

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD
X-9405

December 27, 1935.

Dear Sir:

The Board in its letter, X-9051, of December 26, 1934, authorized the Federal Reserve banks to make a special contribution to the Retirement System for the purpose of increasing the annuity to which an employee 65 years of age or over may be entitled under the Rules and Regulations of the Retirement System to \$30 a year for each year of service up to 16 years, and in its letter X-9254, of July 1, 1935, authorized the payment of a dismissal wage to employees involuntarily separated from the service.

It is believed that a retirement allowance of \$480 a year thus authorized in the case of an employee with 16 years of service or more is inadequate under circumstances frequently prevailing and that a dismissal wage of up to 6 months' salary is insufficient in the case of employees with extended service. Accordingly, in cases of involuntary separation of employees from the service through no fault of their own where a supplementary retirement allowance or a dismissal wage is thought to be justified, your bank is authorized,

(a) to pay in its discretion a dismissal wage of 10% of terminal salary for each year of service up to 5 in the case of any employee involuntarily separated from the service and in the case of an employee with at least 10 years

of service and under age 55 to pay in addition 3% of terminal salary for each year of service in excess of five. Such payment may be a cash payment in a lump sum, or in not to exceed 6 monthly payments, in the case of employees under age 65 with less than 10 years of service. In all other cases payment shall be made to the Retirement System for the purpose of providing, together with the employee's own contributions, an annuity beginning at or after age 55, except that not to exceed an amount equal to 2 months' salary may be paid to the employee as a cash payment at the discretion of the Federal Reserve Bank if the employee is under age 55 and therefore not eligible to receive an immediate annuity. In applying the above, the part of any salary in excess of \$12,000 shall be disregarded and no supplemental payment shall be made in such amount as to increase the retirement allowance at age 65, or its equivalent, to more than 50 percent of terminal salary, or to give an employee under age 55 an annuity of greater actuarial value than he might be granted if he were 55 years of age, and

(b) in the case of an employee involuntarily separated after attaining age 55 to make in its discretion in lieu of the additional contributions authorized in paragraph (a) above a special contribution to the Retirement System sufficient to increase the regular retirement allowance to which the employee is entitled if 65 years of age or more, or to which he would be entitled at age 65 if under such age, to a retirement allowance on a straight life basis equal to \$4.50 for each month of service up to 15 years, or to the actuarial equivalent thereof under any option offered by the Retirement System that the employee may select. Such retirement allowance in the case of an employee under age 65 shall be deferred to age 65 or be converted into an immediate annuity of equal actuarial value, and be reduced by 5% for each year the employee may lack of having attained age 60.

In computing service for the purpose of determining the retirement allowance that may be granted at the rate of \$4.50 a month for each year of service up to 15 years, all service to date of retirement may be counted, even though a portion of such service may not be creditable service as defined in Section 1 of the Rules and Regulations of the Retirement System.

Authority contained in the Board's letters X-9051 of December 26, 1934, and X-9254 of July 1, 1935, to make special contributions to the Retirement System for the purpose of providing supplementary retirement allowances for employees retired at or after age 65 and to pay dismissal wages to employees involuntarily separated from the service is hereby rescinded.

Very truly yours,



Chester Morrill,
Secretary.

TO ALL GOVERNORS