

Retirement System

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ALFRED HAYES

RETIREMENT SYSTEM

Board of Trustees and Officers

(November 1971) -- Now called - ADMINISTRATIVE BOARD

1957-1974

FEDERAL RESERVE EMPLOYEE BENEFITS SYSTEM

ADMINISTRATIVE BOARD

July 1978

FEDERAL RESERVE BANK OF:

ELECTED

EX OFFICIO

BOSTON

George H. Harris
(Senior Admin. Asst.,
Money Department)

Frank E. Morris

NEW YORK

Jane L. Detra (Asst.
Secretary & Asst. Counsel)

Paul A. Volcker, Jr.

PHILADELPHIA

Julianne S. Keller
(Secretary to
Vice President)

David P. Eastburn

CLEVELAND

James D. Kelly
(Assistant Federal
Reserve Agent)

Willis J. Winn

RICHMOND

Joseph F. Viverette
(Vice President)

Robert P. Black

ATLANTA

Hiram J. Honea
(Vice President,
Birmingham Branch)

Monroe Kimbrel

CHICAGO

Adolph J. Stojetz
(Vice President)

Robert P. Mayo

ST. LOUIS

Eugene F. Orf
(Vice President)

Lawrence K. Roos

MINNEAPOLIS

Richard C. Heiber
(Assistant Vice President)

Mark H. Willes

KANSAS CITY

Dan M. Bechter
(Research Officer and
Economist)

J. Roger Guffey

DALLAS

Thomas A. McMillen
(Manager, Personnel Dept.)

Ernest T. Baughman

SAN FRANCISCO

H. Peter Franzel
(Assistant Vice President,
Branch Operations)

John J. Balles

BOARD OF GOVERNORS

Janet O. Hart
(Director, Division of
Consumer Affairs)

Philip E. Coldwell

125

**RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS**

33 LIBERTY STREET
NEW YORK, N. Y. 10045
February 8, 1973

To Members of the Administrative Boards:

The Executive Committees of the Retirement, Thrift and Insurance Plans by mail vote have appointed David P. Eastburn, President, Federal Reserve Bank of Philadelphia, to fill the office of Chairman of the Administrative Boards of the Retirement, Thrift and Insurance Plans for Employees of the Federal Reserve System until the next meeting of the Boards.

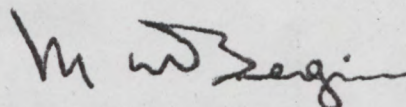
This action was taken in accordance with Section 3.2 of the By-Laws of the Retirement and Thrift Plans, which authorizes the respective Executive Committees to fill a vacancy among the officers. In accordance with Section 3.1 of the By-Laws of the Insurance Plans, Mr. Eastburn becomes Chairman of the Board by virtue of his appointment as Chairman of the Board of the Retirement Plan.

The By-Laws of the three Plans also provide that Mr. Eastburn becomes Chairman of the Executive Committees. As now constituted, the membership of the Executive Committees is as follows:

David P. Eastburn, Chairman
B. H. Hargett, Vice Chairman
Jeffrey M. Bucher
Ward J. Larson
M. H. Strothman, Jr.
Richard A. Walker

There is now one vacancy on the Committees. This vacancy can be filled at the next meetings of the Administrative Boards.

Sincerely,



Martin W. Bergin
Executive Secretary

RECEIVED

FEB 9 1973

ANSWERED A. H.
ATTENDED TO

RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS

33 LIBERTY STREET
NEW YORK, N. Y. 10045
November 18, 1971

The set-up of the various committees under the amended Retirement and Thrift Plans, effective November 15, 1971, are as follows:

Retirement Plan

The Board of Trustees is now called the Administrative Board of the Retirement Plan and is composed of the same 26 members.

The old Executive, Retirement and Investment Committees no longer exist.

There is an Executive Committee consisting of seven members. The Chairman and Vice Chairman of the Administrative Board serve as Chairman and Vice Chairman of the Executive Committee. The member of the Administrative Board appointed by the Board of Governors and four others to be appointed annually by the Administrative Board (at least two of whom will be appointed from the membership of that Board) will be the remaining five members of the Committee. The purpose of the Executive Committee will be generally to supervise the operations of the Plan and between meetings of the Board to exercise the powers of the Board in the management and direction of the affairs of the Plan. The membership of the Executive Committee as of November 15 is as follows:

Aubrey N. Heflin, Chairman
B. H. Hargett, Vice Chairman
David P. Eastburn
Ward J. Larson
S. J. Maisel
M. H. Strotzman, Jr.
Richard A. Walker

There is now a Performance Review Committee consisting of five members, four of whom are to be appointed annually by the Presidents (at least two of whom will be appointed from their number) and one member to be appointed by the Board of Governors. The Performance Review Committee will instruct the Trustee (the Federal Reserve Bank of New York) with respect to the investment and reinvestment of funds received by the Trust. The vote is still pending on the membership of this Committee. The tentative membership is as follows:

George H. Clay
David P. Eastburn
Frank E. Morris
William F. Treiber
S. J. Maisel

Thrift Plan

The five-member Administrative Committee of the Thrift Plan no longer exists. It has been expanded to 26 members and is called the Administrative Board of the Thrift Plan. It is composed of the same members as the Administrative Board of the Retirement Plan.

There is also an Executive Committee and Performance Review Committee of the Thrift Plan. These two Committees will be composed of the same members as the corresponding Committees of the Retirement Plan, and will have the same responsibilities under the Thrift Plan as under the Retirement Plan.

The Board of Governors and the Conference of Presidents authorized the establishment of the System Committee on Employee Benefits. It will generally serve the same function as the Joint Board-Presidents Conference Committee (which no longer exists) of providing a management group to supervise and participate in the development of benefit proposals requiring Board of Governors and Conference of Presidents consideration. This Committee will be composed of the members of the Committee on Management and Personnel of the Conference of Presidents and the Committee on Organization, Compensation, and Building Plans of the Board of Governors. The present membership is as follows:

Governors Brimmer
Daane
Maisel
Presidents Eastburn
Heflin
Swan

The above are the only permanent committees constituted at present. There will be in the near future a committee or committees set up to administer the insurance benefits (group life and long-term disability). As in the past, there will be various ad hoc committees formed from time to time to study particular questions. Various committees which were formed in the transitional period between 1969 and the present, such as the Coordinative Committee, have ceased to exist.

The officers of both the Retirement and Thrift Plans and their titles are as follows:

Aubrey N. Heflin, Chairman
B. H. Hargett, Vice Chairman
Thomas M. Timlen, Jr., Treasurer
Martin W. Bergin, Executive Secretary
Grace Tessier, Assistant Secretary
Paul E. Mais, Assistant Secretary
Bob. S. Bury, Assistant Treasurer

Retirement

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212 791-5481

PAUL MEEK
MONETARY ADVISER

MS
April 5, 1974

Mr. David P. Eastburn, Chairman
Administrative Boards of the Retirement,
Thrift, and Insurance Plans for Employees
of the Federal Reserve System
c/o Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania 19101

Dear Dave:

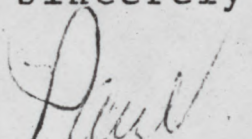
Thank you for your nice note. I want to express my appreciation to the members of the Executive Committee for their confidence in electing me as Treasurer. I welcome the opportunity to contribute to this vital aspect of Federal Reserve responsibility. The Retirement and Thrift Plans have made noteworthy advances in benefits and opportunities afforded members in recent years. I know that Tom Timlen leaves with a feeling of regret, but also one of pride in playing a part in these constructive achievements.

Looking to the future, I have one thought that might be worthy of consideration at some time by the Executive Committee of the Administrative Board. It seems to me that a booklet might be commissioned that would offer employees examples of the use of their various benefits in a program of lifetime financial planning. I am sure that an outside specialist in such matters could develop an informative booklet which would give employees a framework for considering lifetime important financial decisions. For example, there might be some discussion of insurance benefits in relation to the life cycle of insurance needs. The use of the Thrift Plan in buying a new house, sending children to college, or providing retirement income could be discussed. A specialist in such matters might even find significant things to say about protecting one's savings and retirement income against inflation. The tax consequences of alternative choices at retirement might be covered. In short, it seems to me that we might be able to provide very useful information to Federal Reserve employees at a reasonable cost providing numerous alternative illustrations. We would not in any sense be giving explicit advice to any individual--just a check list of important considerations to be weighed.

If this thought should appeal to you, perhaps one of your staff might be able to develop it with the aid of an organization in Philadelphia which is versed in lifetime financial planning.

Best regards.

Sincerely yours,


Paul Meek
Treasurer

DATE: April 4, 1974

TO: Members of the Executive Committee
and Administrative Board - Retirement and Thrift Plans

FROM: David P. Eastburn, Chairman

SUBJECT: Committee to Define Federal Reserve Benefit Goals

You will be interested to know that I have appointed an ad hoc committee to define Federal Reserve benefit goals. This committee is being established as a preliminary step to the next triennial review of the benefits plan. Gene Leonard will chair the group; the other members are Dan Doyle and Dick Walker. Their basic charge is to explore the needs of employers, employees and society that should be served by the benefit plan. Their investigation will include such questions as: what are the probable characteristics of Federal Reserve employees in the decade ahead; what will be their motivations; how long will they remain with us; what kinds of competition will there be for employees; etc.?

Hopefully, the committee will be far enough along by June to be able to present some material at the meeting of the Administrative Board. In any case, the committee will be seeking your views.

cc: M. W. Bergin
Executive Secretary
E. A. Leonard
D. M. Doyle
R. A. Walker

RECEIVED

APR 8 1974

A. H.
ANSWERED.....
ATTENDED TO.....

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, NEW YORK 10045

March 21, 1974

Mr. David P. Eastburn, Chairman
Administrative Boards of the Retirement,
Thrift, and Insurance Plans for Employees
of the Federal Reserve System
c/o Federal Reserve Bank of Philadelphia
925 Chestnut Street
Philadelphia, Pennsylvania 19101

Dear Dave:

For some time now, I have been concerned that, because of my various Federal Reserve assignments both within and without the Federal Reserve Bank of New York, I have not been able to devote as much time as I would like to the work of the Treasurer of the Federal Reserve Employee Benefits System. Accordingly, I am hereby submitting my resignation as Treasurer, effective April 1, 1974.

I regret that I will no longer be personally involved in the administration of the Plans. I have enjoyed my assignment as Treasurer and I will miss my periodic association with the Plans' officers and committee members.

Sincerely yours,

THOMAS M. TIMLEN, JR.

Thomas M. Timlen, Jr.
Treasurer

cc: Martin W. Bergin
Executive Secretary

Mr. Hayes
Mr. Debs
Mr. Meek
Mr. Corrigan

TMT/mjp

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FEDERAL RESERVE EMPLOYEE BENEFITS SYSTEM

Memorandum

October 31, 1973

To the Members of the Administrative Board:

Following are the results of this year's scheduled elections of members of the Administrative Board of the Retirement Plan:

BANK

ELECTED MEMBER

New York

George C. Smith (re-elected)

Philadelphia

Alan L. Kiel (succeeding
Edwin C. Lodge)

Kansas City

Dan M. Bechter (succeeding
Marvin L. Mothersead)

Dallas

Thomas H. Rust (succeeding
Harry E. Robinson)

The reverse side of this memorandum contains a list of the members of the Administrative Board as it is constituted beginning November 1.

Martin W. Bergin
Executive Secretary

(over)

FEDERAL RESERVE EMPLOYEE BENEFITS SYSTEM

ADMINISTRATIVE BOARD

NOVEMBER 1973

FEDERAL RESERVE
BANK OF:

ELECTED

EX OFFICIO

| | | |
|--------------------|---|--------------------|
| BOSTON | Robert M. White (Manager and Financial Statistician, Research) | Frank E. Morris |
| NEW YORK | George C. Smith (General Auditor) | Alfred Hayes |
| PHILADELPHIA | Alan L. Kiel (Manager, Personnel Department) | David P. Eastburn |
| CLEVELAND | James D. Kelly (Assistant Federal Reserve Agent) | Willis J. Winn |
| RICHMOND | Joseph F. Viverette (General Auditor) | Robert P. Black |
| ATLANTA | B. H. Hargett (Vice President) | Monroe Kimbrel |
| CHICAGO | Ward J. Larson (Senior Vice President and General Counsel) | Robert P. Mayo |
| ST. LOUIS | Eugene F. Orf (Assistant Vice President) | Darryl R. Francis |
| MINNEAPOLIS | Richard C. Heiber (Assistant General Auditor) | Bruce K. MacLaury |
| KANSAS CITY | Dan M. Bechter (Business Economist, Research Department) | George H. Clay |
| DALLAS | Thomas H. Rust (Manager, Personnel Department) | Philip E. Coldwell |
| SAN FRANCISCO | Patricia P. Willis (Assistant Department Head, Personnel Department, Los Angeles Branch) | John J. Balles |
| BOARD OF GOVERNORS | P. D. Ring (Assistant Director, Division of Federal Reserve Bank Operations) | Jeffrey M. Bucher* |

*Designated by the Board of Governors.

NY

Retirement
~~Hotell~~

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212 732-5700

August 2, 1973

Mr. David P. Eastburn, Chairman
Administrative Boards, Benefits
Plans for Employees of the
Federal Reserve System
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania 19101

Dear Mr. Eastburn:

In further response to your suggestion that I submit memoranda on two matters I mentioned at the June 20, 1973, Administrative Board meeting, there are attached comments concerning Post Retirement Life Insurance Coverage. As indicated, this is an area in which I believe the Federal Reserve Banks may not be fully competitive with other progressive employers and in which I think a study should be made with the view toward possible improvements.

Again, thanking you for the opportunity to submit my views in these matters.

Respectfully,

GEORGE C. SMITH

George C. Smith, Member
Administrative Board

Attachment

cc: Mr. Hayes
Mr. Debs
Mr. Bergin

OFFICE CORRESPONDENCE

DATE August 2, 1973

TO Mr. David P. Eastburn SUBJECT: Post Retirement Insurance
Chairman, Administrative Board
FROM G. C. Smith Coverage

At the June 20th Administrative Board meeting, I mentioned what seemed to me to be a disproportionate, and in my view undesirable, relationship between in service death benefits of Federal Reserve Bank employees and their post retirement benefits. Generally speaking, our in service death benefits (including spouse's benefit) must be among the most liberal, while our post retirement death benefit may be at the other end of the spectrum, despite the recent rise from \$1,000 to \$2,500. Nonetheless, this was a much appreciated step in the right direction that does seem to place the Reserve Banks in a favorable position as regards the amount of minimum post retirement coverage.

I have advocated for many years an improvement in our post retirement death benefits as a necessary ingredient to round out our benefits package and to make us more competitive in that aspect, and possibly in the overall, with other progressive employers. At the Administrative Board meeting held on October 18, 1972, Mr. Balles lent his support to a study of this subject, pointing out the marked discrepancy in this area he has noticed as compared with the benefit he enjoyed in his previous position. It seems to me that with the extensive insurance company relationships already existing in our benefits programs, we could readily obtain good information and proposals pertaining to this area at favorable group rates.

In response to a request made by Mr. Galusha in November 1970 for suggestions of proposed changes in our benefits programs, I submitted to Marty Bergin a memorandum dated January 28, 1971 that included as one of the matters mentioned the following comments pertaining to Post Retirement Insurance Coverage. I believe these comments remain generally relevant today.

"The area in which our overall benefits programs seems to have long been the weakest is post retirement insurance coverage. The death benefits provided by Federal Reserve Banks for employees while in active service are extremely good. However, immediately upon retirement such coverage reduces to the relatively inconsequential amount of \$1,000*, except for the option to convert group life insurance at the very high, and to most, prohibitive premium rate applicable to retirement age.

* now \$2,500

"Much better post retirement insurance coverage has been prevalent for many years in business and industry. As far back as 1964 a National Industrial Conference Board survey revealed that about 80 percent of 947 companies responding to its survey continued group life protection for retired employees (97 percent of the responding banks and insurance companies). Also most of the companies that continued group life insurance coverage subsequent to retirement paid the entire premium for the post retirement coverage."

I believe that all, or most, of the larger New York City banks have some form of post retirement life insurance coverage as a part of their overall benefits package. The following summarizes what appear to be the principal aspects of one such plan currently in effect that seems to me quite desirable and is illustrative of the type of program I have in mind.

The employer and the employee, while in active service, share the cost of the Group Life coverage. The employee's cost is 40 cents per month per thousand of term coverage and \$1 per month per \$1,000 of paid up life insurance coverage. (The paid up insurance is permanent, is owned by the employee and always has a cash value of at least the amount paid in by the employee.)

Under the basic plan, the employee is insured for a total of two years salary by a combination of paid up and term life insurance. Supplemental insurance is available that offers additional term insurance coverage up to two more years salary.

Upon retirement, employees who elected at least one years coverage under the supplemental plan continue to be covered at no cost to them for the amount of their final years salary for the first year of retirement. This reduces during the next five years to 50 percent of the starting amount, which continues for the remainder of his life. In addition to the term insurance mentioned above, the employee also is covered after retirement without further charge for the amount of the paid up insurance he purchased during his active service. It is estimated that employees who participate in this phase of the basic program will accumulate an amount of paid up insurance ranging from 50 percent to 75 percent of final annual salary. A combination of the above indicates employees may accumulate post retirement insurance coverage for life equal to 100 percent to 125 percent of final annual salary -- and more for the first five years of retirement.

