoing periods of training duty shorter than six months:

Makes application for re-employment within 30 days;

- 3. He is still qualified to perform the duties of such position.

If the employee meets the above conditions but is found to be not qualified for the position he left (or one of like seniority, status, and pay) because of disability sustained during training and service, he will be

restored to such other position, the duties of which he is qualified to perform, as will provide him like seniority, status, and pay, or the nearest approximation thereof, consistent with the circumstances in his case, unless the Bank's circumstances have so changed as to make it impossible or unreasonable to do so.

Upon reinstatement the employee will be restored to membership in the Retirement System and, provided he has not withdrawn his accumulated contributions, if any, or if they have been withdrawn provided they are redeposited, he will retain all benefits based on creditable service rendered prior to entering into military service, and in addition will receive full service credit for the period of military service without additional cost to him.

The foregoing statement is subject to modification or revision within the limitations of law whenever deemed necessary.

June 3, 1960.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 4  
6/3/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960.



Mrs. Valerie R. Frank,  
Secretary, Retirement System  
of the Federal Reserve Banks,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mrs. Frank:

Reference is made to your letters of November 18, 1957, February 13, 1959, and June 29, 1959, regarding the considerations given the Resolutions covering benefits to be provided for members of the Bank Plan entering military service under current Federal Acts.

The Board of Governors approves the Resolutions in the form as furnished with your letter of June 29, 1959, and as adopted by the Executive Committee and the Board of Trustees on June 17, 1959.

The Presidents' Conference has recommended and the Board has approved a revised statement of "Policy for Uniform Treatment of Employees of the Federal Reserve Banks Entering Service in the Armed Forces of the United States," which policy will continue in force subject to such modification or revision as may be deemed necessary from time to time. In this connection the Presidents' Conference recommended that the policy of placing on the military schedule all employees entering military service be continued. The Board concurs and approves the payment to the Retirement System currently of contributions made by the Banks to cover the cost of the Retirement benefits accorded all employees for service in the Armed Forces.

A copy of the Board's letter of June 3, 1960, to the Presidents, including the revised statement of "Policy for Uniform Treatment of Employees of the Federal Reserve Banks Entering Service in the Armed Forces of the United States," is enclosed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 5  
6/3/60

OFFICE OF THE CHAIRMAN

June 2, 1960

The Honorable Brent Spence,  
Chairman, Committee on Banking  
and Currency,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

Pursuant to a request contained in a letter of this date from Mr. Patman, a copy of which is attached, the report of examination of the Federal Reserve Bank of Chicago made during the year 1959 is being sent today to the offices of the Committee on Banking and Currency of the House of Representatives.

For reasons stated on past occasions when such reports have been supplied to your Committee, the report of examination of the Federal Reserve Bank of Chicago made during the year 1959 is being forwarded to the Committee with the understanding that it will be made available in confidence only to members of Congress and their staffs.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 6  
6/3/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1960



CONFIDENTIAL (FR)

Mr. L. F. Mills, Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Mills:

In accordance with the request contained in your letter of May 26, 1960, the Board approves the designation of the following employees of your Bank as special assistant examiners for the Federal Reserve Bank of Kansas City for the purpose of participating in the examination of Commerce Trust Company, Kansas City, Missouri:

Andrews, Stanley	Liggett, Robert	Tindall, Keith
Cable, Willard	Martin, Wayne	Trimble, Harry B.
Cahill, Robert	Mathews, F. J.	Tuggle, Jesse E.
Czerwinski, H. R.	McArthur, James I.	Walker, Lawrence
Chinn, G. S.	McKee, Hugh	Wangler, Arthur
Cockrell, Paul E.	Nash, Michael	Werner, Darrell
Coleman, P. E.	Neville, William	White, Donald I.
Culbertson, W. E.	Nichols, Douglas	Whitsitt, W. E.
Curtis, E. J.	Novak, Frank J.	Wilson, James
DeValpine, Perry	Parsons, John F.	Willock, Edwin S.
DuBois, Glenn	Patterson, Charles	Wisneiwski, Chester
Elliott, Jerry	Pope, Joseph M.	Woolworth, Richard
Fisler, James V.	Rhodes, Fred C.	Burns, Dorothy
Foley, Cecil	Searle, Joseph	Dawson, Patricia A.
Griswald, Carl	Sheppard, Charles	Haines, Mary Helen
Hain, W. M.	Slover, Don	Hirsch, Catherine
Hopper, Grady	Smith, Lewis	Johnson, Aileen
Hughes, Wm. M.	Spurlock, John B.	Lynn, Mary
Johnson, Carl	Swanson, Estus A.	Norris, Dorothy M.
La Rose, Sylvester	Terrell, Birney	Polfer, Edna

It is noted that these designations will be terminated on June 21, 1960.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.