

RETIREMENT PAYMENTS FOR RAILROAD WORKERS

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Because of the basic interrelationships of these two Federal retirement systems, it is believed that the following summary of operations under the Railroad Retirement Acts is of special significance to persons concerned with policies and administrative procedures in the old-age insurance system administered by the Social Security Board. For a considerable number of workers, old-age security will involve provisions of both systems. The Social Security Board is happy to announce that, through the cooperation of the Railroad Retirement Board, summary data will be published monthly concerning that agency's important activities in the field of old-age security.

THE RAILROAD RETIREMENT ACT of 1935 and the amendatory act of 1937 established a Federal retirement system for all employees of the railroad industry to permit the immediate retirement, on relatively high annuities, of large numbers of aged workers still employed or who had rights to employment in the industry at the time of the passage of the acts and to provide for orderly retirement of railroad workers currently reaching retirement age thereafter. It was expected that the law, by encouraging retirement of older workers, would create additional employment and promotion opportunities for younger railroad workers. The act also provides annuities at retirement age for all employees who have ever been covered by the act, to the extent of their credited earnings and years of service, whether or not they last worked for an employer under that act and in addition to any annuities payable to them under title II of the Social Security Act.

At the time of the establishment of the railroad retirement system there was a large accumulation of older workers in the railroad industry. The severe reduction in railroad employment between 1924 and 1933, which fell most heavily on employees with short service, increased the proportion of employees 65 and over, almost all of them with long years of service in the industry.¹ Many employees tended to remain in service long after age 65. The normal age of retirement under the great majority of the private pension plans established by the railroads was 70, and the average age at retirement was between 68 and 69.

Some employees worked for employers who had no private pension plans, and others could not qualify under such plans. After 1932 the number of older workers who were retired under private pension plans decreased. The depression further increased the number of older persons remaining on the job by tending to increase the financial burden resting on them because of the unemployment of other members of the family, or by making it less likely that they would be supported by their families or would have means of support other than their own earnings.

The protracted litigation over the Railroad Retirement Act of 1935 and the general uncertainty as to the future of the system further increased the number of persons who remained in active service beyond age 65. Employers hesitated to assume pension burdens for employees who might shortly be granted annuities under the railroad retirement system. Some employees who might have retired under private pension plans did not do so because they preferred to come under the Federal retirement system. Many employees ineligible for pensions under private pension plans remained on the job until the Federal system which would include them was definitely established.

To enable aged workers to retire immediately and others to retire as they became 65, the successive railroad retirement acts provided for annuities based not only on years of service subsequent to the establishment of the system but also on credit, up to 30 years,² for service prior to the beginning of the system. Individuals who on August 29, 1935, were in an employment rela-

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¹ A study made by the Federal Coordinator of Transportation found that, on 13 selected roads studied, the actual number of employees 65 and over increased from 3,991 or 1.4 percent of the total on July 1, 1924, to 5,656 or 2.1 percent on July 1, 1929, and 6,792 or 3.6 percent on Dec. 31, 1933.

² Only so much prior service is creditable as will bring total credited service, including subsequent service, to 30 years.

tion to an employer under the act, as well as those who were on that date in the active service of such an employer, are eligible under the 1937 act for credit for service prior to January 1, 1937. Under the 1935 act credit is given for service prior to March 1, 1936, to individuals who were in active service or in an employment relation on or after August 29, 1935. The Railroad Retirement Act of 1934, which was held unconstitutional by the United States Supreme Court on May 6, 1935, had made retirement compulsory. In the 1935 act, the compulsory provision was dropped, but a reduction in the amount of the annuity was provided for employees, except officials and employee representatives, who remained in service between the ages of 65 and 70, unless they filed with the Board a continuance-in-service agreement signed by themselves and their employers, and for all employees who remained in service after reaching 70. The amendatory Railroad Retirement Act which became law on June 24, 1937, contains no direct penalty for failure to retire at age 65.³ Retirement is encouraged by a relatively high level of annuities. For some time to come, but to a decreasing extent, this level is maintained by the grant of prior-service credit.

Railroad employees who are still in service at the age of 65 generally have long years of service and are most likely to be found in occupations with relatively high wages. The combined effect of these two factors was to make a large proportion of the older workers on the railroads immediately eligible for relatively high annuities, since the amount of the annuity is based on years of credited service and average monthly compensation.⁴ The portion of the annuity based on prior-service credit will decrease as credit for subsequent service increases, but for many years to come will continue to constitute the major element in employee annuities.

³ The fact that employees continue to pay taxes under the Carriers Taxing Act after reaching age 65 but receive no credit for the additional service may perhaps be considered an indirect penalty.

⁴ The annuity is calculated by taking 2 percent of the first \$50 of the average monthly compensation, 1½ percent of the next \$100, and 1 percent of the balance and multiplying the sum of these three amounts by the number of years of credited service. The average monthly compensation earned by the individual during the period 1924 to 1931 is taken as applicable to his entire period of prior service in determining his average monthly compensation for computing the amount of his annuity. The average monthly compensation for his period of subsequent service is the actual average of monthly earnings. In computing average monthly compensation, only months in which there was some employment are counted. Compensation in excess of \$300 in any 1 month from 1 or more employers is excluded from credited compensation.