This plan also is integrated with a surviving spouse's benefit under the bank's retirement plan whereby at age 50 with 25 years' service or at age 60 regardless of service, in lieu of

one year's insurance coverage, the spouse becomes entitled to an income equivalent to an annuity purchased by three times final annual salary. At the same time the employee can remain insured during the rest of his active career for up to three times annual salary.

The above plan seems to have considerable merit, including favorable tax implications, and might be worthy of investigation in all its ramifications.

Another New York City bank includes in its "Plan for Pensions" a provision that upon the death of a pensioner there shall be paid to his designated beneficiary an amount (not less than \$1,000) equal to one year's pension payable to him at age 65 based on his credited service and average final salary computed without regard to whether he elected to commute such pension in order to receive a joint and survivor pension.

This appears to be a rather uncomplicated manner to provide what could be a rather favorable post retirement death benefit.

I understand Board employees, in addition to their other benefits, are eligible to participate in the Federal Employees Group Life Insurance plan which provides both in service and post retirement life insurance coverage at favorable group rates.

The banks referred to above that seem to have good post retirement insurance plans also have a full compliment of retirement, thrift and/or profit sharing, and a number of other forms of employee benefit programs that in scope of coverage seem fully comparable with the programs of the Federal Reserve Banks. While I obviously am not in a position to evaluate the overall merits of the total packages, I do think there are good grounds for thoroughly evaluating the post retirement death benefits available under Federal Reserve Bank programs, as compared with those of other progressive employers, with the view toward improving such benefits if it seems warranted to do so. I have been informed by people enjoying substantial post retirement insurance coverage that they consider this to be among their best benefits.

Copy to TMT

FEDERAL RESERVE BANK OF NEW YORK

Date

7/30/73

To

Mr. Debs

Of

Alfred Hayes

From

Please:

- ☐ Attend to
☐ Note and return
☐ Note and forward
to Files
☐ See (phone) me
re attached
☐ Prepare reply for
my signature


- ☐ For your information
☐ For your files
☐ As per conversation
☐ As requested
☐ For your comments
and suggestions
☐ Does attached meet
with your approval?
☐ For signature, if
you approve

Other remarks:

*It seems to me that our
Personnel Dept. should give
this a careful look and
advise you and me as to an
appropriate Bank attitude. ASH*

FEDERAL RESERVE BANK OF NEW YORK

Date 7/27/73

 Mr. Hays

Of _____

From GEORGE C. SMITH

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212 732-5700

July 27, 1973

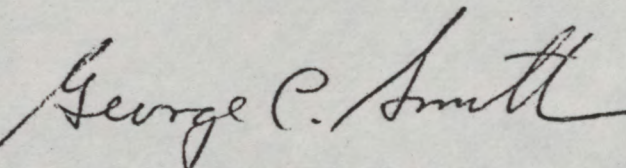
Mr. David P. Eastburn, Chairman
Administrative Board
Retirement Plan for Employees of
the Federal Reserve System
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania 19101

Dear Mr. Eastburn:

The attached is in partial response to your suggestion, made at the meeting of the Administrative Board in Washington on June 20, 1973, that I send you memoranda on two matters I discussed at the meeting relating to the Federal Reserve Banks' benefits programs that it seemed to me warranted consideration and improvement. These matters included (1) Supplementing of Retirees' Pensions and (2) Post Retirement Life Insurance Coverage. The accompanying material refers to the supplementing of retirees' pensions and it will be understood that in all instances this also includes supplementing the allowances payable to beneficiaries of deceased retirees.

I am pleased to have the opportunity to submit this material for your consideration and will forward my comments on Post Retirement Life Insurance Coverage as soon as possible.

Respectfully,



George C. Smith, Member
Administrative Board

Attachment

cc: Mr. Hayes
Mr. Debs
Mr. Bergin

*In Turner - 7/30/73
(by B. Bergin)*

OFFICE CORRESPONDENCE

DATE July 27, 1973Mr. Eastburn, Chairman
TO Administrative BoardSUBJECT: Supplementing Retirees'FROM G. C. SmithPensionsBackground

Until quite recent years there was no systematic procedure for regular review of the effects of cost of living increases on the adequacy of retirement allowances of retired Federal Reserve Bank employees, and they fared quite poorly in maintenance of their purchasing power, especially in comparison with Board retirees.

The first substantial general supplement to allowances of retired Reserve Bank employees became effective on July 1, 1967, after a study of the matter. It covered employees who retired in the first half of 1964 and previously. Those who retired in the first half of 1964 received a 6% supplement, and those who retired before 1964 received 2% more for each year they retired earlier, up to a maximum of 34%. Obviously, considerable hardships must have been experienced by many over a number of years.

The matter again lay dormant with resultant uncompensated losses in purchasing power until 1970 when a flat 7% supplement was granted effective January 1, 1970 to each retired member who retired before January 1, 1970. This obviously had the effect of favoring the more recently retired employees as compared with those who retired in earlier years.

In 1971 when another supplement was under consideration, my views were asked as to what I thought might be an appropriate amount of supplement. I submitted suggestions to the effect that consideration should be given to a sliding scale supplement ranging from 18.993% for those who retired in the second half of 1964 and prior down to 1.461% for those who retired in the second half of 1970. This would have tended to adjust for substantial uncompensated losses of purchasing power suffered by retired Reserve Bank employees because of cost of living increases during the second half of 1964 and up to the granting of the 7% supplement in 1970.

In support of my suggestions, I pointed out that the proposed maximum supplement of 18.993% closely matched the 26% cost of living increases from the second half of 1964 through 1970, less the 7% supplement granted to those who retired prior to January 1, 1970. I also pointed out that in the comparable period of 1964-1970, retired Board employees had received supplements aggregating 28.4%, and in some cases more.

However, rather than granting supplements on a sliding scale basis, another across the board supplement of 5% was granted effective January 1, 1971 to those who retired prior to January 1, 1970 and met certain other specified requirements.

Subsequently, across the board supplements of 4% and 5% were granted effective January 1, 1972 and January 1, 1973 to Reserve Bank retirees who retired, respectively, prior to January 1, 1971 and January 1, 1973.

Comparison of Supplements Granted 1965 to Present

| <u>Board Plan</u> | | <u>Bank Plan</u> | |
|-----------------------|----------------|-----------------------|----------------|
| <u>Effective Date</u> | <u>Percent</u> | <u>Effective Date</u> | <u>Percent</u> |
| 12/1/65 | 6.1 (+) | | |
| 1/1/67 | 3.9 | 7/1/67* | 6 - 34 |
| 5/1/68 | 3.9 | | |
| 3/1/69 | 3.9 | | |
| 11/1/69 | 5.0 | | |
| 8/1/70 | 5.6 | 1/1/70 | 7 |
| 6/1/71 | 4.5 | 1/1/71 | 5 |
| 7/1/72 | 4.8 | 1/1/72 | 4 |
| 7/1/73 | 6.1 | 1/1/73 | 5 |

* This supplement applied to eligible members who retired before July 1, 1964.

Current Procedures Governing Supplements

Bank Plan

Section 10.1 of the Retirement Plan provides that each year the Executive Committee shall review the allowances being paid to retired members or their beneficiaries under the Plan and that the Committee shall report the results of its studies and any proposals for amending or revising the Plan to the Administrative Board. Subsequent approvals of any supplements that might be recommended as the result of the study would be required by the Administrative Board, the Board of Governors and the IRS. (Since the Plan has had sufficient reserves to fund recent supplements, the Reserve Banks have not had to agree explicitly to the granting of supplements, but in time, the Banks also will have to consent to paying the cost of future supplements.)

I might add that the provision for such an annual review was placed in the Plan as a requirement largely at my urging, it having been the original intent that this would be an unwritten requirement or understanding related to administrative decisions and economic trends and conditions.

Board Plan

Corresponding to the provisions of the Civil Service Retirement Act, the retirement allowances of retired Board employees are automatically increased whenever the Consumer Price Index goes up by at least 3% over the then current base month and stays up by at least 3% for three consecutive months. In such cases, annuities are increased by the highest percentage rise during the three months period, plus an additional 1% to cover the lag between the price-level change and the adjustment in benefits. The increase is effective on the first day of the third month which begins after the CPI has been at least 3% above the base month for three consecutive months.

Remarks and Recommendations

As I mentioned at the Administrative Board meeting, particularly in this era of very rapidly rising prices, the post retirement escalation provisions in a retirement plan are among the most important to both the active and retired members. Without provisions for equitable and regular escalations, retirement allowances can quickly become woefully inadequate, resulting in hardship and diminished living standards.

In the past several years under the annual review requirement of the Bank Plan, it is apparent that Reserve Bank retirees have fared reasonably well in the way of pension supplements to compensate for cost of living increases - although past inequities (1964-1970) were not compensated.

Nevertheless, I continue to feel that automatic escalation in response to cost of living increases, as in Civil Service and the Board Plan, is far preferable. It is automatic and in response to a prescribed set of conditions that makes the increased payments essential to the well-being of the recipient who often has no other way to sustain his purchasing power and living standards. Lags and delays are eliminated or minimized. The increases are not dependent on current moods or judgments of the Federal Reserve Banks or the Board of Governors, which may at times be influenced by extraneous circumstances such as budget and cost considerations. Experience has shown that cost of living increases not compensated as they occur may only belatedly or never be made up. Also, administration would be improved because each supplement would not have to be handled as an amendment to the Plan and be separately approved by the IRS; and provisions could be made for funding on a current actuarial basis making for a more satisfactory financing arrangement and eliminating possibly very large lump sum payments.

It seems to me that the advantages of the automatic escalation are manifest and that this is now an essential or

necessary cost of doing business to the same extent as are other elements of a sound and well rounded benefits program. The practice is expanding to Union as well as to other plans, and Social Security is scheduled to go on an automatic escalation basis beginning in 1975. I do not think the theory that automatic pension escalations in response to cost of living increases are themselves inflationary is a valid or forceful objection in the view of most Federal Reserve Bank employees whom the benefit plans are designed to attract and serve.

George C. Smith

h

**RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS**

Circular Letter No. 235

33 LIBERTY STREET
NEW YORK, N. Y. 10045

November 27, 1972

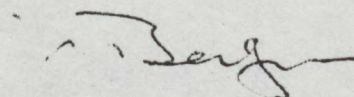
To the Members of the Administrative Board,
the Secretary of the Board of Governors, and the
Personnel Officers at the Board and Each Bank and Branch:

Enclosed is a copy of a notice we intend to enclose with Bank Plan retirement checks being mailed Tuesday, November 28.

Should any members receiving this notice call you about it, you can say that all members presently receiving an allowance qualify for the increase, including those who retire through the end of the year 1972. The 5 percent increase is somewhat greater than the rise in the cost of living this year, and is designed, among other things, to adjust for the difference in benefits for members retiring before and after the 1973 changes.

Bank Plan members on retirement who are not collecting their payments at this time will be eligible for the supplement if they are at least 50 years of age on January 1, 1973. A 5 percent increase will be made in their allowances when they begin to draw payments.

Sincerely,



Martin W. Bergin
Executive Secretary

Enclosure

RECEIVED

NOV 28 1972

A. H.

ANSWERED.....
ATTENDED TO.....

Retirement Plan for Employees of the Federal Reserve System

Dear Retired Members and Annuitants:

I am pleased to tell you that the Administrative Board of the Retirement Plan, and the Board of Governors, have approved an increase of 5 percent in your monthly Retirement Plan payments beginning in 1973. This increase must now be approved by the Internal Revenue Service, and we hope we will be able to include it in your end-of-January check.

On this occasion I should like to extend to all of you a cordial wish for a joyous and peaceful holiday season.

Martin W. Bergin, Executive Secretary

November 28, 1972

AA
FEDERAL RESERVE BANK OF RICHMOND

RICHMOND, VIRGINIA 23261

Mr. Trester
Mr. Tumbler
Mr. Foushee
Mr. Bergin
November 22, 1972

TO: The Presidents of the Federal Reserve Banks

FROM: Aubrey N. Heflin, Chairman, Administrative Board
Retirement Plan for Employees
of the Federal Reserve System

Enclosed is a copy of a letter from the Board of Governors dated November 20, 1972, advising that the Board has approved all of the changes in retirement benefits proposed for January 1973 except the extension of the new \$2,500 of post-retirement life insurance to the 4,400 or so eligible members on the retirement rolls as of December 31, 1972.

As approved by the Board, the \$2,500 of coverage will apply only to eligible members retiring on and after January 1, 1973. The reasons for the Board's decision on this coverage are given in the last paragraph of its letter.

Since some of your employees who elected to retire in November or December 1972 instead of waiting until 1973 may have based their decision partly on the expectation of the increased coverage, I suggest that they be advised that the new \$2,500 of insurance will not apply to them. If, as a result, any of them desire to retire under the new rules in 1973, they should be permitted to do so. I suggest that an appropriate note be placed in the file of each November or December retiree stating that they were advised of the applicability of the new \$2,500 insurance coverage and indicating their desire either to retire in 1972 or to wait until 1973.

// Please advise the Retirement Office promptly of any requested changes in retirement dates.

I am sending a copy of this letter and the enclosure to the elected members of the Administrative Board for their information.

RECEIVED

Enclosure

NOV 24 1972

A. H.

ANSWERED

ATTENDED TO



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

November 20, 1972

Mr. Aubrey N. Heflin, Chairman
Administrative Boards of the Retirement,
Thrift, and Insurance Plans for Employees
of the Federal Reserve System
C/o Federal Reserve Bank of Richmond
Richmond, Virginia 23261

Dear Mr. Heflin:

With reference to your letters of October 27 and November 1, 1972 submitting for Board approval proposed changes in the Retirement, Thrift, and Insurance Plans, the Board has taken the following actions:

Proposed Changes in Retirement Plan

a. Pension formula and Social Security integration procedure.

Sections 2.17 and 5.1(a) of the Plan would be amended to provide that the pension payable on retirement at 65 would be computed under a "step rate" technique rather than the "offset" now used. The new pension would amount to 1.3 percent of the retiree's final average salary (highest consecutive 5-year average) not in excess of the Social Security integration level (\$5,856 in 1973) plus 1.8 percent of final average salary in excess of the integration level, multiplied by years of creditable service.

Approved

b. Improved early retirement benefits.

Section 6 would be amended to eliminate all actuarial-type reductions in pensions for members who retire after reaching age 60 and have at least 30 years of creditable service, and for those under 60 whose combined age and years of service total at least 90. Pensions of those who do not meet the Rule of 90 but exceed the Rule of 80 would also be improved in accordance with the table of percentage factors appearing on page 45 of the Ad Hoc Committee Report dated October 2, 1972.

Approved

c. Maximum limitation on pensions.

Section 7.1 would be amended to provide that the pension payable to a member who retires on or after January 1, 1973 shall not in any event exceed (before optional modification, conversion, or early retirement reduction) 80 percent of such member's final average salary.

Approved

d. Survivorship option at retirement.

Section 9.4(a) would be amended to permit a retiring member whose age is 60 or more, or whose age plus years of creditable service equal 90 or more, to convert his single-life pension at one-half the regular actuarial cost to provide that his surviving spouse, parent, brother or sister, or son or daughter, would continue to receive a payment of not more than 50 percent of his converted pension, provided, that if a retiree desires to continue a payment of more than 50 percent of his converted pension to his designated survivor the full actuarial rate of conversion would be applied on the excess.

Approved

e. Supplement to allowances of persons retired prior to January 1, 1973.

Section 11 would be amended to provide a 5 percent supplement ~~to the retirement allowance payable to or on behalf of each~~ eligible member who has retired prior to January 1, 1973, provided that eligible members shall include only those who are at least 50 years of age on January 1, 1973 or who have retired because of disability, and further provided that the supplement shall be payable to the beneficiaries or estates of members who would have qualified had they not died.

(It is noted that the amount of this supplemental payment includes a number of elements and that in contrast to the practice in applying supplements in 1972 and 1971 it is made applicable to all pre-1973 retirees rather than only to those who had retired at least a year prior to the effective date of the supplement.)

Approved

f. Grant of service credit.

Section 21 of the Retirement Plan would be amended by adding a new Section 21.10 that would under certain conditions permit credit to be given and benefits provided to a member for a period of prior service with another organization, provided funds are transferred from a qualified employee benefit plan of the prior employing organization to cover in whole or in part the credit and benefits granted.

Approved

Proposed Change in Thrift Plan

Section 19 of the Thrift Plan would be amended by adding a new Section 19.11 to permit the recognition of service with another organization in connection with the enrollment of persons employed by a Reserve Bank directly from such organization, and also to permit the immediate transfer to the Thrift Plan of all accumulated contributions made by or on behalf of such persons to an employee benefit plan that qualified under Section 401(a) of the Internal Revenue Code.

Approved

Proposed Change in Group Life-Survivor Income Insurance

The Board approved an increase in the lump sum post-retirement death benefit now provided under a group life insurance policy carried with Connecticut General Life Insurance Company to \$2,500 ~~effective January 1, 1973, such increase to apply only to eligible~~ members who retire on or after January 1, 1973. (Eligibility for the post-retirement death benefit insurance is limited to persons who retire at age 65 with 5 or more years of service or to those who have retired before age 65 with age plus years of service equal to at least 80.)

The amendments to the Retirement and Thrift Plans and to the Group Life insurance policy are approved by the Board, effective January 1, 1973, subject to receiving favorable determinations from the Internal Revenue Service where necessary as to continued qualification of the Plans under Sections 401(a) and 501(a) of the Internal Revenue Code.

As to funding of the improved benefits, it is noted that the estimated accrued liability of the Retirement Plan will be increased by \$29,735,000 upon approval of the proposed changes. The Board concurs in the proposal of the Administrative Board that this accrued liability be funded within the Retirement Plan by an allocation of reserves. It also

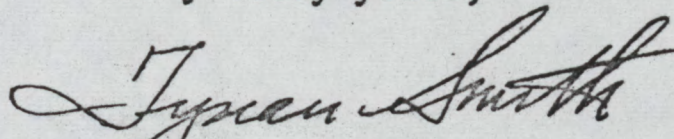
assumes that the actual rate for current Reserve Bank contributions will be continued at an average of 5 percent and that the difference between that rate and the estimated new rate of 10.34 percent of payroll will be covered by an allocation of reserves from within the Plan.

With respect to the increased costs of the larger post-retirement death benefit, it is understood that Connecticut General Life Insurance Company has informed you that no increase in the premium charged either for this benefit or for the cost of removal of a dependency test for survivor income benefits that became effective October 1, 1972 will be made, and that such costs will be covered for both 1972 and 1973 by the experience margin generated under the present insurance policy.

The Board also considered the request contained in your letter of November 1 for approval of the action taken by the Administrative Board on July 19, 1972 continuing the use of the same Social Security benefits in the last four months of that year as were used during the first part of the year in computing pensions. It is noted that counsel for the Retirement Plan has suggested that this change be deemed an amendment to the Plan, to be reported to the Internal Revenue Service along with the amendments proposed to become effective January 1, 1973. The Board concurs and has approved the Administrative Board's July 19 action.

For the Administrative Board's information, the Board's approval of an increase to \$2,500 in the post-retirement death benefit only for persons retiring on or after January 1, 1973 was related to costs and to use of funds in terms of potential benefits to the Federal Reserve System. It also took account of the desire for equitable and considerate treatment of retirees. The Board concluded that the additional cost of about \$6,600,000 for extending this benefit to the 4,400 present retirees could not be justified. In the longer run, a more appropriate and more readily justifiable use of Federal Reserve monies would be the periodic supplementation of retiree pensions to help maintain their purchasing power, along the lines of the supplement approved for 1973. As a general rule, the Board does not believe that improvements in the framework of benefits under the Plan or in the pension formula should be made retroactively; it does believe that the Plan should incorporate prospectively improvements indicated from time to time by developing trends in employee benefits. It also feels that we should aim toward maintaining to the extent practicable the purchasing power of pensions of those who have retired in terms of the standards that were applicable to such pensions at the time of their retirement.

Very truly yours,



Tynan Smith
Secretary of the Board

cc: Mr. Martin W. Bergin
Executive Secretary
Retirement System of the
Federal Reserve Banks

15

**RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS**

M E M O R A N D U M

33 LIBERTY STREET
NEW YORK, N. Y. 10045

November 10, 1972

To the Members of the Administrative Board:

Following are the results of this year's scheduled elections of members of the Administrative Board of the Retirement Plan:

| <u>BANK</u> | <u>ELECTED MEMBER</u> |
|---------------|---|
| Cleveland | James D. Kelly (re-elected) |
| St. Louis | Eugene F. Orf (succeeding John F. Otting, Jr.) |
| Minneapolis | Richard C. Heiber (re-elected) |
| San Francisco | Patricia P. Willis (succeeding John B. Williams) |

The reverse side of this memorandum contains a list of the members of the Administrative Board as it is constituted beginning November 1.

Martin W. Bergin
Executive Secretary

RECEIVED

NOV 10 1972

A. H.

ANSWERED.....
ATTENDED TO.....

(over)

RETIREMENT PLAN FOR EMPLOYEES OF THE FEDERAL RESERVE SYSTEM

ADMINISTRATIVE BOARD

NOVEMBER 1972

FEDERAL RESERVE
BANK OF:

ELECTED

EX OFFICIO

BOSTON

Robert M. White
(Manager and Financial
Statistician, Research)

Frank E. Morris

NEW YORK

George C. Smith
(General Auditor)

Alfred Hayes

PHILADELPHIA

Edwin C. Lodge
(Department Head,
Research Department)

David P. Eastburn

CLEVELAND

James D. Kelly
(Assistant Federal
Reserve Agent)

Willis J. Winn

RICHMOND

Joseph F. Viverette
(General Auditor)

Aubrey N. Heflin

ATLANTA

B. H. Hargett
(Vice President)

Monroe Kimbrel

CHICAGO

Ward J. Larson
(Senior Vice President
and General Counsel)

Robert P. Mayo

ST. LOUIS

Eugene F. Orf
(Assistant Manager,
Personnel Department)

Darryl R. Francis

MINNEAPOLIS

Richard C. Heiber
(Assistant General Auditor)

Bruce K. MacLaury

KANSAS CITY

Marvin L. Mothersead
(Vice President)

George H. Clay

DALLAS

Harry E. Robinson
(Assistant Vice President)

Philip E. Coldwell

SAN FRANCISCO

Patricia P. Willis
(Assistant Department Head,
Check Processing Department,
Los Angeles Branch)

John J. Balles

BOARD OF GOVERNORS

P. D. Ring
(Assistant Director,
Division of Federal Reserve
Bank Operations)

Jeffrey M. Bucher*

* Designated by the Board of Governors.

ANT

Copies to:

Mr. Fousek
Mr. Timmler
Mr. Treiter
Mr. Dabs

Admin Board

RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS

23 LIBERTY STREET
NEW YORK, N. Y. 10045

October 27, 1972

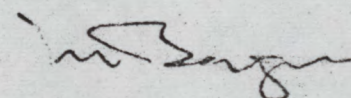
To Members of the Administrative Board:

Enclosed is a copy of a letter that could be used to announce the improvements in benefits voted at the meeting of the Board on October 18. You may recall that John Williams asked that we send you a suggested text. The text draws heavily on an announcement distributed by George Smith to members at New York. A copy of his letter is also enclosed.

We agree that the details of the change should be covered in a later publication. This will be a printed brochure which will be in your hands for distribution by mid-November. I will have a draft for distribution at the meeting of the personnel officers at Atlanta on November 1 and 2.

Also enclosed is a copy of a memorandum to the System Committee on Employee Benefits which Aubrey Heflin suggested I send to you. I believe it would be of interest to your personnel officers as well.

Sincerely,



Martin W. Bergin
Executive Secretary

Enclosures

RECEIVED

OCT 30 1972

A. H.

ANSWERED.....
ATTENDED TO.....

To all Members of the Retirement Plan:

At a meeting in Washington on October 18, the Administrative Board of the Retirement Plan voted for several changes in benefits that will become effective on January 1, 1973, if all the necessary approvals are received. These changes include:

A new pension formula that provides more benefits for all, especially the lower salaried.

Better early retirement benefits for members with long service - no actuarial discount with 30 years of service at age 60, for example.

Better benefits for members at 60, and some others, who elect a survivorship option - a retirement benefit that provides continuing payments to a surviving spouse, for example.

An increase in the current monthly payments of members on the retirement rolls before January 1973.

An increase in the insurance coverage of most retirees. This coverage is provided under a policy purchased by the 12 Reserve Banks from the Connecticut General Life Insurance Company.

Before becoming effective on January 1, 1973, approvals of these changes are needed from the Board of Governors of the Federal Reserve System, the Boards of Directors of the Federal Reserve Banks, and the Internal Revenue Service. The changes must also comply with the Pay Board guidelines.

The Personnel Department has discussed these changes with members reaching 65 between now and the end of the year, and with others who have announced their plans for retiring this year, to determine whether or not they would prefer to defer retirement until after January 1.

More detail on these changes will be given to you in a few weeks. In the meantime, I shall be pleased to answer any questions that you have about them.

(Name)
Elected Member
of the Administrative Board

November 1, 1972

To: All Members Federal Reserve
Retirement Plan

A meeting of the Administrative Board of the Retirement Plan for Employees of the Federal Reserve System was held on October 18, 1972 in Washington, D. C.

At the meeting, the Administrative Board voted for several changes and improvements in the Retirement Plan, which it recommended become effective, if possible, on January 1, 1973, covering the following matters:

(1) Manner of integration of the Retirement Pension with Social Security which would provide somewhat larger pension allowances for all, particularly those in the lower salary levels where most needed.

(2) Improved early retirement benefits for longer service employees, including no actuarial discount for those reaching age 60 and having at least 30 years service.

(3) Substantially reduced actuarial discount for retirees age 60 or older or meeting other age and service requirements electing the frequently chosen 50% survivorship option.

An increase in the post-retirement death benefit under the Reserve Banks' Insured Benefits Program from \$1,000 to \$2,500 and a supplement for retired employees and their surviving beneficiaries also were recommended by the Administrative Board. The status of males and females under the Survivors' Benefit Plan for those dying in active service has been equalized.

It is to be emphasized that before they can become effective the above actions must receive necessary approvals by the Boards of Directors of the individual Federal Reserve Banks, the Board of Governors of the Federal Reserve System and the Internal Revenue Service. They also must be determined to be in conformance with the President's wage guideline formula.

The Personnel Department has been, or soon will be, in touch with those reaching 65 years of age between now and the end of the year, and with those whom they know have been contemplating early retirement between now and the end of the year, to discuss whether or not it might be advantageous to defer retirement until after January 1, 1973, in the event that the above changes should become effective on that date.

In the overall, I believe the proposed improvements provide a very desirable "package". If anyone wishes to discuss these matters with me, I shall be pleased to hear from him or her (Ext. 728).

George C. Smith
Elected Member of
Administrative Board

Federal Reserve Bank of New York
October 25, 1972

RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS
M E M O R A N D U M

33 LIBERTY STREET
NEW YORK, N. Y. 10045

October 17, 1972
(revised)

To: System Committee on Employee Benefits

From: Martin W. Bergin, Executive Secretary

At the recent meeting of the Committee on October 11 Mr. Eastburn asked that a tabulation be prepared of the effective amount of retirement income payable under the Bank Plan to various income classes. His purpose you will recall was to determine whether or not the integration of our pension with Social Security was providing smaller amounts of effective income (pension plus Social Security) for lower salaried retirees than for higher.

The information is set forth in the attached tables. These tables show the pension and primary Social Security amount payable in recent years to members retiring at 65 after 20, 30 and 40 years of service. The tables illustrate the benefit payable in the years 1969 and 1970 at which point there was a change in pension formula. Also shown in the tables is the benefit payable in the transition years 1972 and 1973. Also shown in the tables is the benefit that would be payable in 1973 under the current offset formula.

The table for 30 years of service also shows the dollar amount of after-tax income immediately before and after retirement. For this comparison, we assumed that the member's gross pre-retirement income was the same as his final average salary.

Following are some conclusions that can be drawn from the tables:

1. Lower-salaried members receive more combined retirement income as a percentage of salary than higher-salaried members.
2. The 1970 and 1973 changes in pension formula produce proportionately more increase for the lower-salaried member than for the higher-salaried member. This effect is evident at all periods of service.

10/17/72 R

3. Since primary Social Security is not subject to income tax, the lower-salaried member receives relatively more after-tax retirement income than the higher-salaried member.

4. The lower-salaried member after about 30 years of service can retire on an after-tax income that is almost as much as, if not more than, the amount received during active service.

5. Conclusions 1-4 are reinforced after the addition of the Social Security benefit payable to an aged 65 spouse of the retired member. The spouse receives a Social Security benefit equal to one-half the amount payable to the member. Social Security payments are not subject to tax.

In the Report on Employee Benefit Plans (November 30, 1967) prepared by Arthur Stedry Hansen Consulting Actuaries there is a section beginning on page 11 that attempts to answer the question how much income is necessary at retirement. Following is a quotation from that section:

In conclusion, it appears that under the economic conditions of 1967, a retired couple would probably need a minimum of about \$3,500 a year to enjoy a reasonably comfortable living, allowing for normal participation in community life. This would indicate that, as a target, total retirement income (from all sources) for lower paid employees should be about 70% - 75% of average gross earnings just before retirement. This objective is scaled down somewhat for employees in higher income brackets because fixed subsistence costs are a lower percentage of income for higher paid employees than for the lower paid group. The pattern in our exhibit works out to be about

60% - 65% of final average earnings for employees
in middle income brackets, and
40% - 50% of final average earnings for employees
in high income brackets.

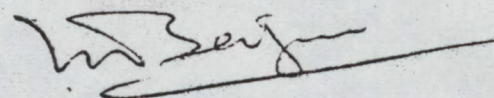
These objectives are intended to apply to employees with "career service", the definition of which varies from one employer to another. For employees with less than the established "career service", benefits are usually reduced proportionately from the stated objective.

10/17/72 R

SHEET NO. 3

Attached is a copy of a chart showing Hansen's "ideal" retirement income objective and the benefits provided under the 1964-1969 pension formula with Hansen's estimated Social Security. We have over-plotted on the chart the pre-tax income that would be produced under the formula proposed for 1973.

Attachments

A handwritten signature in dark ink, appearing to read "W. Bergman", with a long horizontal line extending to the right.

Approximate Pension and Social Security at 65 under Selected Pension Formulas

Formulas

- 1969: 1 percent of the first \$4,800 of final average salary per year of creditable service, plus 1.75 percent of salary in excess of that amount for each year of such service. This formula was in effect for the period July 1, 1964-December 31, 1969.
- 1970: 1.80 percent of final average salary per year of creditable service, minus 50 percent of primary Social Security, prorated for creditable service of less than 30 years. This formula was introduced January 1, 1970 and has been in effect since then.
- 1972, and 1973 (Present): Same formula as 1970. The difference in the amount of pension in 1972 and 1973 is attributable to the setoff of one-half the higher Social Security payable those years.
- 1973 (Proposed): 1.3 percent of final average salary not in excess of the Social Security integration level for each year of creditable service, plus 1.8 percent of final average salary in excess of that level for each year of such service. In 1973 the integration level is \$5,856, and it rises by annual bounds of about \$250-\$300 for the next few years.

20 Years of Service

| | | <u>Final Average Salary</u> | | | | | | | | | |
|----------------|-----------------|-----------------------------|-----|----------------|-----|-----------------|-----|-----------------|-----|-----------------|-----|
| <u>Formula</u> | | <u>\$5,000</u> | | <u>\$8,000</u> | | <u>\$10,000</u> | | <u>\$20,000</u> | | <u>\$40,000</u> | |
| 1969 | Pension S.S. | 1,030 | 21% | 2,080 | 26% | 2,780 | 28% | 6,280 | 31% | 13,280 | 33% |
| | | <u>1,685</u> | 34% | <u>1,926</u> | 24% | <u>1,926</u> | 19% | <u>1,926</u> | 10% | <u>1,926</u> | 05% |
| | | 2,715 | 55% | 4,006 | 50% | 4,706 | 47% | 8,206 | 41% | 15,206 | 38% |
| 1970 | Pension S.S. | 1,138 | 23% | 2,121 | 27% | 2,841 | 28% | 6,441 | 32% | 13,641 | 34% |
| | | <u>1,987</u> | 40% | <u>2,278</u> | 28% | <u>2,278</u> | 23% | <u>2,278</u> | 11% | <u>2,278</u> | 05% |
| | | 3,125 | 63% | 4,399 | 55% | 5,119 | 51% | 8,719 | 43% | 15,918 | 39% |
| 1972 | Pension S.S. | 1,053 | 21% | 2,016 | 25% | 2,736 | 27% | 6,336 | 32% | 13,536 | 33% |
| | | <u>2,242</u> | 45% | <u>2,593</u> | 32% | <u>2,593</u> | 26% | <u>2,593</u> | 13% | <u>2,593</u> | 06% |
| | | 3,295 | 66% | 4,609 | 57% | 5,329 | 53% | 8,929 | 45% | 16,129 | 39% |
| (Present) | | | | | | | | | | | |
| 1973 | Pension S.S. | 881 | 18% | 1,816 | 23% | 2,536 | 25% | 6,136 | 31% | 13,336 | 33% |
| | | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 3,637 | 73% | 5,009 | 63% | 5,729 | 57% | 9,329 | 47% | 16,529 | 41% |
| (Proposed) | | | | | | | | | | | |
| 1973 | Pension S.S. | 1,300 | 26% | 2,294 | 29% | 3,014 | 30% | 6,614 | 33% | 13,814 | 35% |
| | | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 4,056 | 81% | 5,487 | 69% | 6,207 | 62% | 9,807 | 49% | 17,007 | 43% |

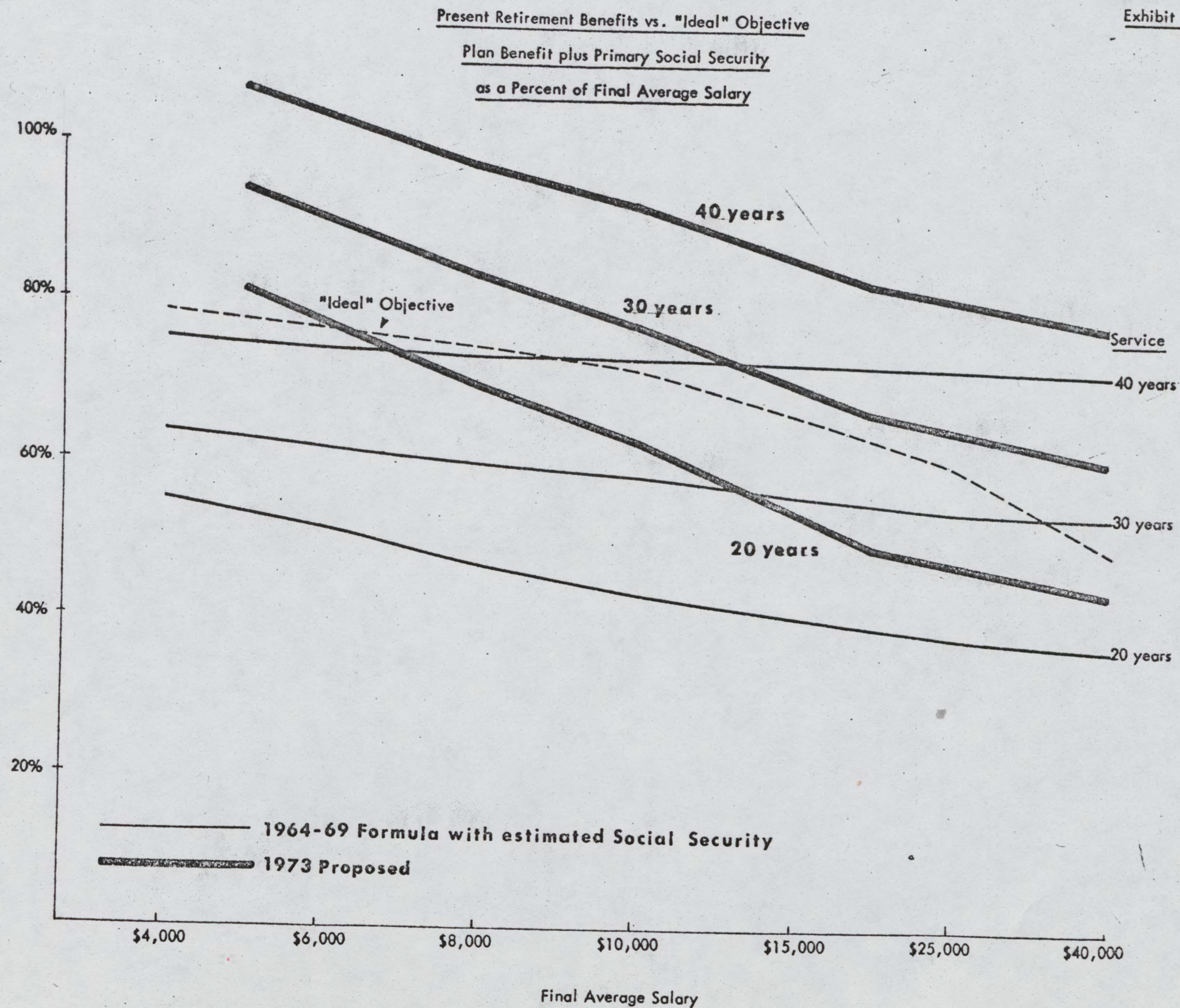
30 Years of Service

| | | <u>Final Average Salary</u> | | | | | | | | | |
|---------------------------------------|-----------------|-----------------------------|-----|----------------|-----|-----------------|-----|-----------------|-----|-----------------|-----|
| <u>Formula</u> | | <u>\$5,000</u> | | <u>\$8,000</u> | | <u>\$10,000</u> | | <u>\$20,000</u> | | <u>\$40,000</u> | |
| 1969 | Pension S.S. | 1,545 | 31% | 3,120 | 39% | 4,170 | 42% | 9,420 | 47% | 19,920 | 50% |
| | | <u>1,685</u> | 34% | <u>1,926</u> | 24% | <u>1,926</u> | 19% | <u>1,926</u> | 10% | <u>1,926</u> | 05% |
| | | 3,230 | 65% | 5,046 | 63% | 6,096 | 61% | 11,346 | 57% | 21,846 | 55% |
| 1970 | Pension S.S. | 1,706 | 34% | 3,181 | 40% | 4,261 | 43% | 9,661 | 48% | 20,461 | 51% |
| | | <u>1,987</u> | 40% | <u>2,278</u> | 28% | <u>2,278</u> | 23% | <u>2,278</u> | 11% | <u>2,278</u> | 05% |
| | | 3,693 | 74% | 5,459 | 68% | 6,539 | 66% | 11,939 | 59% | 22,739 | 56% |
| 1972 | Pension S.S. | 1,579 | 32% | 3,024 | 38% | 4,103 | 41% | 9,503 | 48% | 20,303 | 51% |
| | | <u>2,242</u> | 45% | <u>2,593</u> | 32% | <u>2,593</u> | 26% | <u>2,593</u> | 13% | <u>2,593</u> | 06% |
| | | 3,821 | 77% | 5,617 | 70% | 6,696 | 67% | 12,096 | 61% | 22,896 | 57% |
| (Present) | | | | | | | | | | | |
| 1973 | Pension S.S. | 1,322 | 26% | 2,724 | 34% | 3,803 | 38% | 9,203 | 46% | 20,003 | 50% |
| | | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 4,078 | 81% | 5,917 | 74% | 6,996 | 70% | 12,396 | 62% | 23,196 | 58% |
| (Proposed) | | | | | | | | | | | |
| 1973 | Pension S.S. | 1,950 | 39% | 3,442 | 43% | 4,522 | 45% | 9,922 | 50% | 20,722 | 52% |
| | | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 4,706 | 94% | 6,635 | 83% | 7,715 | 77% | 13,115 | 66% | 23,915 | 60% |
| <u>Net after Federal Income Tax *</u> | | | | | | | | | | | |
| Before 65 | | 4,443 | 89% | 6,818 | 85% | 8,409 | 84% | 15,830 | 79% | 28,710 | 72% |
| After 65 | | 4,706 | 94% | 6,486 | 81% | 7,381 | 74% | 11,601 | 58% | 20,046 | 50% |

* These figures show the after-tax income of a single taxpayer immediately before and after retirement at 65 under the 1973 proposed pension formula. At a final average salary of \$5,000 (which is the assumed income in the last year of active service), for example, the after-tax income is \$4,443 or 89 percent of final average salary. After retirement, the after-tax income is \$4,706 or 94 percent of final average salary; at \$1,950 of pension income at 65 there is no Federal tax. Social Security is not taxable.

40 Years of Service

| | | <u>Final Average Salary</u> | | | | | | | | | |
|----------------|---------|-----------------------------|------|----------------|-----|-----------------|-----|-----------------|-----|-----------------|-----|
| <u>Formula</u> | | <u>\$5,000</u> | | <u>\$8,000</u> | | <u>\$10,000</u> | | <u>\$20,000</u> | | <u>\$40,000</u> | |
| 1969 | Pension | 2,060 | 41% | 4,160 | 52% | 5,560 | 56% | 12,560 | 63% | 26,560 | 66% |
| | S.S. | <u>1,685</u> | 34% | <u>1,926</u> | 24% | <u>1,926</u> | 19% | <u>1,926</u> | 10% | <u>1,926</u> | 05% |
| | | 3,745 | 75% | 6,086 | 76% | 7,486 | 75% | 14,486 | 73% | 28,486 | 71% |
| 1970 | Pension | 2,606 | 52% | 4,621 | 58% | 6,061 | 61% | 13,261 | 66% | 27,661 | 69% |
| | S.S. | <u>1,987</u> | 40% | <u>2,278</u> | 28% | <u>2,278</u> | 23% | <u>2,278</u> | 11% | <u>2,278</u> | 05% |
| | | 4,593 | 92% | 6,899 | 86% | 8,339 | 84% | 15,539 | 77% | 29,939 | 74% |
| 1972 | Pension | 2,479 | 50% | 4,464 | 56% | 5,903 | 59% | 13,103 | 65% | 27,503 | 69% |
| | S.S. | <u>2,242</u> | 45% | <u>2,593</u> | 32% | <u>2,593</u> | 26% | <u>2,593</u> | 13% | <u>2,593</u> | 06% |
| | | 4,721 | 95% | 7,057 | 88% | 8,496 | 85% | 15,696 | 78% | 30,096 | 75% |
| (Present) | | | | | | | | | | | |
| 1973 | Pension | 2,222 | 44% | 4,164 | 52% | 5,603 | 56% | 12,803 | 64% | 27,203 | 68% |
| | S.S. | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 4,978 | 99% | 7,357 | 92% | 8,796 | 88% | 15,996 | 80% | 30,396 | 76% |
| (Proposed) | | | | | | | | | | | |
| 1973 | Pension | 2,600 | 52% | 4,589 | 57% | 6,029 | 60% | 13,229 | 66% | 27,629 | 69% |
| | S.S. | <u>2,756</u> | 55% | <u>3,193</u> | 40% | <u>3,193</u> | 32% | <u>3,193</u> | 16% | <u>3,193</u> | 08% |
| | | 5,356 | 107% | 7,782 | 97% | 9,222 | 92% | 16,422 | 82% | 30,822 | 77% |



OFFICE CORRESPONDENCE

October 25, 1972

DATE

To Files
FROM Alfred Hayes

SUBJECT: Matters discussed at
meeting of Retirement System
Administrative Board

C
O
P
Y

In the course of the meeting of the Administrative Board on October 18, it was proposed by John B. Williams (San Francisco) and agreed^{to} by the meeting that it would be well for each elected trustee to send a brief notice to all employees in his own Bank, informing them of the changes in the Retirement System approved at this meeting of the Administrative Board. It was my understanding that Mr. Bergin, or one of the other Retirement System experts, would prepare a uniform information statement of this kind which could be used by all of the elected trustees.

Mr. Heflin also mentioned that he had sent a copy of the Ad hoc Committee's benefits survey to each of the Richmond directors. They had found it most useful both for use in their own companies and as a help in voting for Reserve Bank benefits. Mr. Heflin offered to send additional copies to each President, if the Presidents would like to distribute them to their own directors.

In the course of the meeting I commended the System Committee for their decision to defer action on the proposal to reduce the survivor benefit from 40 percent to 30 percent of salary, together with elimination of the Social Security offset. I stressed usefulness of the 40 percent arrangement in attracting desirable officers and employees, and it seemed to me that a good many present agreed entirely with my point of view.

I also made a point of advocating that the increase in the post retirement death benefit to \$2,500 be made applicable to all retirees. This principle found very wide acceptance at the meeting, and was formally adopted, although it was not quite clear whether the figure would remain at \$2,500 or might be somewhat reduced in the light of the decision to apply to all retirees.

I also raised a question as to the additional cost resulting from inclusion of survivors other than spouses in the subsidizing of the joint and survivorship pension. Apparently no answer was available as to the additional cost. Since most of those at the meeting seemed quite agreeable to including the larger class of beneficiaries, I did not press the point, and no change was made in this suggested provision.

AH/jkz

cc: Mr. Treiber
Mr. Fousek
Mr. Timlen
Mr. Feldberg

Mr. Bergin

by 5-12-72
C. J. H. 61

Mr. Treiber
Mr. Foushek
Mr. Trowler
Mr. Bury
Mr. Smith
Mr. Berger

RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS
M E M O R A N D U M

33 LIBERTY STREET
NEW YORK, N. Y. 10045
October 12, 1972

To: Members of the Administrative Board

From: Aubrey N. Heflin, Chairman

The System Committee on Employee Benefits (Governors Bucher, Daane and Sheehan and Presidents Eastburn, Heflin and MacLaury--see FRLS 210.60) met in Washington, D. C. yesterday and reviewed the recommendations of the Ad Hoc Committee on Employee Benefits contained in its memorandum of October 2, 1972, with respect to changes in existing benefit programs for employees of the Federal Reserve Banks. The System Committee was favorably inclined toward all but one of the proposals of the Ad Hoc Committee, although it suggested a slight modification in one other proposal.

The latter modification suggested by the System Committee relates to Recommendation 5 on page 6 of the Ad Hoc Committee's report proposing a subsidy for certain joint survivorship annuities. The Committee felt that in addition to making this increased benefit available to any person who retires after age 60, it should also be available to those whose age and years of service at the time of retirement total 90. Accordingly, this recommendation of the System Committee will be included with the proposals of the Ad Hoc Committee to be considered by the Administrative Board at its meeting on October 18.

The one recommendation that the System Committee did not favor had to do with the proposed changes in the survivor income benefit under the group life insurance policy, appearing on pages 9 to 12 of the October 2 report. The System Committee recommends that no change in the present terms of this benefit be made at this time, feeling that further study of the entire matter is needed. The Administrative Board will thus be asked to disregard the Ad Hoc Committee's proposals B.2, B.3, B.4, and B.5 as presented in its October 2 report.

The System Committee also gave consideration to the treatment to be accorded members scheduled for age-65 retirement during November and December of this year. After reviewing the procedure followed in the fall of 1969 when the substance of the 1970 amendments had been agreed upon, the Committee concluded that a similar transitional procedure would be desirable in connection with the proposed changes the Administrative Board will be considering and acting upon October 18.

Substantially, it suggested that all persons scheduled to retire during the remainder of 1972 be advised promptly after the Administrative Board has acted on the several recommendations now before it that they remain in active service if they so desire until the new benefits become available, presumably January 1, 1973. Similarly, persons planning early retirement this year would be informed of the proposed improvements in the benefit program and given an opportunity to reapply for retirement under the new rules. Any action needed by the Board of Governors to extend temporarily salary payments for Reserve Bank officers scheduled to reach age 65 during the latter part of 1972 would be requested of that Board, which in its letter to the Presidents of all Reserve Banks on September 16, 1969, provided the authority they needed for continuing affected individuals in active service.

One other item raised by the Committee had to do with the annual review of allowances being paid to retired members, as required under Section 10.1 of the Retirement Plan. The System Committee was advised that the Executive Committee had not submitted any formal report in this connection, but that some material had been assembled by the staff in connection with the report of the Ad Hoc Committee. The System Committee felt that if the Executive Committee of the Retirement Plan were to recommend a supplement to allowances of retirees at the end of this year, it would be desirable that such supplement in this instance be extended to all persons retiring during the current year, as well as to those who had retired on or before December 31, 1971, as a means of assisting in the transition from the present benefit program to the improved program expected to become effective at the beginning of 1973.

Subsequently, at the request of the Chairman of the Administrative Board, this matter was discussed in a telephone conference meeting with available members of the Executive Committee. In the light of data assembled, that Committee voted unanimously to recommend to the Administrative Board that a 5 percent supplement be granted to all members who had retired before January 1, 1973, as well as to beneficiaries of deceased retirees now receiving payments, using the same eligibility rules that governed the last supplement granted. These rules provide that a supplemental benefit be payable to each retired member or their beneficiary who was at least age 50 on the effective date of the supplement, or would have been had he not died, including those who had retired on account of disability and on whose account a benefit is payable. As noted, the System Committee, as well as the Executive Committee, felt that this particular supplement should be granted to all eligibles who had retired before January 1, 1973. The suggested 5 percent would reflect a cost-of-living element of approximately 3.2 percent, a small increment to redress short-falls in terms of the Consumer Price Index in the supplements granted the past two years, and an arbitrary increment of about 1 percent as an adjustment for the difference in pension levels in 1972 and those proposed for 1973.

I look forward to seeing all of you on October 18.

OFFICE CORRESPONDENCE

DATE October 10, 1972

TO Committee on Welfare of Staff
FROM Peter Fousek and
Philip Van Orman

SUBJECT: Recommendations of Ad Hoc Committee
on Employee Benefits dated October 2, 1972

The Ad Hoc Committee's report, received in this Bank late Thursday, October 5, is to be considered by the Administrative Board on October 18. The report is also scheduled to be discussed by the System Committee on Employee Benefits (Governors Bucher, Daane and Sheehan and Presidents Eastburn, MacLaury and Heflin) tomorrow, October 11.

The Committee's recommendations are summarized in the first 17 pages of the report. Given the time limitations, this note merely highlights some of the problems we see in the Committee's report.

The Ad Hoc Committee has proposed the following changes:

Retirement Plan

1. Integration procedure (moving average instead of offset)
2. Benefit formula (1.3-1.8 per cent)
3. Early retirement (Rule of 90)
4. Joint survivorship subsidy (for spouse or other member of employee's immediate family)
5. Post-retirement death benefit increase from \$1,000 to \$2,500 for employees retiring after January 1, 1973.

Group Life and Survivor Income Insurance

6. New formula of 30 per cent without social security offset
7. Option to continue 40 per cent formula with social security offset and without any future improvements to plan including numbers 8 and 9 below
8. Payment of income benefits from Retirement Plan after age 65 (reduces imputed income)

9. Cost-of-living supplements when income benefits paid from Retirement Plan.

We are in favor of the new integration procedure (moving average instead of offset) and benefit formula. We are also in favor of the increased post-retirement death benefit, subject to our reservations with respect to limiting the increased benefit to those employees who retire after January 1, 1973. We are unsure^{about} the joint survivorship subsidy as proposed, but would be in favor of approval if the employee can only designate his or her spouse for the benefit--not parent, brother, sister, son or daughter. We believe that the Rule of 90 early retirement as proposed may be too generous and may lead to early retirement of too many experienced employees. Finally, we would like to see a more thorough study undertaken of all of the group life and survivor income insurance proposals.

Retirement Plan Changes

1. Integration procedure
2. Benefit formula
5. Post-retirement death benefits

We are in favor of the above proposals for the reasons stated in the Ad Hoc Committee's report. However, we have reservations about restricting the increased lump sum death benefit to those employees retiring after January 1, 1973. We believe that the Reserve Banks should be furnished with the cost estimate of providing this benefit to all present retirees and that only then should the decision be made as to what group of retirees should receive this increased benefit.

