



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

191

R-566

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1939

Dear Sir:

There is enclosed for your information a copy of the Board's letter of December 4, 1939, to President Harrison, and an attached proposed circular letter concerning separation allowances and special contributions to the Retirement System, in which it is requested that this subject be placed on the program for discussion at the forthcoming Presidents' Conference.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", is written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT NEW YORK

R-566-a

December 4, 1939

Mr. G. L. Harrison, Chairman,
Presidents' Conference,
C/o Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Harrison:

Now that the Retirement System has been in operation for a period of nearly six years, the Board is of the opinion that some changes should be made in the authorizations contained in its letter, S-7, of June 24, 1937 with respect to separation allowances and special contributions to the Retirement System for the purpose of supplementing retirement allowances, and in its letter, X-9798, of January 21, 1937 with respect to the retention of officers and employees in service after the attainment of age 65.

Accordingly, the Board's staff has prepared the attached proposed circular letter to all Federal Reserve banks which is intended to supersede the above mentioned letters.

Before reaching any decision in regard to the proposed circular letter, the Board would appreciate receiving the opinion of the Presidents on the suggested changes. It will be appreciated, therefore, if this subject is placed on the program for discussion at the forthcoming Presidents' Conference. Owing to the limited time before the next Presidents' Conference, December 12, a copy of this letter and its enclosure is being sent to the President of each of the other Federal Reserve banks.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Enclosure

Dear Sir:

The Board has reviewed its policy with respect to the retirement of officers and employees upon attainment of age 65, and the authorization heretofore given to the Federal Reserve banks to pay separation allowances, and to make special contributions to the Retirement System, and is of the opinion that some changes therein are desirable. Accordingly, the Board's letters X-9798 of January 21, 1937, and S-7 of June 24, 1937, are hereby rescinded, effective July 1, 1940, and beginning with that date the Board's policy on the above mentioned matters will be as follows:

Retirement of officers and employees upon attainment of age 65.

The Rules and Regulations of the Retirement System provide that any member in active service who has attained age 65 shall be retired on a date not more than ninety days next following the date on which such age is attained, except that during the five years next following attainment of age 65 any member, on the request of the employing bank, may be retained in service for a period of one year as the result of each such request during the five year period.

While the retention of employees in service after attaining age 65 was justified, in many instances, when the Retirement System was first established, it is thought that the necessity for such extensions now rarely exists. Furthermore, it has now been nearly 6 years since the Retirement System was set up and employees have had sufficient notice that the Rules and Regulations provide for retirement at age 65 to enable them to take the steps necessary to accommodate themselves to the change from an employed to a retired status. Accordingly, the Board is of

the opinion that officers and employees should be retired promptly after attainment of age 65, in the absence of exceptional circumstances which would justify retention in service beyond that age. In case, therefore, a Federal Reserve bank wishes to retain an officer (other than the President or First Vice President) or employee in service for more than 90 days after he attains age 65, the Board should be furnished with a full statement of the exceptional circumstances which, in the judgment of the board of directors of the bank, justify such retention, and beginning with January 1, 1941, the Board's advance approval should be obtained for the payment of salary for any service rendered after the expiration of such ninety day period.

Special contributions to the Retirement System for benefit of officers and employees retired at or after age 65.

On retirement of an officer or employee at or after attaining age 65 and after at least five years of service, your bank is authorized, with the approval of the Board of Directors, to pay to the Retirement System such amount as may be necessary to increase his retirement allowance by an amount not exceeding \$1.00 for each month of service, provided that the retirement allowance as thus supplemented shall in no case exceed one-half of his average annual salary during the last five years of service or \$1,200, whichever is less.

In the case of medium and higher salaried officers and employees, this represents a substantial reduction from the maximum payment, six months' salary, that can be made under existing authorizations. In order that this change may not be too abrupt, your bank is authorized in lieu of the above to pay to the Retirement System for the benefit of an officer or employee retired prior to January 1 1942, an amount not to exceed 25 per cent of the salary that the officer or employee would have received at the current rate from the date of his retirement to January 1, 1942, if he had remained in service to that date.

Contributions to the Retirement System for the benefit of employees on leave of absence on part pay or without pay.

In the case of officers or employees on leave of absence on part pay, contributions by the bank may be continued at the full rate, provided that deductions are also made at the full rate from salary paid. Contributions in order to continue in effect eligibility for death and disability benefits may be made by the bank in the case of an officer or employee on leave of absence without pay,

whether or not he makes his contributions also, but such contributions by the bank should not be made for a period in excess of two months without obtaining the prior approval of the Board of Governors, unless the absence is due to illness or to temporary service in a civilian capacity with a department or agency of the Federal Government.

Separation allowances

If an officer or employee of your bank is separated from service with the bank prior to attainment of age 65 under such circumstances as in the opinion of your directors warrants the payment to such officer or employee of a separation allowance, your bank may pay to the officer or employee, or to the Retirement System for his benefit, an amount equal to not more than one-half of one month's salary for each six months' service or fraction thereof, with a maximum of six months' salary. It is assumed that no separation allowance will be paid to an officer or employee who voluntarily resigns to accept other employment.

In applying the above any salary in excess of \$12,000 per annum shall be treated as a salary of \$12,000, and in computing length of service for the purpose of determining the maximum separation allowance or special contribution to the Retirement System 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. Retirement allowances as referred to above are the regular cash refund allowances or their actuarial equivalent under any of the optional plans.

This letter is not to be construed as indicating the contribution, if any, that should be made in a given case. It merely sets forth what in the opinion of the Board appear to be the maximum payments that should be made either as separation allowances or to supplement retirement allowances.

Very truly yours,

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS