MINUTES
Regular Meeting
EXECUTIVE COMMITTEE
National Paint, Varnish and Lacquer Association, Inc.
Waldorf-Astoria -- New York, N.Y. -- January 22, 1959

Call to Order

The meeting was called to order at 11:35 by Chairman Thompson with the following in attendance:

Members

J. V. Thompson, Chairman
Joseph F. Battley
A. D. Duncan
S. U. Greenberg
William E. Hood
N. V. Kelley
J. A. Martino
Walter F. H. Mattlage
M. J. Merkin
David H. Moran
A. V. Steudel
F. L. Sulzberger

The following members were absent:

H. C. McClellan
Val Wurtele

Guests

R. S. Bennett
Paul B. Cefalu
O. J. S[illegible]deBrun
R. J. Eckart
J. A. Hager
W. K. Maroney

Staff

Allan W. Gates
Robert A. Roland

Minutes of Last Meeting

Chairman Thompson reported that minutes of the last Executive Commmittee meeting were mailed to all members. The minutes were approved without reading.

Financial Statement and Report of the Budget and Finance Committee

On motion made and seconded, all actions of the Budget and Finance Committee and the financial and budget and expense statements for the first quarter ended December 31, 1958, were approved unanimously.

Association Activities

President Battley announced that Mr. Doran S. Weinstein had withdrawn his name from nomination for election to the Board of Directors to fill the unexpired term of Mr. J. C. Knochel. Mr. Weinstein recommended that Mr. E. F. Musterman, Vice President in Charge of Trade Sales for Devoe & Raynolds, be elected to fill the unexpired term. President Battley stated he had mailed to members of the Board a letter withdrawing Mr. Weinstein's name and requesting the Board to send additional recommendations to fill this vacancy.

Paint Research Institute

Chairman Thompson stated that at the October Executive Committee meeting a resolution had been passed providing for contributions to the Paint Research Institute. However, the Executive Committee decided the resolution should first be referred to our Legal Department for clearance before being passed in final form.

The General Counsel had rewritten the resolution, which Chairman Thompson now presented for action:

> "Resolved, that, for the year beginning October 1, 1958, and ending September 30, 1959 only, the National Paint, Varnish and Lacquer Association contribute to the Paint Research Institute an amount equal to the contribution of the Federation of Paint and Varnish Production Clubs, up to but not in excess of the sum of $35,000, providing that the Executive Committee of the National Paint, Varnish and Lacquer Association or a duly designated subcommittee thereof shall have been informed of and shall have approved the projects of the Paint Research Institute prior to the making of such contribution, and further provided, that this action shall not be interpreted to commit this Association to continuing any expenditure on projects so approved for a period beyond September 30, 1959."

On motion made and seconded, the above resolution was unanimously approved.

Change of Meeting Dates

President Battley stated that it had been suggested that the Executive Committee meet on Friday instead of Thursday during January and July now that the Board of Directors no longer meets during these months. Because none of the members present had a preference for Thursday or Friday, no change was recommended.

Report of Special Committee to Study Effects of ASA Standard Z66.1-1955 on Metal Toy Finishes

A Special Committee appointed to make recommendations concerning the ASA Standard Z66.1-1955 found that lithographed finishes for metal toys do not create a public health hazard for the following reasons:

1. Lithographed finishes for metal toys are baked on at high temperatures resulting in a glass-like coating which makes it extremely difficult, if not impossible, for a child to remove the finishes by chewing the toys.

2. Metal toys are not readily chewed by children because they easily hurt the child's mouth.

3. The lead compound (lead chromate) in lithographed finishes on metal toys is not absorbed by the human digestive system.

The authorities relied on by this Committee are Dr. Leroy E. Burney, Surgeon General, U. S. Public Health Service, and Dr. Huntington Williams, Health Commissioner, City of Baltimore.

The Committee unanimously recommended to the Executive Committee that the Association propose a revision of ASA Standard Z66.1-1955 as follows:

Delete the "toys or" in the statement of the scope of the Standard and delete the word "toys" from the specification of the Standard.

A motion made and seconded to accept the recommendation of the above special committee was unanimously approved.