3. Early Retirement - Rule of 90

The Committee's discussion of the need for a Rule of 90--age 60 early retirement is in our opinion incomplete. The Committee gives three reasons for its proposal. First, one-third of the survey employers permit early retirement at age 60 or 62 without actuarial discount. Second, System long-term employees have been pressing for earlier retirement of this type. Third, it would be a "useful management tool" since many employees burn out around age 60 and this would encourage those less productive employees to retire early. (There was no discussion of the involuntary retirement provisions. Also, we do not consider this a management tool since management would have no control over its use as they do, for example, under the involuntary retirement provisions.)

It is not at all clear to us whether the Reserve Banks can afford the loss of many good productive employees in senior staff and official positions as early as age 60. This could be a serious loss, even though partly offset by the loss of less productive or even burned out employees.

It is, of course, possible that not too many employees would take advantage of this provision. However, we wish there were time to explore this further.

We believe that there might be some merit in using age 62 instead of age 60 as a compromise position. Then, if experience were favorable, the age level could be lowered to age 60.

4. Joint survivorship subsidy

We agree with the Committee's proposal and its reasons therefor to the extent that they are limited to the employee's spouse. The Committee states that the benefit should be extended to the immediate family of the employee "for reasons of equity". At this point we do not know to what extent other employers permit this or what the additional cost would be. We are thus not in a position to advise for or against this part of the proposal.

Survivor Income Insurance

6. New formula
7. Option to continue old formula
8. Payment of income benefit from Retirement Plan
9. Cost-of-living supplements when income benefit paid from Retirement Plan.

Independently and collectively (since these proposed items are being recommended as a package), the proposals raise many difficult questions which are not answered by the Ad Hoc Committee. We agree that the insurance program needs changes and that the changes should be made promptly. However, this package of proposals is too important to rush through without careful consideration on our part. Moreover, the Committee should in our opinion inform the Reserve Banks what effect the Internal Revenue Service regulations will have on number 8, the payment of income benefit from the Retirement Plan. (See page 77, first paragraph, next to last sentence, indicating the significance of the IRS regulations but not their effect on the proposal.) With respect to the cost-of-living supplements, we are not convinced by the Committee's brief discussion that if such supplements

are made that they should only be made to beneficiaries whose deceased employee would have been age 65 and who, as a result, would receive their income benefit from the Retirement Plan.

We have strong reservations over the Committee's approach of coercing or trying to coerce present employees to give up their existing 40 per cent benefit. We would be greatly concerned over the adverse effect that this would have on employee morale--especially in the case of our more senior employees. The System benefits are intended to make our employees satisfied or even happy to remain with the System and anything which runs contrary to that intent should be very carefully studied before being adopted. Moreover, neither has the Committee presented, nor have we had time to obtain for ourselves, enough information to enable us to counsel employees on how to make this extremely important benefit choice--a choice which the Committee would have the employee make before January 1, 1973 regardless of how little time the employee might have to make his or her choice.

FEDERAL RESERVE BANK OF PHILADELPHIA
PHILADELPHIA, PENNSYLVANIA 19101

OFFICE OF THE
PRESIDENT

September 28, 1972

Mr. Aubrey N. Heflin, President
Federal Reserve Bank of Richmond
Richmond, Virginia 23261

Dear Aubrey:

I've received Marty's tentative notice of a meeting of the Administrative Board for October 18. In anticipation of that meeting I want to reiterate a point which I made at an earlier session of the Executive Committee. That is, an intelligent revision of the benefits program can be made only after appraising personnel problems which will be facing the System and how a benefits program can solve them. Each of us may have his favorite "goody" to add to the package, but without an overall view of what the benefits program is attempting to accomplish none of us can judge the worth of our "goody" compared to another.

I realize time is short and the job is difficult, but I do hope some thought can be given to this question.

Sincerely,

David P. Eastburn

David P. Eastburn
President

DPE:jma

CC to Administrative Board

RECEIVED

OCT 2 1972

A. H.

ANSWERED.....
ATTENDED TO.....

17. 5 5 10

7-12-(early return?)
(reverts to M. Bergin 10/16)
new pages 12-13 issued

ADMINISTRATIVE BOARD MEETING NO. 70
(Retirement Plan)

The annual meeting of the Administrative Board of the Retirement Plan for Employees of the Federal Reserve System was held at the offices of the Board of Governors in Washington, D. C., at 9:30 a.m., on Wednesday, July 19, 1972.

Present:

| | <u>Elected</u> | <u>Ex Officio</u> |
|--------------------|----------------------|--------------------|
| Boston | -- | Frank E. Morris |
| New York | George C. Smith | Alfred Hayes |
| Philadelphia | Edwin C. Lodge | David P. Eastburn |
| Cleveland | James D. Kelly | Willis J. Winn |
| Richmond | Joseph F. Viverette | Aubrey N. Heflin |
| Atlanta | B. H. Hargett | Monroe Kimbrel |
| Chicago | Ward J. Larson | Robert P. Mayo |
| St. Louis | John F. Otting, Jr. | -- |
| Minneapolis | Richard C. Heiber | Bruce K. MacLaury |
| Kansas City | Marvin L. Mothersead | -- |
| Dallas | Harry E. Robinson | Philip E. Coldwell |
| San Francisco | John B. Williams | A. B. Merritt |
| Board of Governors | P. D. Ring | Jeffrey M. Bucher |

Also present:

Martin W. Bergin, Executive Secretary
Ronald G. Burke, Director, Division of
Personnel Administration, Board of Governors
Bob S. Bury, Assistant Treasurer
John V. Duncan, Counsel
Hugh Gillespie, Actuary
E. J. Johnson, Assistant to the Board of Governors
Eugene A. Leonard, First Vice President,
Federal Reserve Bank of St. Louis
Dan M. McGill, Consultant
Merritt Sherman, Consultant
Tynan Smith, Secretary, Board of Governors
M. H. Strothman, Jr., member, Executive Committee
Richard A. Walker, member, Executive Committee

Absent:

George H. Clay
Darryl R. Francis
Robert M. White

APPOINTMENT OF
GOVERNOR BUCHER
TO ADMINISTRATIVE
BOARD:

Mr. Bergin reported that by letter dated June 8, 1972, the Board of Governors designated The Honorable Jeffrey M. Bucher to fill the vacancy on the Administrative Board caused by the expiration of the term of Governor Maisel.

APPROVAL OF
MINUTES:

On motion duly made it was VOTED to approve the minutes of Meeting No. 69 held on July 28, 1971.

APPROVALS
BY INTERNAL
REVENUE
SERVICE:

Mr. Bergin reported that the Internal Revenue Service had approved three requests which had been submitted in connection with the Retirement Plan.

REORGANIZATION
OF RETIREMENT
PLAN:

The first request, which was approved by the Internal Revenue Service on October 27, 1971, provided for the reorganization of the Retirement Plan for Employees of the Federal Reserve System. These amendments, as you know, were effective November 15, 1971.

AMENDMENT
TO SECTION 11
OF THE PLAN:

On January 29, 1972, the Internal Revenue approved the amendment to Section 11 of the Retirement Plan providing for a 4 percent supplement for Bank Plan retired members who retired prior to January 1, 1971 and who were at least 50 years old on January 1, 1972, or retired for disability. The supplement was paid retroactive to January 1, 1972 and was also applicable to beneficiaries of eligible retired members.

At the same time, the Internal Revenue Service also approved the incorporation of the supplement of August 1960 into the Retirement Plan. This supplement

in the past had been paid on a current basis by the Banks through the Plan, but for administrative convenience it had been decided to include it in the Plan and to fund it terminally.

CHANGE IN
ACCOUNTING
PERIOD OF
RETIREMENT
PLAN:

On February 11, 1972, the Internal Revenue Service approved the request that the Retirement Plan's fiscal year that began March 1, 1971 be ended December 31, 1971, and that in the future the Plan's accounting period be changed from a fiscal year basis to a calendar year basis.

Chairman Heflin referred to the large amount of material sent to the members of the Administrative Board in connection with this meeting, noting that the question could be raised as to what parts of the material should be read in detail and what parts considered to be primarily of reference value. He said that such comprehensive material is furnished on the grounds that it should be available to the Board members for whatever study or reference they feel is appropriate.

REPORT OF
EXECUTIVE
COMMITTEE:

As to the report of the Executive Committee, Mr. Heflin noted that this Committee has the responsibility for operating the Retirement Plan between meetings of the Board. Most Executive Committee actions do not require approval of the Administrative Board, but they are reported to the Board rather fully for purposes of information. He then briefly reviewed some of the details of the report of the Executive Committee, which he pointed out covered the 10-month period March 1-December 31, 1971. Among the details cited:

206 early retirements in the 10 months, 60 deaths during the same period of members in active service, benefit payments totaling approximately \$17 million on an annual basis.

OPERATING
EXPENSES:

In the Auditors' Report Mr. Heflin referred to the figure of \$278,831.90 consisting of the amount by which the actual expenses of the Office of the Plan exceeded the contributions of the Banks and the Board for this purpose. Contributions for expenses are at the rate of .25 percent of payroll, whereas the expenses for some years have been closer to a rate of .40 percent. This inadequate funding rate for expenses of the Retirement Plan would be corrected as part of a restructuring of the administrative financing of the Retirement, Thrift, and soon to be organized Insurance Plans. The Executive Committee, he said, recently considered whether it should request additional contributions from Reserve Banks and the Board of Governors to meet the excess costs of the past year, or whether the costs should be charged against the Plan's excess reserves. The decision was to keep the Reserve Banks and the Board of Governors fully informed as to the excess of expenses, and thus to request reimbursement in accordance with the procedure of the past few years.

On motion duly made it was

AUTHORIZATION
TO RECOVER
DEFICIENCY FROM
EMPLOYING BANKS:

VOTED to recover the sum of \$278,831 covering administrative expenses of the Retirement Plan for the 10-month fiscal period ended December 31, 1971 in excess of the 0.25 percent of payroll contributed for expenses, such amount to be recovered in accordance with the procedure adopted by the Presidents Conference in December 1969.

In response to a question from Mr. Coldwell as to how long this level of expenditures might continue, Mr. Heflin said that he would guess that it might continue for another year or so, given the increased activity associated with development and administration of new and improved benefits.

AUDITORS'
REPORT:

At Chairman Heflin's request, Mr. Bergin commented on the Auditors' Report. He noted assets of \$120 million in the form of insurance contracts. These contracts which pay interest of 8.5 percent per year on a declining balance permitted a reduction of \$39.8 million in the stated liabilities to retired members. These liabilities formerly shown in the Retirement Reserve Account, are now, as a result of the decision to close that account, included in the liabilities stated in the Pension Accumulation Account. In response to a comment by Mr. Hayes that \$27.9 million of losses on securities had been realized during 1971, Mr. Bergin pointed out that these losses resulted from the liquidation of the bond portion of the portfolio but there were substantially more (\$91.6 million on June 30, 1972) unrealized gains on the equities that were retained. Sooner or later it could be expected that these would be realized.

ACTUARY'S
REPORT:

Mr. Gillespie was asked to present the Actuary's Report. This latest report, he said, reflected the Board Plan supplement of 4.5 percent, effective June 1, 1971, and the Bank Plan supplement of 4 percent, effective January 1, 1972. The valuation assumption used 4 percent

for active members and 8.5 percent for retired members and beneficiaries. Mr. Gillespie then briefly reviewed the valuation balance sheet and the rate of contributions appearing in the report. He noted that the Executive Committee had approved rates of contribution to the Retirement Plan of 5 percent of payroll by the Reserve Banks and 7.64 percent of payroll by the Board of Governors, although the normal contribution required for funding the Plan had been determined to be 9.74 percent for the Bank Plan and 14.89 percent for the Board Plan. The difference between the actual contribution rate was being charged against excess reserves in accordance with the procedure agreed upon a year ago for gradually utilizing excess reserves of the Retirement Plan over a period of approximately 10 years. Mr. Gillespie noted that in the latest valuation, the excess was approximately \$15 million and the unrealized gains on securities exceeded \$90 million. It would be necessary to await the completion of arrangements for handling investments before the actual amount of surplus would be determined.

Mr. Morris inquired whether, if instead of placing investments under contracts with insurance companies, it were decided to use another investment medium whereby the Plan retained ownership of the assets, there would be a recognition of the presently unrealized gains. Mr. Gillespie responded that he would assume that some method would be decided upon for writing up the value of

the assets to approach market value, regardless of the investment management procedure used.

REPORT OF
THE PERFORMANCE
REVIEW
COMMITTEE:

Chairman Heflin then called upon Mr. Eastburn for a report on behalf of the Performance Review Committee in the absence of Mr. Clay, Chairman of that Committee. Mr. Eastburn briefly recounted the events associated with the decision to change the Plan's investment structure to eliminate any appearance of a conflict of interest in the management of Plan assets. In this connection he cited the two contracts of \$60 million each with Equitable and Prudential, the negotiations covering the group annuity contracts with the six insurance companies, and the pending request for a ruling from the Internal Revenue Service. The delay in the issuance of the ruling, he said, has prompted the six companies to offer an investment type contract under which they would manage the assets without necessarily taking title to them.

Four questions are accordingly presented to the Performance Review Committee at this time:

a. If the group annuity contracts are not feasible, what alternatives are available?

b. What is the appropriate role of The Northern Trust Company? This question includes the short range question of an appropriate interim investment policy.

c. The status of the \$60 million contract with Prudential which was conditioned on that company's

obtaining other Retirement Plan investment business under a group annuity contract.

Negotiations in June have resolved this question; thus the \$60 million contract with Prudential is no longer conditioned on the receipt of other investment business.

d. What is the Committee's interest in entering into investment type contracts with the six insurance companies, instead of group annuity contracts?

Mr. MacLaury noted that the delay in completing arrangements for investment of Retirement Plan assets by insurance companies had resulted in the Plan's holding an unusually large amount of relatively short-term Treasury securities, and he inquired whether consideration was being given to improving these investments at an early date. Mr. Heflin responded that the Performance Review Committee had tentatively discussed September 1, 1972, as a date by which alternative arrangements would be undertaken if the contracts with the six insurance companies could not be concluded by that date.

Mr. Smith said that there now seems to be a general acceptance of the idea that the removal of any appearance of a conflict of interest was agreed upon as the reason for transferring the Plan's assets to insurance companies for investment management. He believed that the fear of a conflict was more imaginary than real. Many still believe that the transfer of assets to the

insurance companies is not the soundest or best way for managing the assets. He believed that any action by us that tends to place commercial banks or other trustees at a competitive disadvantage with insurance companies would not be desirable. He believed we should watch our position in relation to our member banks.

Mr. Hayes said that he supported Mr. Smith in these views. He always had believed that the conflict of interest fear was overemphasized in considering a change in investment procedure for the Retirement Plan.

On motion duly made it was

APPROVAL OF
THIRTY-EIGHTH
ANNUAL REPORT
OF THE
RETIREMENT
PLAN:

VOTED to approve as the Thirty-eighth Annual Report of the Retirement Plan for Employees of the Federal Reserve System the reports of the Executive and Performance Review Committees, the Auditors' Report and financial statements, and the Actuary's Report for the 10-month period ended December 31, 1971, all as presented at this meeting, it being understood that the Executive Secretary has authority to make any editorial changes that may be desirable (Doc. 1022).

In response to a question from Chairman Heflin, Mr. Duncan stated that the two contracts entered into with Prudential and Equitable under which \$60 million was paid to each company on March 1, 1971, to be repaid in annual instalments over 20 years with interest at 8 1/2 percent would be finally executed on September 1, 1972.

On motion duly made it was

APPROVAL OF
ACTS OF
ADMINISTRATIVE
BOARD AND
COMMITTEES
DURING THE YEAR:

VOTED to approve all of the acts of the Administrative Board, the officers thereof, the Retirement and Investment Committees, and the reorganized Executive and Performance Review

Committees, performed and taken during the previous 10 months, as reflected in the minutes of Executive Committee Meetings Nos. 66 and 67, Retirement Committee Meeting No. 133, Investment Committee Meeting No. 148, and Performance Review Committee Meetings Nos. 149 and 150, and as covered by the reports of the respective committees submitted at this meeting.

FREEZING
OF PENSION
OFFSETS:

Mr. Kelly then raised a question in connection with the decision of the Executive Committee at its meeting on July 7, 1972, to use the present Social Security payments until the end of 1972 as a basis for calculating pension offsets, notwithstanding the increase in Social Security payments effective September 1, 1972. Mr. Kelly questioned whether this did not constitute a revision of the Retirement Plan without the approval of the Administrative Board and without acceptance by the Internal Revenue Service. Thus he questioned whether the Reserve Banks could safely inform persons retiring after September 1 that their pensions would be based on an offset determined on a different level from that of Social Security payments actually made after September 1.

Mr. Smith expressed the view that freezing the offset for September-December 1972 at the January-August level results in preferential treatment and in his opinion is not in accord with the established pension formula.

After Mr. Duncan and Mr. Bergin had conferred on this matter, Mr. Heflin suggested that it would be desirable for the Administrative Board to ratify the

July 7 action of the Executive Committee referred to by Mr. Kelly, and to advise the Board of Governors of the action.

Accordingly, on motion duly made it was

VOTED to ratify the decision of the Executive Committee taken at its meeting of July 7, 1972 that the Social Security offsets to be applicable in the determination of the pensions of members retiring during September-December 1972 be the same as those applicable during January-August 1972.

RETIREMENT
DATES:

Mr. Heiber inquired whether the practice of making all Bank Plan retirements effective the first of a calendar month was necessary or whether it might be acceptable to schedule retirements the middle of a month or at some other date. Specifically, he was thinking of the proposal to have a revision of benefits effective January 1, 1973, and the possibility that some individuals might wish to retire the middle of December. Mr. Bergin responded that retirement on the first of a month was an administrative convenience. He also commented on practices that had been followed in one or two instances before when benefits were being changed that allowed individuals to choose whether they wished to retire under the schedule existing prior to the date of change or subsequently.

