



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-108

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1938.

Dear Sir:

There is inclosed for the information of your bank a copy of a letter addressed by the Board to the first vice president of a Federal Reserve bank relating to the conclusion of the Board that effective August 16, 1938, the salary of any officer or employee of a Federal Reserve bank dying while in the service of the bank should be paid only to and including the date of his death.

Very truly yours,

A handwritten signature in cursive script that reads "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

August 3, 1938.

Mr. _____,
 First Vice President,
 Federal Reserve Bank of _____,
 _____, _____.

Dear Mr. _____:

Reference is made to your letter of July 21, 1938 requesting the Board to consider changing its ruling of June 19, 1931 (X-6915) which now reads as follows:

"In the event of the death of an officer or employee of a Federal Reserve bank, the salary of such officer or employee should be paid only up to the next succeeding pay day."

The Board has considered the suggestion that it authorize the payment of 15 days' salary after date of death regardless of the time of month at which death occurs and in so doing has taken occasion to review the circumstances surrounding the adoption of the rule in the first instance and the effect of its application in the present changed circumstances.

Briefly recounting the same, it will be recalled that under date of April 13, 1931 (X-6859) the Board, for reasons therein stated, submitted the following topic for the consideration of the Governors at their next ensuing conference:

"Compensation for officers and employees of Federal reserve banks after death and during periods of incapacitation and extended illness. On one or two occasions in the past, upon the death of an officer of a Federal reserve bank, the directors have voted to make a payment to the widow or estate of the deceased officer equal to several months salary. The Federal Reserve Board has been advised by its Counsel that in his opinion such payments are ultra vires, but that the question is a close and doubtful one as there is no specific provision of law covering the matter. A question of policy is also involved inasmuch as all of the Federal reserve banks are carrying life insurance policies covering their officers and employees. The Board considers it important that some definite understanding should be arrived at concerning this matter and, if possible, also regarding the matter of salary payments to officers and employees absent on account of illness or injury not received in the line of official duty."

This resulted in the following recommendation from the Governors' Conference to the Board:

"Careful consideration was given to the matters referred to in the board's letter X-6859, particularly the legal questions involved, and also the desirability of arriving at a

definite understanding as to a general policy to be followed by each of the Federal Reserve banks. After a general discussion, in which the members of the Federal Reserve Board participated, it was

VOTED that it is the sense of the conference:

1. That in the event of the death of an officer or employee of a Federal Reserve bank, his salary should be paid up to the next succeeding pay day;
2. That the question whether any further increase in life insurance for officers and employees of a Federal reserve bank is desirable is a matter for the determination of the Board of Directors of that bank subject, if necessary, to the approval of the Federal Reserve Board.
3. That this whole question inevitably raises the propriety of further consideration of a pension plan, and that because of the difficulties and delays attached to the consummation of a group pension plan, the Federal Reserve Board should be asked whether it would approve of a reasonable retirement annuity or insurance plan for individual reserve banks along lines that are now considered appropriate and proper for large corporations in this country employing large numbers of workers."

Following the receipt of this recommendation, the Board issued its ruling of June 19, 1931.

It is to be observed that at that time it was recognized that the question being considered was closely related to the broader question of the propriety of establishing a retirement annuity or insurance plan for officers and employees. When it is considered that now a comprehensive plan, which, among other things, makes provision for a payment equal to a salary for a year from the date of death to the estate or beneficiary of each member of the retirement system in the service of a bank at the time of his death, has been established and is in operation, the Board is impressed with the fact that to continue the practice authorized in its ruling of June 19, 1931, would unjustifiably duplicate the payments being made by the banks for the benefit of the individual officers and employees.

Accordingly, the Board has concluded that effective August 16, 1938, salary of any officer or employee dying while in the service of a Federal Reserve bank should be paid only to and including the date of his death. The other Federal Reserve banks are being advised to this effect.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.