<u>Baltimore Association Resolution on Federal Labeling Laws</u>

Chairman Thompson stated he had received the following letter from Mr. Leonard W. Miller, President of the Baltimore Paint, Varnish and Lacquer Association:

"The Executive Committee of the Baltimore Paint, Varnish and Lacquer Association, at its meeting on December 8, 1958, passed the attached resolution and directed that it be sent for consideration to the Executive Committee of the National Paint, Varnish and Lacquer Association.

"The Executive Committee further directed that copies of the resolution be sent to local associations and a copy of the accompanying letter is attached for your information.:

Chairman Thompson then read the following suggested letter to be sent to presidents of local associations:

"Dear Mr. President:

"We are enclosing herewith a resolution of the Executive Committee, Baltimore Paint, Varnish and Lacquer Association, in which it is strongly recommended that the Executive Committee, National Paint, Varnish and Lacquer Association, take the necessary steps to adopt a national law on warning labels for paints containing lead.

"It is to be expected that most local organizations would quickly resist a suggestion of any law affecting their labeling. Nevertheless, our experience in Baltimore has certainly altered our immediate reaction to a national law. The Baltimore City Health Department has insisted that its wording of a warning label must be used instead of the standard recommendation of the National Paint, Varnish and Lacquer Association. At the present, the National Association is giving its complete cooperation in attempting a solution by getting New York City to permit the use of the Baltimore wording. Even if this is successful, it is likely that the relief will be temporary until another municipality or state prefers a slightly different wording.

"We believe it is possible that eventually many local organizations will be in the position of trying to comply with conflicting laws and regulations.

"Under the circumstances, we ask your support in making your recommendations to the Executive Committee, National Paint, Varnish and Lacquer Association, which meets the latter part of January 1959."

Chairman Thompson then read the resolution of the Executive Committee, Baltimore Association, passed December 8, 1958:

"WHEREAS, the National Paint, Varnish and Lacquer Association, through the recommendations of its labeling committee has been of excellent service in standardizing the wording of laws and regulations pertaining to paints containing lead; and

"WHEREAS, this wording has been adopted by New York City as well as several states; and

"WHEREAS, the Baltimore City Health Department has been authorized and empowered by the Mayor and City Council in Ordinance 1504 dated June 9, 1958, to make and adopt such rules and regulations as deemed necessary to carry out the requirements of warning labels containing lead; and

"WHEREAS, the Baltimore City Health Department has adopted a wording for warning labels different than the standardized wording recommended by the National Paint, Varnish and Lacquer Association; and

"WHEREAS, in the future a far greater number of states and municipalities will be considering legislation for similar and very possibly conflicting wording of warning labels; and,

"WHEREAS, an enforcement of warning label requirements of different wording in two or more states or municipalities can create confusion and hardship in our industry; be it

"RESOLVED, that the Executive Committee of the Baltimore Paint, Varnish and Lacquer Association go on record as strongly recommending to the Executive Committee of the National Paint, Varnish and Lacquer Association that it take such action as is necessary towards the adoption of a national law for warning label requirements; and be it further

"RESOLVED, that copies of this resolution be transmitted to all local paint and varnish associations for their consideration."

President Battley stated he told Mr. Leonard Miller that the Executive Committee, at its July meeting, concluded that the Legislative Committee should continue work on the development of a uniform labeling law and the Baltimore Association should hold their resolution until the results of the Legislative Committee would be known.

President Battley stated the Legislative Committee met the preceding week at Association Headquarters, with Dr. Williams, and he asked Mr. Robert Roland, who had sat in on the meeting, to give the Executive Committee a brief summary of the meeting.

Mr. Merkin asked why New York is always tied in with the Baltimore situation.

Mr. Eckart replied that everyone looked to New York because it does have a law, but Dr. Williams tried to get New York to agree with his proposal. Dr. Williams uses twenty-nine words whereas the New York regulations contains seventeen words. New York would not agree with Dr. Williams.

Mr. Thompson stated Baltimore has asked whether the Executive Committee would support their resolution towards the adoption of a national law for warning label requirements.

Mr. Sulzberger thought we were definitely on record as against a national law.

Mr. Merkin asked if a federal law would release a manufacturer from the state laws. The answer was negative -- a manufacturer would be subject to both federal and state legislation.

President Battley stated the Executive Committee directed the Legislative and Labeling Committee to draft a model federal law in case it is needed. Although we do not want the federal bill, we would not want to be included in another law, such as the Manufacturing Specialties Association bill, and others.

Mr. Greenberg stated that although we do have problems in local areas, we should work them out with local organizations. He felt we should not go on record for a federal law.

Chairman Thompson stated he would write the Baltimore Association, telling them it is the consensus of the Executive Committee that the Association is not at this time prepared to go on record either for or against a federal labeling law, but that every consideration will be given to the Baltimore resolution.

The meeting was adjourned for lunch at 12:30 P.M. and reconvened at 2:00 P.M.

Special Subcommittee on Salaries and Pensions

Chairman Thompson stated that at the meeting of the special subcommittee the preceding day, they had considered revising the pension plan for Association employees. The Committee feels the present plan is too generous for the lower salaried employees and inadequate for the employees in the upper-salaried levels.

A representative of Johnson & Higgins, Insurance Brokers, who had been employed to investigate the current program, was present at the meeting and submitted the following letter to the Executive Committee:

> "In reviewing the notes which I made during our meeting this morning, I noted that I had originally suggested a future service benefit of 1% of the first $4,200 salary and 2% of excess salary and a past service benefit of 3/4% and 1-1/2%, respectively. This suggestion assumed that, as at present, benefits would be based on salaries received from year to year. Later, the Committee agreed that pensions should be based upon the average earnings of the ten years preceding retirement. Therefore, as is customary in "final salary" plans the same percentages are used for both past and future service.

"Also, during the early part of the meeting, I had indicated that if future service benefits on earnings over $4,800 were increased to 2% and benefits for services before 1959 by 1/2% of current earnings in excess of $4,800, the additional annual costs would be approximately $4,000. These costs were based on 'average' earnings and the use of 'final' earnings will result in a further increase in cost. Although we do not have sufficient data to make a computation of the cost of the proposed benefits, a very rough estimate indicates it would be in the neighborhood of $7,500 more than your present plan cost of $20,000."

Report of Pension Committee

A review of our pension plan has revealed several areas in which the plan needs revision; namely:

1. The pension provided for most of the key employees is too small. For the four highest paid employees (other than President Battley) the ratios to current salaries are 21%, 19%, 12% and 21%.

2. The amount of life insurance provided for a number of women is too large -- in several cases, between three and four times annual earnings.

We recommend, therefore, that the plan be amended as follows:

1. Pensions will be equal to 1% of the first $4,800 of average earnings received in the ten years preceding retirement and 2% of such earnings in excess of the said amount for each year of service.

2. The Association will pay the entire cost of pensions on the first $4,800 of earnings and the employees will contribute 4% of earnings in excess of $4,800, with the Association paying the balance of the cost.

3. The only death benefit provided under the pension plan will be a refund of the employee's own contributions, plus interest. However, a group life insurance plan will be established which will provide, at the Association's expense, life insurance equal to an employee's annual salary and will enable him to purchase a corresponding amount, subject to his contributing at the rate of 60¢ per month for each one thousand dollars of such additional amount. The contributory insurance will terminate upon retirement. The non-contributory insurance will be reduced 20% per year starting one year after retirement.

4. If an employee becomes totally and permanently disabled after reaching age 40 and completing at least fifteen years of service, he will be eligible for immediate pension based upon his earnings and service to his date of retirement.

5. General Battley will not be included in the revised pension plan and arrangements have been made for him.

6. Special arrangements will be made so that, to the maximum extent possible, a present employee will not receive less insurance or a smaller pension than anticipated under the present plan on the basis of current salary. Furthermore, recognition will be given to the contributions which the employee has made in the past years.

7. Although precise figures are not available, it would appear that this considerable increase in pensions for certain employees and the inclusion of some employees who are not now members because they have refused to contribute, would increase the Association's annual cost from approximately $20,000 to the neighborhood of $27,500. Much of this cost would have to be met in any event since the benefits produced by the plan for these employees are not sufficient to permit graceful retirement, with the result that some sort of supplementation would probably have to be made.

The above recommendations cover the highlights of the suggested changes but the Pension Committee should be given full authority to make such other changes as may be felt necessary or desirable, provided they do not materially increase the cost.