SURVEY OF
EMPLOYEE
BENEFITS:

Mr. Heflin next referred to the review currently being made of the employee benefit programs for the Federal Reserve Banks, stating that the survey of practices of sixty employers had now been completed. Copies of that survey would be distributed shortly to all members of the Administrative Board in accordance

New pages 12-13

with the letter that he had sent to them dated July 11. He said that he had appointed an Ad Hoc Committee to conduct the review of employee benefits. The members of the Committee were as follows: Messrs. Bergin, Gillespie, McGill and Sherman, and Richard A. Walker (Boston), M. H. Strothman, Jr. (Minneapolis), Harry E. Robinson (Dallas), and Daniel M. Doyle (Detroit).

SUGGESTED
CHANGES:

He then called upon Mr. Bergin to discuss the latter's memorandum of July 5, 1972, which was identified as "Critique of Employee Benefits" (Doc. 1023). The memorandum dealt particularly with the procedure for integrating pensions with Social Security and with the administrative problems associated with the group life-survivor income benefit.

NONINTEGRATED
PENSION:

Mr. Williams inquired whether consideration had been given to revision of the Retirement Plan so as to have a nonintegrated Plan insofar as Social Security benefits were concerned. Mr. Smith said that he had come to believe that a nonintegrated Plan would be better even though it might mean a change in the current 1.8 percent level of the pension formula to a somewhat lesser figure.

SUBSIDIZED
SURVIVORSHIP
OPTION AND
LIBERALIZED
EARLY
RETIREMENT:

Mr. Hayes recalled that on an earlier occasion he suggested that consideration be given to a less than actuarial discount for the joint and survivorship pension. Many retirees need or desire a joint and survivorship pension, and the actuarial reduction results in a substantial lessening of the two-life benefit. Another suggestion he made previously was for early retirement without discount in cases of long service; the current discounts are too severe after long service. Mr. Hayes thought that both of these possible

improvements merited serious consideration at this time.

THREE-YEAR
AVERAGE
SALARY:

Mr. Heiber noted that he had mentioned at the meeting a year ago the desirability of adopting a three-year high average in place of a five-year high average salary now used as a base for computing Bank Plan pensions. This would make the final average salary more responsive to changes in salary levels as well as produce a one-time increase in benefit level.

POST-RETIREMENT
DEATH BENEFIT:

Mr. Smith said that in his opinion, the benefit that is most in need of change is the \$1,000 death benefit payable on behalf of retirees. He felt that this was far below the death benefits being provided by other employers for their retirees.

REDUCTION
OF IMPUTED
INCOME:

Mr. Larson inquired whether consideration was being given to some action that would reduce the amount of imputed income for higher paid employees under the survivor income program.

PORTABILITY:

Mr. Coldwell expressed the hope that there would be continuing study given to the portability of pension benefits. At Chairman Heflin's request, Mr. Bergin and Dr. McGill commented that there were various definitions of portability. Dr. McGill assumed that Mr. Coldwell might be thinking of an arrangement under which the Federal Reserve Banks would give new employees credit for service rendered before they became Federal Reserve employees, adding that no private

employers that he knew of had accepted such a point of view. Mr. Coldwell stated that his concept of portability was one that would not only enrich benefits for the new Federal Reserve employees, but which would enable present Federal Reserve employees who leave the System to carry more benefits with them.

VESTING:

Mr. Hayes suggested that the idea of more liberal vesting should move in the direction of portability.

Dr. McGill stated that one of the big questions was whether an employer should contemplate providing a benefit to be paid 20 or 30 years after an employee had left him, using a new rate of benefits that might have been adopted in the meantime for employees who continued with him to retirement. At present, the vesting does assure that any Federal Reserve Bank employee who completes as much as ten years' service in the System will ultimately receive a pension based on his creditable years of service under the formula in effect at the time he left the Federal Reserve System.

Mr. Heflin suggested that the questions raised by Messrs. Coldwell and Hayes should be a matter for continuing study and that the Executive Secretary would be asked to keep this in mind.

SURVIVOR INCOME INSURANCE:

Mr. Heflin next referred to suggestions made by several members that the benefits under the survivor income policy should be equalized promptly as between men and women in view of the ruling issued by the Equal Employment Opportunity Commission in April. The present policy provided for income payments to a

surviving husband only if he was dependent and disabled; there was no such limitation on the eligibility of a surviving wife. He noted the general sentiment for equalization of the benefit but asked if it should be done in connection with other benefit changes on January 1, 1973 say, or earlier. Alternative arrangements to making an earlier change would be to purchase annuities for a survivor who, except for the dependency test, would have been entitled to a benefit under the present policy, or develop a self-insurance procedure whereby Reserve Banks would agree to pay benefits that might be payable to individuals except for the dependency test now in the policy. Elimination of the dependency test effective September 1, for example, would cost about \$200,000 in premium for the period September 1-December 31 of this year.

In response to Mr. Heflin's question as to the legal status of the matter, Mr. Duncan said that he supposed the Federal Reserve was in violation of the law as interpreted by the EEOC. The only doubtful question was whether the dependency test might be held to be acceptable if a lawsuit were filed. One possible course would be for the Federal Reserve to make a statement that effective January 1, 1973 its present policy would be changed to conform with the spirit of EEOC rulings.

Mr. MacLaury stated that his understanding had been that the present provision was clearly in violation of the law, although he was not aware of the complexities

involved in arriving at this conclusion or at a solution of the problem. He wondered whether the problem might be handled by a statement of intention that the Reserve Banks would adopt an equalized system of benefits no later than January 1, 1973, and that it expressed a willingness to purchase an annuity in any instance of an individual's not being eligible solely because of the dependency test in the present policy. He had in mind a statement of good intent that would also provide effective coverage in the interim.

IMMEDIATE
OR DEFERRED
SOLUTION:

Mr. Heflin said that the technical group studying this matter had not framed a definite recommendation. The first question was whether the matter was of sufficient potential embarrassment to call for action before January 1, 1973. He then inquired whether there were views as to the necessity for immediate action or whether an alternative such as the proposal of a statement of intention plus a committal to purchase annuities in cases that might arise in the interim would be sufficient.

Mr. Coldwell wondered whether there could be a clear separation between taking some action to change the present policy and issuing a statement of intention.

Mr. Hayes said that before he could respond to Mr. Heflin's question, he would require advice from his legal counsel and his reply would rest almost entirely on that advice. His feelings was that if the Federal Reserve could reasonably protect itself by a statement of intention as to action to be taken the first of next year, he would prefer that.

Mr. Duncan commented that this would be a straddle position and that it would help. Also a commitment to buy annuities in cases that might develop in the interim would help. The more the System did, the better its legal standing. At the moment he would feel that the System's standing was not good in terms of the law, and the regulations issued under it; an intention to correct this position would help to improve it.

Mr. Eastburn commented that this subject had been discussed for at least a year, and Mr. Leonard stated that although he did not have a vote, he thought that the Federal Reserve should act at once and that the cost consideration was clearly secondary.

Governor Bucher commented that in the early days of issuing regulations in matters such as the one under discussion, it was customary for persons becoming subject to new regulations to be given an opportunity to conform to them.

Mr. Eastburn said that he preferred that action be taken at this time to equalize the provisions of the benefit.

Mr. Heflin said that it appeared that several members of the Board felt that some action should be taken at this time and he inquired whether it would be agreeable to have the Executive Committee devise the least objectionable arrangement for covering the situation between now and January 1, with a statement of intent that at that time there would be equalization of the benefit.

Mr. Hayes inquired whether this would involve any change in the present guarantee of an income benefit of 40 percent of salary in effect at the date of death of an employee, and Mr. Heflin responded in the negative.

Mr. Eastburn inquired whether this would include sending a notice to employees stating the position taken, and Mr. Heflin responded that he believed that it should.

Mr. MacLaury said that he would leave this matter to the Executive Committee and hoped that it would not be necessary to pay a premium of anything like a quarter of a million dollars to equalize the benefit on the present basis.

Mr. Smith commented that leaving the matter to the Executive Committee might be the better alternative at this time, although cost seemed a secondary consideration.

Mr. Hayes agreed, saying that if something had to be done quickly, he would rather face the additional cost than be embarrassed by a suit. Mr. Eastburn inquired whether an embarrassing suit could be avoided by arranging some self-insurance program.

Mr. Heflin then suggested that there be a show of hands by those who felt that a statement of intent such as that suggested would be sufficient or, in the alternative, that there be something more than such a statement. Noting that apparently 13 individuals preferred some action more than a statement of intent, while 3 had indicated they would accept a statement of intent along the lines indicated, Mr. Heflin said there seemed to be a clear preference to have more than the statement of intent described earlier. Accordingly, without objection, he would refer the matter to the Executive Committee to take whatever action was necessary to carry out this expressed preference.

CONSENSUS
FOR EARLY
ACTION:

Mr. Coldwell suggested that before taking any action that would make it necessary for the Reserve Banks to go to their directors, the views of the Board of Governors should be obtained as the payment of a substantial additional premium for coverage between now and the year end.

Mr. Sherman said that he assumed it was clear that this action would not preclude a complete review and revision of the existing benefit as of January 1, 1973, to which Mr. Heflin responded that such a review and revision would not be precluded.

Mr. Hayes commented that he had an instinctive reluctance to see any reduction from 40 percent to 30 percent in the income guaranteed to the eligible survivor of a deceased employee. He understood that the 40 percent guarantee represented a very saleable provision for the Federal Reserve Banks. Mr. Hargett said that he concurred in Mr. Hayes' views.

At this point, Chairman Heflin asked Mr. Hayes to take the chair and to call for a report from the nominating committee composed of Messrs. Kimbrel, Smith, Mothersead and Mayo.

Mr. Mayo reported that the Committee met and discussed the desirability of recognizing a rule of rotation in filling positions in the Retirement Plan. On this occasion, however, it was the Committee's view that since present incumbents had been in office only since November 1971 it would be preferable to have them

REPORT OF
NOMINATING
COMMITTEE:

continue to serve. Accordingly the Committee presented the following nominations:

Officers

Chairman, Administrative Board
Vice Chairman, Administrative Board
Treasurer
Executive Secretary
Assistant Treasurer
Assistant Secretary

Aubrey N. Heflin
B. H. Hargett
Thomas M. Timlen, Jr.
Martin W. Bergin
Bob S. Bury
Paul E. Mais

Executive Committee

David P. Eastburn
Ward J. Larson
M. H. Strothman, Jr.
Richard A. Walker

With reference to the Executive Committee, it was noted that the member of the Administrative Board designated by the Board of Governors of the Federal Reserve System serves as an ex officio member.

ELECTION OF
OFFICERS AND
MEMBERS OF
EXECUTIVE
COMMITTEE:

On motion duly made the nominations were closed and the Executive Secretary was directed to cast one vote for the respective nominees, who were accordingly elected officers of the Retirement Plan and members of the Executive Committee.

On motion duly made the meeting adjourned at
12:35 p.m.

Martin W. Bergin
Executive Secretary

**Retirement Plan
for Employees of the
Federal Reserve System**

October 16, 1972

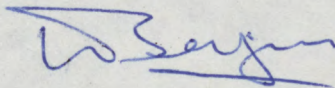
(DATE)

TO Mr. Hayes

FROM Martin W. Bergin

- | | |
|---|---|
| <input type="checkbox"/> For your information | <input checked="" type="checkbox"/> For your approval |
| <input type="checkbox"/> As per conversation | <input type="checkbox"/> For your comments |
| <input type="checkbox"/> As requested | and suggestions |

Would a minute in this form
cover your point?



Mr. Hayes recalled that on an earlier occasion he suggested that consideration be given to a less than actuarial discount for the joint and survivorship pension. Many retirees need or desire a joint and survivorship pension, and the actuarial reduction results in a substantial lessening of the two-life benefit. Another suggestion he made previously was for early retirement without discount in cases of long service; the current discounts are too severe after long service.

Mr. Hayes thought that both of these possible improvements merit serious consideration at this time.

*(transmitted to Mr. Bergin
by phone 10/16/72)*

Should we write to Benji group?
(No. teller & PF.)
Ref. May 7/19/72

Talk to W.T. re

problems up to

Performance Review

Committee re

type of inst. management

(Huplin suggesting that by 9

Sept 1 is date by which

decision will be made on

heavy bill insts untouched)

Cite G. Smith comments re
conflict of inst. (also AM, RM (P.))

Cite Smith suggestion of no
integration (Benji says re integr.
is in effort to low salaries (rate 5600?))

(Step rate system inhibited new
benefits

(Same argues for integr. to help
a lot of Thrift Plan to help benefits

G. Smith - Please for post-net death benefit.

Recognizability of our benefit package
with private employees,
I asked whether post-net
+ ~~some~~ included
M.S. said yes.

R.M. brought out that stock
options not considered, are very
important in executive needs.

B.M. brought out that over-all
package might be comparable,
but less favorable for some
salary groups (R.M. comment
runs to this same point)

Summary:

MB wants to do all these things at once by Jan. 1

PF. This is fine - they had done a more thorough review by Jan 1

We could just elim. depending test now - AH health

(PF ready to AH on directly then)

I don't like any reduction in any benefit

Why didn't the date ^{on dis. for it + minimum build} PF proposed it ^{in date}

(Gut. + B/G have less than actual, where ours is actual)

~~My report~~

in emergency

Need for a lot of work in a
short time.

Does Hill recommend overall
benefits all in for profit sharing

Hope careful consid. will be
given to substantial improvement

Fear if in we need do very
little except some restructuring
We are skeptical (tho of course
we haven't seen money).

PF - Principles for insurance

1. Social Sec. offset (income tax)
It cuts persons of low salary people
(Has to be done - Sincerely)

2. Jt. responsibility of the district
(Why don't you investigate investigate investigate)

3. Early ret. discount - should be
reduced not some point of time

[- Public but forget at least now.
4. 3 years instead of 5 years
(Most private is 5 years)]

We don't have costs.

4. Eliminate dependency test for survivor benefit

OFFICE CORRESPONDENCE

DATE July 14, 1972

TO Mr. Hayes
FROM Peter Fousek and
Philip Van Orman

SUBJECT: Retirement Plan, Administrative
Board Meeting No. 70, July 19,
1972

As requested, we have reviewed the materials you have received in connection with the Administrative Board Meeting on July 19. Below are brief comments on the most important items on the agenda.

Agenda Item No. 7Review of employee benefits

There will be no action taken on any proposals for changes in employee benefits. Mr. Heflin, in his letter of July 11, contemplates the following schedule:

1. A report on the nationwide survey of employee benefits (conducted in late 1971 and early 1972) to be completed and sent out to members of the Administrative Board in two to three weeks;
2. Specific proposals to be developed in the light of the survey and suggestions by Administrative Board members in time to distribute to the Board members within the next two months;
3. These proposals to be simultaneously distributed to System Committee on Employee Benefits in order to obtain policy views of that Committee in time for autumn Administrative Board meeting (probably early in October).

I understand that the proposals will be developed as follows: Mr. Heflin has already asked Messrs. Sherman, McGill, Bergin and Gillespie to begin working with him on this project. This group is to be expanded by the addition of Mr. Strothman and Mr. Walker (FRB Boston), as members of the Executive Committee. Shortly after that Mr. Doyle (FRB Chicago-Detroit), representing the Subcommittee on Personnel, and Mr. Robinson (FRB Dallas), elected member of the Administrative Board, will join the group.

In briefly reviewing the survey, Mr. Heflin's letter states that the level of our benefits are equal to or higher than most nongovernmental employers. Such comparisons of overall benefit packages are, as you know, very difficult and will need careful review. Mr. Heflin also points out that most final career averages continue to be five or more years, most nongovernmental employers use a Social Security offset formula, and with respect to group life insurance, most nongovernmental employers provide a basic amount of insurance and allow employees to purchase additional coverage at group rates.

Profit sharing

Agenda Item No. 7. a.

Critique of current program

Mr. Bergin, in his critique of employee benefits dated July 5, 1972, indicates that the two areas requiring most immediate attention are resolving the question of the Social Security offset for the Retirement Plan and removing the dependency requirement for surviving widowers under the group life survivor income benefit insurance.

Retirement Plan

Mr. Bergin discusses the problems resulting from the use of the present offset formula and the extent to which various proposed modifications would effect those problems. The modifications discussed are:

1. The Internal Revenue Service's alternate formula
2. Use of a three or four year final average
3. Reducing the offset rate from the present 50 per cent
4. Changing the benefit rate

He concludes that the use of the alternate formula would favorably resolve most existing problems, but that the other proposals would not. The other proposals remain live but are subsidiary to adopting an alternate formula.

Although we have had only a short time to review Mr. Bergin's position, it appears, subject to more extensive review, to be a sound solution deserving our support. Mr. Bergin indicates that the specific percentages he uses (1.15 per cent of salary below covered compensation

and 1.80 per cent of salary above that level) are purely illustrative. These percentages, of course, are crucial in evaluating the impact of this new approach and will have to be reviewed thoroughly.

Group Life-Survivor Income Benefit

The dependency test for surviving widowers is with little or no doubt unlawful under Title VII of the Civil Rights Act of 1964. Amending the benefit to make it lawful is a high priority item. Dr. McGill discusses the legal and non-legal background to this problem in his memorandum of May 4, 1972.

