

FEDERAL RESERVE BOARD
WASHINGTON

X-3161
July 8, 1921.

SUBJECT: Pension Plan.

Dear Sir:

The Federal Reserve Board is advised that Mr. E. R. Kenzel, of the Federal Reserve Bank of New York, who is Chairman of the Committee on Pensions, is addressing a letter to you asking for the cooperation of your board of directors in the plans which have been formulated by the Committee and calling attention also to the efforts which are being made to have the necessary legislation passed by Congress.

For your further information, I enclose herewith copy of a letter which was addressed by Vice Governor Platt, under authority of the Board, on June 10, 1921, to Senator Smoot, who, the Board understands, has consented to sponsor the bill in the Senate.

Very truly yours,

(Enclosure)

G o v e r n o r .

Governors of all F.R. Banks.

C O P Y

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X-3161a
June 10, 1921.

Hon. Reed Smoot,
U. S. Senator,
Washington, D. C.

Dear Senator Smoot:-

I take pleasure in forwarding herewith several printed copies of the proposed bill to incorporate the Federal Reserve Pension Fund in connection with the proposed plan for pensioning Federal Reserve Bank employes. This bill has been carefully revised since the last conference which Governor Harding and the members of the committee working on the plan had with you, and, I believe, contains all the changes which you deemed to be necessary or desirable.

The bill itself has been given careful study by the Federal Reserve Board and its general details have been approved by the Board, and is forwarded to you with the request that it be enacted into law as early as practicable.

In order to acquaint you with the history of this matter it perhaps should be stated that a committee composed of the Governors of the Federal Reserve Banks of Chicago and Cleveland and the Deputy Governor of the Federal Reserve Bank of New York, assisted by a committee of actuaries and pension experts and by counsel, have been at work upon the proposed plan for providing pensions for the employes of Federal Reserve Banks for more than eighteen months. The committee of experts, in the judgment of the Board, contains the men best qualified in these matters that can be found in the country.

As a result of their investigations the committee has unanimously recommended that the pension system be placed in operation through the instrumentality of a separate corporation chartered by Congress and the proposed bill is the medium suggested for carrying this recommendation into effect. The bill itself provides that the Governors of the Federal Reserve Banks, together with the Governor of the Federal Reserve Board, shall be the incorporators and that the trustees of the corporation, who are to have the management and control thereof, are to be elected, one-half by the banks and by the Board, and one-half by the employes of the banks and the Board. The corporation itself is to be supported on the contributory basis, i. e., a portion of the funds out of which the pensions or other forms of support are to be paid will be supplied by the banks and a portion by the individual employes.

The corporation is to conduct its affairs without profit and its benefits may be extended, under terms and conditions prescribed by it, to the employes of banks that are members of the Federal Reserve System, upon request from such institutions.

It should be noted that no plan of operation of the proposed fund can be inaugurated without the prior written approval of the Federal Reserve Board, and also that the corporation is required to render an annual report to the Board and to be subject to its examination.

The Board is deeply impressed with the advisability of providing a scientific and comprehensive pension system for the employes of the Federal Reserve Banks. It is most desirable that such a system shall be uniform for all the banks and shall be conducted at a minimum cost. In order to achieve these results the organization of the proposed corporation is recommended. The establishment of the system will not only place the employes of the Federal Reserve Banks upon a parity with the employes of the more enlightened banking institutions of the country, so far as pensions are concerned, but will also, as we are convinced, provide a model pension system which might well be copied in other forms of industry, and which, if extended to and used by the member banks of the system, will be of undoubted benefit to the banking community as a whole.

You will notice that the draft of bill contains a provision that the corporation may afford life insurance among other forms of support. The committee of experts are unanimously in favor of this provision. The Federal Reserve Board leaves this question open, as a number of members are not prepared, as at present advised, to approve it.

Very truly yours,

(Signed) Edmund Platt,

Vice Governor.