A motion was made and seconded to give the Special Committee on Salaries and Pensions the full authority to make, with the consent of the Trustees, any changes in the existing Association Pension Trust which may be deemed necessary or desirable after a thorough study of the suggested pension plan has been made, provided the changes do not materially increase the cost. The motion was unanimously approved.

Tribute to Elgin S. Nickerson

The following resolution honoring Mr. Elgin S. Nickerson was unanimously approved:

"The members of the Executive Committee, National Paint, Varnish and Lacquer Association, Inc., having been apprised of the retirement of our friend and associate, Elgin S. Nickerson, do hereby record our sincere appreciation of his loyal and faithful service to the Association and industry;

"WHEREAS, in the retirement of Elgin S. Nickerson from active management of company affairs and from the councils of our organization, the National Paint, Varnish and Lacquer Association will miss the wise counsel of one who has worked so untiringly and contributed so unselfishly to the strengthening and advancement of our industry, and

"WHEREAS, we desire to recognize the outstanding services which Elgin S. Nickerson has rendered in many years of loyal and faithful support of the Association and a lifetime devoted to enhancing the finest traditions of the industry; now, therefore, "BE IT RESOLVED that we hereby record our genuine appreciation of his accomplishment; that as a friend and associate we will miss his presence in our councils; and,

"BE IT FURTHER RESOLVED an engrossed copy of this resolution be presented to him as a token of our high esteem and affection and to express the hope that he will continue to enjoy many years of health, happiness and contentment."

A motion made and seconded authorizing President Battley to have a proper plaque made and presented to Mr. Nickerson was unanimously approved.

Suggested Procedure for Mail Vote When Replacing Retiring Members

Mr. Greenberg stated he had correspondence with President Battley prior to the meeting concerning the automatic replacement of members of the Board of Directors and Executive Committee with people from the same company as those retiring, or for other reasons resigning, for their unexpired terms.

Although he felt this is acceptable for members of the Board of Directors, members of the Executive Committee should have more maturity in the affairs of the Association.

President Battley felt we should have a balanced group, with companies represented, not the men. The Association should have representatives of large, small and medium-sized companies of the Board of Directors and Executive Committee.

Chairman Thompson felt more than one name should be placed for nomination. Although the current type of ballot calls for other nominations, if desired, he felt it is a vote against the person recommended when another name is entered, rather than a vote for the person when a number of names are entered.

Mr. Sulzberger felt that, as in the case of Mr. Mattlage, a newly elected member has the opportunity to know the problems of our industry.

President Battley wondered what problems the Executive Committee settles that any member company would not settle in its own business. After further discussion, the subject was dropped.

Report of Subcommittee on Trade Sales of Marketing Research and Statistics Committee

Mr. Moran presented the status of our Trade Sales Market Research Pilot Study. The Association's Market Research and Statistics Committee received the results of the Trade Sales Market Research Pilot Study from Opinion Research on January 20.

The Chairman of the Marketing Research and Statistics Committee has called a meeting of the full committee on February 10 to consider the results of this report. That committee will report its findings and recommendations to the Public Relations and Publicity Committee for their study prior to the April Board of Directors meeting.

Mr. Everett R. Call, Director of the Association's Marketing Research and Statistics Division, has related several major hypotheses developed by Opinion Research from the Pilot Study. However, a great deal of study must be devoted to these results before any valid conclusions can be drawn and further study by the Subcommittee may develop other hypotheses which will prove more valuable to the public relations program.

Mr. Moran stated no action is necessary at this time and Mr. Fernald will report to the April meeting of the Executive Committee.

National Institute of Paint and Coatings Application

President Battley called attention to the proposed National Institute of Paint and Coatings Application and stated that this organization is a result of the meeting of the Painting and Decorating Contractors of America, the Brotherhood of Painters and Decorators and the Federation of Paint and Varnish Production Clubs. It is the purpose of this group to handle problems in all areas of the paint industry, especially those related to new technical information. President Battley stated that he had been requested to participate but that he had written to the Secretary of the National Institute of Paint and Coatings Application, asking for information as to the actual objectives, purpose and subjects to be considered. He had not received a reply to this letter.