Dr. McGill states that the primary argument against waiving the dependency test for surviving widowers is its cost which would be over \$500,000 (a 14 per cent premium increase) to start with. He concludes, however, that under the law there is no real alternate to waiving the dependency test. He does not support making the plan partially contributory in order to meet the additional cost.

Mr. Bergin believes that Dr. McGill's solution would result in an "unrealistic benefit" and at the same time would not resolve other important problems connected with the policy--namely, the incorporation of a social security offset in the benefit formula, distribution of benefits to children, excessive imputed income for certain individuals at ages of 56-65, tax treatment of the present benefits, and post-retirement insurance.

Although we are not in favor of further delays in correcting an existing wrong, we are on balance in agreement with Mr. Bergin's position to the extent that some or all of these problems could be met by a more comprehensive solution. One possible solution would be to remove the dependency test, reduce the 40 per cent benefit to 30 per cent (eliminating the social security offset), and allow employees to purchase additional coverage up to 40 per cent at group rates. Since this group life-survivor income benefit, which is so important to many employees, has produced the most problems for us and is extremely complex in the type and number of questions it presents, substantial modifications to it should be made only after careful consideration. However, the unlawful discriminatory feature should be removed by January 1, 1973, at the latest, even if the benefit cannot be completely restructured.

Phase II Restrictions

One factor in considering System benefit improvements will, of course, have to be the existing wage and benefit wage constraints.

Under the Pay Board's Phase II regulations, the amount of employer contributions necessary to support qualified benefit plans (pension, group insurance, and disability and health plans), and benefit improvements to such plans is subject to the 5.5 per cent standard. However, the Pay Board excludes the amount of such contributions to the extent that such amount does not exceed 0.7 per cent of an employee unit's base compensation. The 0.7 per cent may only be used once, but can be used in future years to the extent that it is not utilized in a prior year.

The Board of Governors avoided this issue by stating in its original letter of November 11, 1971 that there would be no System benefit improvements in 1972. (However, the cost of minor improvements are charged by the Board of Governors without any exclusions against funds available for salary increases.)

Background on EEOC Sex Discrimination Guidelines

Although we are not recommending raising this issue at the meeting, you should be aware that the April 1972 revised sex discrimination guidelines of the Equal Employment Opportunity Commission would make unlawful other provisions in System benefits. In particular, the following:

1. The so-called "five year certain" option under the Retirement Plan which favors women over men; and
2. The exclusion of disabilities resulting from pregnancy from the long-term disability insurance plan.

The Legal Department is reviewing this.

cc: Mr. Treiber

OFFICE CORRESPONDENCE

August 3, 1971

DATE

Files
To
Alfred Hayes
FROMExecutive Committee and
SUBJECT:
officers of Retirement System

I telephoned Frank Morris on July 30 in his capacity as Chairman of the newly formed Nominating Committee of the Retirement System, which has the responsibility of suggesting the officers of the System and members of the Executive Committee (the other members of the Nominating Committee are Mr. Eastburn and Mr. Jay Williams).

C
O
P
Y

I told Mr. Morris why we in this Bank have felt for some time that it would be desirable to have the Executive Committee include a senior officer of the New York Bank-- primarily for the purpose of giving help and guidance to the Retirement office, especially in matters of personnel, house-keeping, etc. I said I thought that either Mr. Timlen or Mr. Fousek would be a very useful member of the Committee, and that perhaps preference should be given to Mr. Timlen in the light of his experience with the Retirement System as Treasurer. I also said that I assumed the Treasurer of the System would come from the New York Bank, and I said that Mr. Braun, as head of our Accounting function, or possibly one of our Securities function officers, would be a very suitable Treasurer.

Mr. Morris said that he was grateful for these suggestions and would give them careful thought.

Earlier I had talked briefly with Mr. Bergin about this matter and had learned that he personally would like to see a New York senior officer on the Committee. However, he would not wish to press the point, especially if there were any indication that the other Reserve Banks believe New York has played too dominant a role in the Retirement System and that it therefore might be best not to have this Bank represented on the Committee at this time.

Today Mr. Guy told me that he talked with Messrs. Harris, Braun, Duncan and Bergin concerning the above matter. The officers of this Bank continue to feel that it would be highly appropriate to have Mr. Timlen become a member of the Executive Committee. With respect to the treasurership, Mr. Duncan does not seem especially concerned over a possible conflict of interest if Mr. Braun were to be Treasurer as well as the officer in charge of our trustee responsibility.

OFFICE CORRESPONDENCE

August 3, 1971

DATE

To Files

SUBJECT: Executive Committee and
officers of Retirement System

FROM Alfred Hayes

2

However, this Bank's officers are somewhat troubled by this theoretical conflict and under the circumstances would suggest that someone in the Securities function, perhaps Mr. Geng, be appointed Treasurer. If, however, it should be decided that no New York officer would be a member of the Executive Committee, it was felt that Mr. Timlen should then be reappointed Treasurer. I passed these amended suggestions on to Mr. Morris, who said that he had not yet focused on the matter but was glad to have my comments.

AH/jkz

cc: Mr. Treiber
Mr. Harris
Mr. Holmes
Mr. Braun
Mr. Fousek
Mr. Guy
Mr. Timlen
Mr. Bergin

RETIREMENT PLAN FOR EMPLOYEES OF THE FEDERAL RESERVE SYSTEM

BOARD OF TRUSTEES

YEAR BEGINNING MAY 5, 1971

FEDERAL RESERVE
BANK OF:

ELECTED

EX OFFICIO

BOSTON

Robert M. White
(Manager and Financial
Statistician, Research)

Frank E. Morris

NEW YORK

George C. Smith
(General Auditor)

Alfred Hayes

PHILADELPHIA

Edwin C. Lodge
(Department Head,
Research Department)

David P. Eastburn

CLEVELAND

James D. Kelly
(Assistant Federal
Reserve Agent)

RICHMOND

Joseph F. Viverette
(General Auditor)

Aubrey N. Heflin

ATLANTA

B. H. Hargett
(Vice President)

Monroe Kimbrel

CHICAGO

Ward J. Larson
(Senior Vice President
and General Counsel)

Robert P. Mayo

ST. LOUIS

John F. Otting, Jr.
(Assistant Vice President)

Darryl R. Francis

MINNEAPOLIS

Richard C. Heiber
(Assistant General Auditor)

Bruce K. MacLaury*

KANSAS CITY

Marvin L. Mothersead
(Vice President)

George H. Clay

DALLAS

Harry E. Robinson
(Assistant Vice President)

Philip E. Coldwell

SAN FRANCISCO

John B. Williams
(Senior Vice President)

Eliot J. Swan

BOARD OF GOVERNORS

P. D. Ring
(Assistant Director,
Division of Federal Reserve
Bank Operations)

S. J. Maisel**

* Assumes office in June.

** Designated by the Board of Governors.

33 4 B10

**RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS**

**33 LIBERTY STREET
NEW YORK, N. Y. 10045**

April 27, 1971

To the Members of the Board of Trustees:

Following are the results of this year's scheduled elections of Trustees of the Retirement Plan:

| <u>BANK</u> | <u>TRUSTEE</u> |
|--------------------|--|
| Boston | Robert M. White (succeeding Maurice P. Shea, III) |
| Richmond | Joseph F. Viverette (re-elected) |
| Atlanta | B. H. Hargett (re-elected) |
| Chicago | Ward J. Larson (succeeding Carl E. Bierbauer) |
| Board of Governors | P. D. Ring (re-elected) |

The Federal Reserve Bank of Minneapolis has announced that Bruce K. MacLaury has been appointed President of that Bank to fill the vacancy caused by the death of Hugh D. Galusha, Jr. Mr. MacLaury is expected to assume office in June and will become a Trustee at that time.

The reverse side of this letter contains a list of the members of the Board of Trustees as it will be constituted beginning the first Wednesday in May, which this year is May 5.

Martin W. Bergin
Secretary

(over)

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RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

BOARD OF TRUSTEES

YEAR BEGINNING MAY 7, 1969

FEDERAL RESERVE
BANK OF:

ELECTED

EX OFFICIO

BOSTON

Maurice P. Shea, III
(Assistant Vice President)

Frank E. Morris

NEW YORK

George C. Smith
(General Auditor)

Alfred Hayes

PHILADELPHIA

Emerson M. Seward
(Audit Supervisor)

Karl R. Bopp

CLEVELAND

James D. Kelly
(Assistant Federal
Reserve Agent)

W. Braddock Hickman

RICHMOND

Edmund F. MacDonald
(Senior Vice President,
Charlotte Branch)

Aubrey N. Heflin

ATLANTA

B. H. Hargett
(Vice President)

Monroe Kimbrel

CHICAGO

Carl E. Bierbauer
(Vice President and
Control Officer)

C. J. Scanlon

ST. LOUIS

John F. Otting, Jr.
(Manager, Collection
Department)

Darryl R. Francis

MINNEAPOLIS

Richard C. Heiber
(Assistant Vice President,
Helena Branch)

Hugh D. Galusha, Jr.

KANSAS CITY

Marvin L. Mothersead
(Vice President)

George H. Clay

DALLAS

Harry E. Robinson
(Assistant Vice President)

Philip E. Coldwell

SAN FRANCISCO

John B. Williams
(Vice President)

Eliot J. Swan

BOARD OF GOVERNORS

Joseph H. Hoyle
(Personnel Technician)

S. J. Maisel*

* Designated by Board of Governors.

RETIREMENT SYSTEM
OF THE
FEDERAL RESERVE BANKS

33 LIBERTY STREET
NEW YORK, N. Y. 10045
April 25, 1969

To the Members of the Board of Trustees:

Following are the results of this year's scheduled elections of Trustees of the Retirement System:

| <u>BANK</u> | <u>TRUSTEE</u> |
|---------------|--|
| Cleveland | James D. Kelly (re-elected) |
| St. Louis | John F. Otting, Jr. (succeeding Walter F. Davisson) |
| Minneapolis | Richard C. Heiber (re-elected) |
| San Francisco | John B. Williams (re-elected) |

The reverse side of this letter contains a list of the members of the Board of Trustees as it will be constituted beginning the first Wednesday in May, which this year is May 7.

Since the new Board of Trustees is now complete, I should like to give you formal notice that the Chairman has scheduled the regular annual meeting of the Board of Trustees for Wednesday, June 25, at 10:30 a.m. at the Board of Governors (Room 1202), in Washington, D. C. (Agenda and related materials will be sent to you in due course.)

Mr. Hickman has asked me to invite all of the Trustees, as well as others attending the meeting on June 25, to a dinner at The Madison hotel at 6 p.m., on Tuesday, June 24. Will you please let me know if you can attend the dinner and meeting.

Martin W. Bergin
Secretary

RECEIVED

APR 28 1969

ANSWERED.....
ATTENDED TO.....
A. H.

(over)

Mr. BIT

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212 RE2-5700

ALFRED HAYES
PRESIDENT

January 25, 1971

I waive the requirement of ten days' notice of the meeting of the Board of Trustees of the Retirement System in Washington at 2:00 p.m. on January 26, 1971, and consent to the holding of the meeting at such time and place.

Alfred Hayes

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As of May 25, 1967

BOARD OF TRUSTEES

| <u>Federal Reserve Bank</u> | <u>Elected</u> | <u>Ex Officio</u> |
|-----------------------------|----------------------|----------------------|
| Boston | George E. Wells | George H. Ellis |
| New York | George C. Smith | <u>Alfred Hayes</u> |
| Philadelphia | Emerson M. Seward | Karl R. Bopp |
| Cleveland | James D. Kelly | W. Braddock Hickman |
| Richmond | Donald F. Hagner | Edward A. Wayne |
| Atlanta | Robert E. Moody, Jr. | Harold T. Patterson |
| Chicago | Carl E. Bierbauer | C. J. Scanlon |
| St. Louis | Walter F. Davisson | Darryl R. Francis |
| Minneapolis | Richard C. Heiber | Hugh D. Galusha, Jr. |
| Kansas City | Marvin L. Mothersead | George H. Clay |
| Dallas | Harry E. Robinson | Watrous H. Irons |
| San Francisco | John B. Williams | Eliot J. Swan |
| Board of Governors | Brenton C. Leavitt | S. J. Maisel |

OFFICERS

C. J. Scanlon, Chairman, Board of Trustees
 John B. Williams, Vice Chairman, Board of Trustees
 Grace Tessier, Assistant Secretary
 Spencer S. Marsh, Jr., Treasurer^{1/}
 Martin W. Bergin, Secretary-
 Assistant Treasurer

COMMITTEES

| <u>Executive Committee</u> | <u>Retirement Committee</u> | <u>Investment Committee</u> |
|----------------------------|-----------------------------|-----------------------------|
| Edward A. Wayne, Chairman | M. A. Harris, Chairman | C. J. Scanlon, Chairman |
| Hugh D. Galusha, Jr. | Carl E. Bierbauer | Karl R. Bopp |
| M. A. Harris | Hugh D. Galusha, Jr. | George H. Clay |
| W. Braddock Hickman | Robert N. Hilkert | Watrous H. Irons |
| S. J. Maisel | Edward A. Wayne | William F. Treiber |
| C. J. Scanlon | | |
| George C. Smith | Edwin J. Johnson, Associate | S. J. Maisel, Associate |
| | E. C. Rainey, Associate | |

^{1/} Effective July 1, 1967, Thomas M. Timlen, Jr., succeeds Spencer S. Marsh, Jr., as Treasurer.

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As of June 30, 1966

BOARD OF TRUSTEES

| <u>Federal Reserve Bank of</u> | <u>Elected</u> | <u>Ex Officio</u> |
|------------------------------------|----------------------|----------------------|
| Boston | George E. Wells | George H. Ellis |
| New York | George C. Smith | <u>Alfred Hayes</u> |
| Philadelphia | Emerson M. Seward | Karl R. Bopp |
| Cleveland | James D. Kelly | W. Braddock Hickman |
| Richmond | Donald F. Hagner | Edward A. Wayne |
| Atlanta | Robert E. Moody, Jr. | Harold T. Patterson |
| Chicago | Carl E. Bierbauer | C. J. Scanlon |
| St. Louis | Walter F. Davisson | Darryl R. Francis |
| Minneapolis | Richard C. Heiber | Hugh D. Galusha, Jr. |
| Kansas City | Robert E. Thomas | George H. Clay |
| Dallas | Harry E. Robinson | Watrous H. Irons |
| San Francisco | John B. Williams | Eliot J. Swan |
| Board of Governors | Brenton C. Leavitt | S. J. Maisel |

OFFICERS

| | |
|---|---|
| Eliot J. Swan, Chairman, Board of Trustees | Spencer S. Marsh, Jr., Treasurer |
| Richard C. Heiber, Vice Chairman, Board of Trustees | Valerie R. Frank, Secretary- Assistant Treasurer ^{1/} |
| Grace Tessier, Assistant Secretary | |

COMMITTEES

| <u>Executive Committee</u> | <u>Retirement Committee</u> | <u>Investment Committee</u> |
|----------------------------|-----------------------------|-----------------------------|
| Edward A. Wayne, Chairman | M. A. Harris, Chairman | C. J. Scanlon, Chairman |
| M. A. Harris | Carl E. Bierbauer | Karl R. Bopp |
| W. Braddock Hickman | Hugh D. Galusha, Jr. | George H. Clay |
| S. J. Maisel | Robert N. Hilker | Watrous H. Irons |
| Harold T. Patterson | Edward A. Wayne | William F. Treiber |
| C. J. Scanlon | | |
| John B. Williams | Edwin J. Johnson, Associate | S. J. Maisel, Associate |
| | E. C. Rainey, Associate | |

^{1/} Mrs. Valerie R. Frank will retire effective August 1, 1966, and Mr. Martin W. Bergin will become Secretary-Assistant Treasurer on that date.

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As of June 17, 1965

BOARD OF TRUSTEES

Federal Reserve Bank of

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

Elected

George E. Wells
George C. Smith
Emerson M. Seward
George E. Booth, Jr.
Donald F. Hagner
Robert E. Moody, Jr.
Carl E. Bierbauer
Walter F. Davisson
Richard C. Heiber
Robert E. Thomas
Harry E. Robinson
John B. Williams
Brenton C. Leavitt

Ex Officio

George H. Ellis
Alfred Hayes
Karl R. Bopp
W. Braddock Hickman
Edward A. Wayne
Malcolm Bryan
C. J. Scanlon
Harry A. Shuford
Hugh D. Galusha, Jr.
George H. Clay
Watrous H. Irons
Eliot J. Swan
Sherman J. Maisel

OFFICERS

George H. Ellis, Chairman, Board of Trustees
Robert E. Moody, Jr., Vice Chairman, Board of Trustees

Spencer S. Marsh, Jr., Treasurer
Valerie R. Frank, Secretary-
Assistant Treasurer

Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

Eliot J. Swan, Chairman
M. A. Harris
Richard C. Heiber
Watrous H. Irons
Sherman J. Maisel
C. J. Scanlon
Edward A. Wayne

Retirement Committee

M. A. Harris, Chairman
Robert N. Hilkert
Harry A. Shuford
Robert E. Thomas
Edward A. Wayne

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

Watrous H. Irons, Chairman
Karl R. Bopp
George H. Clay
C. J. Scanlon
William F. Treiber

Sherman J. Maisel, Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at February 28, 1965

BOARD OF TRUSTEES

Federal Reserve Bank of

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

Elected

George E. Wells
George C. Smith
Emerson M. Seward
George E. Booth, Jr.
Upton S. Martin
Robert E. Moody, Jr.
Carl E. Bierbauer
Walter F. Davisson
Richard C. Heiber
Robert E. Thomas
Harry E. Robinson
John B. Williams
Brenton C. Leavitt

Ex Officio

George H. Ellis
Alfred Hayes
Karl R. Bopp
W. Braddock Hickman
Edward A. Wayne
Malcolm Bryan
C. J. Scanlon
Harry A. Shuford

George H. Clay
Watrous H. Irons
Eliot J. Swan
A. L. Mills, Jr.