President Battley stated that until he received further and complete information as to the real purpose and objectives of this Institute, he would follow the instructions of the Committee and continue to insist that this proposed group be a part of the existing Joint Paint Industry Coordinating Committee. Such an organization is properly a function of this Joint Committee as it is entirely representative of each segment of the paint industry. Any problem proposed by any part of the industry can be considered by the Joint Committee and appropriate recommendations made.

It was the consensus of the Executive Committee that the National Paint, Varnish and Lacquer Association should not participate in this new organization.

Group Accident Insurance

Secretary Gates stated that Chairman Thompson had asked him to investigate the cost of a group accident policy to cover all employees while away from the office on company business. He had checked with the Association's insurance broker and found that a policy could be written to cover the following:

Death and dismemberment would be three times the annual salary, subject to a maximum of $100,000.

Weekly indemnity would be equal to $5 for each $1,000 principal sum, with a limit of 52 weeks.

An annual payment of $458.25 to cover all employees while travelling on Association business was quoted.

Chairman Thompson reported his company has this type of coverage and he feels the Association should carry a similar policy.

After further discussion, a motion made and seconded to give the President full discretion to purchase the best policy for the protection of Association employees was unanimously approved.

Cooperative Advertising Program

Chairman Thompson recommended that consideration of this matter be postponed until the April meeting.

Report of the Furniture Finishes Manufacturers Group

Mr. Hager stated the Subcommittee of the Chemical Coatings Steering Committee had met on January 8 to finalize the procurement of funds in support of the program. He said that the formula for computing the contributions was based on:

> Total annual sales for the industry is $1,600,000,000. Of this, roughly one-third is in the Chemical Coatings Division. Of the total sales for Chemical Coatings, 8% represents wood finishes, which amounts to $42,000,000 of sales for the wood finishes industry.

It was the original intention to ask for a contribution equal to 1/10 of 1% of sales. However, they realized that with any program, there is always a number of companies who will not participate. They felt a conservative estimate for contributors would be 50% of the total; therefore, they increased the contribution to 2/10 of 1% of sales. This will give them approximately $40,000 per year from the finishes manufacturers. The Committee decided on this definition of sales:

"Furniture finishes sales include the sales of everything used in the original finishing of any wood furniture item normally found in the home, including accessory pieces such as radios, televisions, pianos and record players."

Of the $42,000,000 in sales, Mr. Hager pointed out, $21,000,000 represents the cost of raw materials. If an equal amount of $40,000 was contributed by the suppliers, the total would be more than sufficient to carry out the program at a cost of $65,000 a year for two years. Not later than February of this year, every known manufacturer should receive an invitation to join. April 1 should be the cut-off date for receipt of pledges from those participating, with dues based on 1958 sales.

He stated it is the feeling of their Committee that the collection and disbursement of funds under this program should be under the auspices of the National Association, with contributions sent to the Secretary of the National to provide the necessary secrecy, as is done with Association dues.

Mr. deBrun did not feel this program should be under the auspices of the Association since the Executive Committee did not approve the program nor were the details presented to the Executive Committee.

Mr. Hager stated that before the program was undertaken, he had received the approval of the Wood Finishes Manufacturers Group, the Chemical Coatings Steering Committee and the Board of Directors. He believes it is an activity of the Association and subject to any contribution it can receive from the Association.

President Battley stated he does not believe it is an Association activity; the plans were never cleared through the Executive Committee or Board of Directors. From what he knew about the plan, it would be run by the Wood Finishes group.

Mr. Kelley felt the program was developed within the Association and should be an Association activity.

Mr. Sulzberger felt that although the procedure for getting approval was somewhat questionable and the program did not go through the proper channels, it is an Association program. Although it is of principal benefit to one segment of the industry, the plan should be continued.

President Battley recommended that all money be sent to the Association to be deposited in the name of the Wood Finishes Educational Program.

It was the consensus of the members of the Executive Committee present (Chairman Thompson, Mr. Kelley, Mr. Sulzberger, President Battley, Mr. Moran -- no quorum present) that the program should be an activity of the Association and all money would be handled by the Association in a separate bank account in the name of the Furniture Finishes Manufacturers.

Adjournment

On motion made and duly seconded, the meeting was adjourned at 3:30 P.M.

Respectfully submitted,

Allan W. Gates

ALLAN W. GATES
Secretary