OFFICERS

George H. Clay, Chairman, Board of Trustees

Harry E. Robinson, Vice Chairman, Board of Trustees

Spencer S. Marsh, Jr., Treasurer

Valerie R. Frank, Secretary-
Assistant Treasurer

Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

George H. Ellis, Chairman
M. A. Harris
Watrous H. Irons
A. L. Mills, Jr.
Robert E. Moody, Jr.
Eliot J. Swan
Edward A. Wayne

Retirement Committee

M. A. Harris, Chairman
Robert N. Hilker
Harry A. Shuford
Robert E. Thomas
Edward A. Wayne

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

Watrous H. Irons, Chairman
Karl R. Bopp
Malcolm Bryan
C. J. Scanlon
William F. Treiber

A. L. Mills, Jr., Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As of June 17, 1964

BOARD OF TRUSTEES

Federal Reserve Bank of

Elected

Ex Officio

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

George E. Wells
George C. Smith
Emerson M. Seward
George E. Booth, Jr.
Upton S. Martin
Robert E. Moody, Jr.
Carl E. Bierbauer
Walter F. Davisson
Richard C. Heiber
Robert E. Thomas
Harry E. Robinson
John B. Williams
Brenton C. Leavitt

George H. Ellis
Alfred Hayes
Karl R. Bopp
W. Braddock Hickman
Edward A. Wayne
Malcolm Bryan
C. J. Scanlon
Harry A. Shuford
~~Frederick L. Deming~~
George H. Clay
Watrous H. Irons
Eliot J. Swan
A. L. Mills, Jr.

OFFICERS

George H. Clay, Chairman, Board of Trustees
Harry E. Robinson, Vice Chairman, Board of Trustees

Spencer S. Marsh, Jr., Treasurer
Valerie R. Frank, Secretary-
Assistant Treasurer

Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

George H. Ellis, Chairman
M. A. Harris
Watrous H. Irons
A. L. Mills, Jr.
Robert E. Moody, Jr.
Eliot J. Swan
Edward A. Wayne

Retirement Committee

M. A. Harris, Chairman
~~Frederick L. Deming~~
Robert N. Hilker
Robert E. Thomas
Edward A. Wayne

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

Watrous H. Irons, Chairman
Karl R. Bopp
Malcolm Bryan
C. J. Scanlon
William F. Treiber

A. L. Mills, Jr., Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at June 20, 1963

BOARD OF TRUSTEES

Federal Reserve Bank of

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

Elected

George E. Wells
Francis H. Rohrbach
David P. Noonan
George E. Booth, Jr.
Upton S. Martin
Robert E. Moody, Jr.
Carl E. Bierbauer
Walter F. Davisson
Richard C. Heiber
Robert E. Thomas
Harry E. Robinson, Jr.
John B. Williams
Brenton C. Leavitt

Ex Officio

George H. Ellis
Alfred Hayes
Karl R. Bopp
W. Braddock Hickman
Edward A. Wayne
Malcolm Bryan
C. J. Scanlon
Harry A. Shuford
Frederick L. Deming
George H. Clay
Watrous H. Irons
Eliot J. Swan
A. L. Mills, Jr.

OFFICERS

Frederick L. Deming, Chairman, Board of Trustees

George E. Booth, Jr., Vice Chairman, Board of Trustees

Spencer S. Marsh, Jr., Treasurer*

Valerie R. Frank, Secretary-
Assistant Treasurer**

Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

George H. Clay, Chairman
George H. Ellis
M. A. Harris
Watrous H. Irons
A. L. Mills, Jr.
Francis H. Rohrbach
Eliot J. Swan

Retirement Committee

M. A. Harris, Chairman
Frederick L. Deming
Robert N. Hilkert
Robert E. Thomas
Edward A. Wayne

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

Watrous H. Irons, Chairman
Karl R. Bopp
Malcolm Bryan
C. J. Scanlon
William F. Treiber

A. L. Mills, Jr., Associate

* Appointment to be effective July 1, 1963, succeeding Walter H. Rozell, Jr.

** Resumed former name.

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at June 21, 1962

BOARD OF TRUSTEES

| <u>Federal Reserve Bank of</u> | <u>Elected</u> | <u>Ex Officio</u> |
|------------------------------------|------------------------|---------------------|
| Boston | George E. Wells | George H. Ellis |
| New York | Francis H. Rohrbach | <u>Alfred Hayes</u> |
| Philadelphia | David P. Noonan | Karl R. Bopp |
| Cleveland | George E. Booth, Jr. | W. D. Fulton |
| Richmond | Upton S. Martin | Edward A. Wayne |
| Atlanta | Robert E. Moody, Jr. | Malcolm Bryan |
| Chicago | Carl E. Bierbauer | C. J. Scanlon |
| St. Louis | Walter F. Davisson | -- |
| Minneapolis | Milford E. Lysen | Frederick L. Deming |
| Kansas City | Robert E. Thomas | George H. Clay |
| Dallas | Harry E. Robinson, Jr. | Watrous H. Irons |
| San Francisco | John A. O'Kane | Eliot J. Swan |
| Board of Governors | Brenton C. Leavitt | A. L. Mills, Jr. |

OFFICERS

Karl R. Bopp, Chairman, Board of Trustees
David P. Noonan, Vice Chairman, Board of Trustees
Grace Tessier, Assistant Secretary
Walter H. Rozell, Jr., Treasurer
Valerie R. Splitt, Secretary-
Assistant Treasurer

COMMITTEES

| <u>Executive Committee</u> | <u>Retirement Committee</u> | <u>Investment Committee</u> |
|-------------------------------|-----------------------------------|---|
| Frederick L. Deming, Chairman | M. A. Harris, Chairman | Watrous H. Irons, Chairman |
| George E. Booth, Jr. | Frederick L. Deming | Karl R. Bopp |
| George H. Clay | Robert N. Hilkert | Malcolm Bryan |
| George H. Ellis | Robert E. Thomas | W. D. Fulton <i>Charles F. Scanlon</i> |
| M. A. Harris | Edward A. Wayne | Robert G. Rouse |
| Watrous H. Irons | | |
| A. L. Mills, Jr. | E. C. Rainey, Associate | A. L. Mills, Jr., Associate |
| | H. F. Sprecher, Jr., Associate | |

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at June 22, 1961

BOARD OF TRUSTEES

| <u>Federal Reserve Bank of</u> | <u>Elected</u> | <u>Ex Officio</u> |
|------------------------------------|------------------------|----------------------|
| Boston | G. Gordon Watts | George H. Ellis |
| New York | Francis H. Rohrbach | <u>Alfred Hayes</u> |
| Philadelphia | David P. Noonan | Karl R. Bopp |
| Cleveland | George E. Booth, Jr. | W. D. Fulton |
| Richmond | Upton S. Martin | Edward A. Wayne |
| Atlanta | Edgar M. Vallette | Malcolm Bryan |
| Chicago | Laurence H. Jones | <u>Carl E. Allen</u> |
| St. Louis | Walter F. Davisson | Delos C. Johns |
| Minneapolis | Milford E. Lysen | Frederick L. Deming |
| Kansas City | Robert E. Thomas | George H. Clay |
| Dallas | Harry E. Robinson, Jr. | Watrous H. Irons |
| San Francisco | John A. O'Kane | Eliot J. Swan |
| Board of Governors | John C. Brennan | A. L. Mills, Jr. |

OFFICERS

Alfred Hayes, Chairman, Board of Trustees
Robert E. Thomas, Vice Chairman, Board of Trustees
Grace Tessier, Assistant Secretary
Walter H. Rozell, Jr., Treasurer
Valerie R. Frank, Secretary-
Assistant Treasurer

COMMITTEES

Executive Committee

eff. 1/30/62
~~Carl E. Allen, Chairman~~
Karl R. Bopp, *Chairman*
Frederick L. Deming
M. A. Harris
Watrous H. Irons
A. L. Mills, Jr.
David P. Noonan

Retirement Committee

M. A. Harris, Chairman
Frederick L. Deming
Robert N. Hilker
G. Gordon Watts
Edward A. Wayne

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

Watrous H. Irons, Chairman
Karl R. Bopp
Malcolm Bryan
W. D. Fulton
Robert G. Rouse

A. L. Mills, Jr., Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

March 1, 1961
As at ~~June 16, 1960~~

BOARD OF TRUSTEES

| <u>Federal Reserve Bank of</u> | <u>Elected</u> | <u>Ex Officio</u> |
|------------------------------------|----------------------|---------------------------|
| Boston | G. Gordon Watts | J. A. Erickson |
| New York | Joseph F. Tierney | Alfred Hayes |
| Philadelphia | David P. Noonan | Karl R. Bopp |
| Cleveland | George E. Booth, Jr. | W. D. Fulton |
| Richmond | Upton S. Martin | Hugh Leach |
| Atlanta | Edgar M. Vallette | Malcolm Bryan |
| Chicago | Laurence H. Jones | Carl E. Allen |
| St. Louis | Walter F. Davisson | Delos C. Johns |
| Minneapolis | Milford E. Lysen | Frederick L. Deming |
| Kansas City | Robert E. Thomas | H. G. Leedy |
| Dallas | Joe D. Metze | Watrous H. Irons |
| San Francisco | John A. O'Kane | H. N. Mangels |
| Board of Governors | John C. Brennan | A. L. Mills, Jr. |

OFFICERS

Laurence H. Jones, Chairman, Board of Trustees
Alfred Hayes, Vice Chairman, Board of Trustees
Walter H. Rozell, Jr., Treasurer
Valerie R. Frank, Secretary-
Assistant Treasurer
Grace Tessier, Assistant Secretary

COMMITTEES

| <u>Executive Committee</u> | <u>Retirement Committee</u> | <u>Investment Committee</u> |
|--|---|---|
| Carl E. Allen, Chairman | M. A. Harris, Chairman | Watrous H. Irons, Chairman |
| Karl R. Bopp | Frederick L. Deming | Malcolm Bryan |
| M. A. Harris | Robert N. Hilker | J. A. Erickson <i>K. R. Bopp</i> |
| Watrous H. Irons | H. N. Mangels <i>E. A. Wayne</i> | W. D. Fulton |
| H. N. Mangels <i>F. L. Deming</i> | G. Gordon Watts | Robert G. Rouse |
| A. L. Mills, Jr. | | |
| Robert E. Thomas | E. C. Rainey, Associate | A. L. Mills, Jr., Associate |
| | H. F. Sprecher, Jr., Associate | |

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at June 18, 1959

BOARD OF TRUSTEES

Federal Reserve Bank of

Elected

Ex Officio

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

G. Gordon Watts
Joseph F. Tierney
David P. Noonan
Harmen B. Flinkers
Upton S. Martin
Edgar M. Vallette
Laurence H. Jones
Walter F. Davisson
Milford E. Lysen
Robert E. Thomas
Ernest G. Hudel
John A. O'Kane
John C. Brennan

J. A. Erickson
Alfred Hayes
Karl R. Bopp
W. D. Fulton
Hugh Leach
Malcolm Bryan
Carl E. Allen
Delos C. Johns
Frederick L. Deming
H. G. Leedy
Watrous H. Irons
H. N. Mangels
M. S. Szymczak

OFFICERS

Watrous H. Irons, Chairman, Board of Trustees
Laurence H. Jones, Vice Chairman,
Board of Trustees

Walter H. Rozell, Jr., Treasurer
Valerie R. Frank, Secretary-Assistant
Treasurer

William O. Hume, Assistant Secretary
Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

Alfred Hayes, Chairman
Carl E. Allen
J. A. Erickson
M. A. Harris
H. N. Mangels
M. S. Szymczak
G. Gordon Watts

Retirement Committee

M. A. Harris, Chairman
Frederick L. Deming
Robert N. Hilker
H. N. Mangels
G. Gordon Watts

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

J. A. Erickson, Chairman
Carl E. Allen
Watrous H. Irons
Hugh Leach
Robert G. Rouse

M. S. Szymczak, Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

171/59
As at June 18, 1959

BOARD OF TRUSTEES

Federal Reserve Bank of

Elected

Ex Officio

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

G. Gordon Watts
Joseph F. Tierney
David P. Noonan
Harmon B. Flinkers
Upton S. Martin
Edgar M. Vallette
Laurence H. Jones
Walter F. Davisson
Milford E. Lysen
Robert E. Thomas
Ernest G. Hudel
John A. O'Kane
John C. Brennan

J. A. Erickson
Alfred Hayes
Karl R. Bopp
W. D. Fulton
Hugh Leach
Malcolm Bryan
Carl E. Allen
Delos C. Johns
Frederick L. Deming
H. G. Leedy
Watrous H. Irons
H. N. Mangels
M. S. Szymczak

OFFICERS

Watrous H. Irons, Chairman, Board of Trustees
Laurence H. Jones, Vice Chairman,
Board of Trustees

Walter H. Rozell, Jr., Treasurer
Valerie R. Frank, Secretary-Assistant
Treasurer

William O. Hume, Assistant Secretary
Grace Tessier, Assistant Secretary

COMMITTEES

Executive Committee

Alfred Hayes, Chairman
Carl E. Allen
J. A. Erickson
M. A. Harris
H. N. Mangels
M. S. Szymczak
G. Gordon Watts

Retirement Committee

M. A. Harris, Chairman
Frederick L. Deming
Robert N. Hilker
H. N. Mangels
G. Gordon Watts

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

J. A. Erickson, Chairman
~~Carl E. Allen~~ *William D. Fulton*
Watrous H. Irons
Hugh Leach
Robert G. Rouse

M. S. Szymczak, Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

→ As at June 19, 1958 ←

BOARD OF TRUSTEES

Federal Reserve Bank of

Elected

Ex Officio

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

G. Gordon Watts
Joseph F. Tierney
David P. Noonan
Harmen B. Flinkers
Upton S. Martin
E. C. Rainey
Laurence H. Jones
Walter F. Davisson
Milford E. Lysen
Robert E. Thomas
Ernest G. Hudel
John A. O'Kane
Gerald M. Conkling

J. A. Erickson
Alfred Hayes
Karl R. Bopp
W. D. Fulton
Hugh Leach
Malcolm Bryan
Carl E. Allen
Delos C. Johns
Frederick L. Deming
H. G. Leedy
Watrous H. Irons
H. N. Mangels
M. S. Szymczak

OFFICERS

W. D. Fulton, Chairman
Walter F. Davisson, Vice Chairman
William O. Hume, Assistant Secretary
Grace Tessier, Assistant Secretary
Walter H. Rozell, Jr., Treasurer
Valerie R. Frank, Secretary-Asst. Treasurer

COMMITTEES

Executive Committee

Watrous H. Irons, Chairman
Carl E. Allen
J. A. Erickson
M. A. Harris
Alfred Hayes
E. C. Rainey
M. S. Szymczak

Retirement Committee

M. A. Harris, Chairman
Frederick L. Deming
Robert N. Hilker
Laurence H. Jones
H. N. Mangels

E. C. Rainey, Associate
H. F. Sprecher, Jr.,
Associate

Investment Committee

J. A. Erickson, Chairman
Carl E. Allen
Watrous H. Irons
Hugh Leach
Robert G. Rouse

M. S. Szymczak, Associate

RETIREMENT SYSTEM OF THE FEDERAL RESERVE BANKS

List of Members of Board of Trustees, Officers and Members of Committees

As at June 20, 1957

BOARD OF TRUSTEES

Federal Reserve
Bank of

Elected

Ex Officio

Boston
New York
Philadelphia
Cleveland
Richmond
Atlanta
Chicago
St. Louis
Minneapolis
Kansas City
Dallas
San Francisco
Board of Governors

G. Gordon Watts
Madeline H. McWhinney
David P. Noonan
Harmen B. Flinkers
Upton S. Martin
E. C. Rainey
Laurence H. Jones
Walter F. Davisson
Milford E. Lysen
C. L. Bollinger
Ernest G. Hudel
John A. O'Kane
Gerald M. Conkling

J. A. Erickson
Alfred Hayes
Alfred H. Williams
W. D. Fulton
Hugh Leach
Malcolm Bryan
Carl E. Allen
Delos C. Johns
Frederick L. Deming
H. G. Leedy
Watrous H. Irons
H. N. Mangels
M. S. Szymczak

OFFICERS

| | |
|--------------------------------------|---|
| Delos C. Johns, Chairman | Walter H. Rozell, Jr., Treasurer |
| Upton S. Martin, Vice Chairman | Valerie R. Frank, Secretary-Asst. Treasurer |
| William O. Hume, Assistant Secretary | |
| Grace Tessier, Assistant Secretary | |

COMMITTEES

Executive Committee

Retirement Committee

Investment Committee

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Walter F. Davisson
J. A. Erickson
M. A. Harris
Alfred Hayes
Watrous H. Irons
M. S. Szymczak

M. A. Harris, Chairman
W. J. Davis
Delos C. Johns
Laurence H. Jones
H. N. Mangels

E. C. Rainey, Associate
H. F. Sprecher, Jr.
Associate

J. A. Erickson, Chairman
Hugh Leach
H. G. Leedy
Robert G. Rouse
Alfred H. Williams

M. S. Szymczak, Associate