Coverage and Financing

Records of credited compensation earned in each month after December 31, 1936, for each employee of all employers under the act are maintained by the Railroad Retirement Board from quarterly reports made by employers. Service and compensation prior to January 1, 1937, are adjudicated on the basis of a check of pay-roll or other records in the possession of employers. The Board's records of credited compensation

Table 1.—Federal tax collections under the Carriers Taxing Act of 1937, by fiscal years and by months, October 1937–May 1939

Fiscal year and month	Amount	Fiscal year and month	Amount
Cumulative, October 1937–May 1939	\$238, 222, 850	Total, 1933-39 through May	\$88, 181, 950
Total, 1937-38 (9 months)	150, 040, 000	1933	
1937		July	446, 445
October	19, 040	August	25, 536, 459
November	23, 465, 353	September	4, 672
December	68, 913, 769	October	796, 258
1938		November	26, 467, 035
January	658, 843	December	35, 665
February	30, 071, 033	1939	
March	1-10, 484	January	872, 006
April	584, 114	February	27, 504, 743
May	26, 331, 470	March	20, 967
June	6, 860	April	388, 291
		May	6, 103, 403

¹ Adjustment of taxes previously reported in error.

Source: Daily Statement of the U. S. Treasury.

after December 31, 1936, do not show the total number of employees who have rights under the Railroad Retirement Act, since some individuals have received and others will receive annuities solely on the basis of prior service. The number of such individuals, however, is very small in proportion to the total now covered by the act.

To the end of June 1938 a total of approximately 2.1 million persons had acquired credits under the railroad retirement system for service subsequent to December 31, 1936. Of these, approximately 1.9 million had received social security account numbers in the block of numbers reserved for the railroad retirement accounts, and the remaining 200,000 had obtained their social security account numbers outside the railroad series, prior to entering or reentering compensated employment under the Railroad Retirement Act. Such persons retain their social security account numbers under the railroad retirement system but are required, as are those who receive social

security account numbers in the railroad retirement series, to register with the Railroad Retirement Board on a Carrier Employee Registration form.

Between July 1, 1938, and May 31, 1939, a total of approximately 222,000 new carrier-employee registrations was received by the Railroad Retirement Board. Of these, approximately 57,000 were new account numbers issued in the railroad retirement series, and approximately 165,000 represented account numbers outside this series. After cancelation for duplications, there were, as of May 31, 1939, approximately 2.3 million persons who had credits recorded with the Railroad Retirement Board for service subsequent to December 31, 1936.

The total compensation credited to all employees under the Railroad Retirement Act, excluding compensation in excess of \$300 in any one month from one or more employers, was approximately \$2,232 million for 1937 and \$1,980 million for 1938. The total compensation reported to the Interstate Commerce Commission for 1937 by railroads and switching and terminal companies, express and Pullman companies, and electric railways engaged in interstate commerce was approximately equal to the total creditable compensation reported to the Railroad Retirement Board by all employers under the Railroad Retirement Act. Allowing for the fact that the reports to the ICC include compensation in excess of \$300, which constitutes about 1.5 percent of the total, and that there are minor differences between ICC and RRB coverage within the groups of employers mentioned above, these groups accounted for between 98 and 99 percent of the total compensation covered by the Railroad Retirement Act. This is a rough measure of the extent to which the coverage of the Railroad Retirement Act corresponds to the railroad industry as commonly understood. The remaining coverage represents certain carrier associations, the standard and certain other railway labor organizations, and certain carrier affiliates.⁵

The Carriers Taxing Act of 1937 provides for an excise tax on employers and an income tax on employees payable on compensation defined in terms identical with that of the Railroad Retirement Act of 1937.⁶

⁵ For a detailed discussion of the coverage of the Railroad Retirement Act, see Railroad Retirement Board, *Annual Report*, 1938, ch. X.

The amounts collected each month under the Carriers Taxing Act of 1937 are given in table 1. Congress has been appropriating amounts approximately equal to the anticipated receipts from those taxes to the railroad retirement system for benefits, investments for reserve purposes, and administrative expenses. The total appropriated for the payment of benefits and investment for reserve purposes was \$146.5 million⁷ for the fiscal year 1937-38, \$118.3 million for 1938-39, and \$120.2 million for 1939-40. Total administrative expenditures to June 30, 1938, were \$4.7 million. Appropriations for administrative expenses, including printing and binding and transfers to the Treasury to cover cost of handling payments under the act, were \$3.0 million for the fiscal year 1938-39 and \$3.3 million for 1939-40.

Table 2 shows the movement of funds appropriated for benefit payments and investment. Under the 1935 act, transfer of money appropriated by Congress for benefit payments was made directly from the general fund of the Treasury to the disbursing officer in the Treasury. Under the 1937 act, appropriations for benefit payments and investments are made to a railroad retirement account. On the basis of these appropriations, varying amounts are transferred from time to time to a railroad retirement account trust fund. Transfers to cover benefit payments are made from the trust fund to the disbursing officer in the Treasury, and amounts not immediately required for benefit payments are invested in special 3-percent Treasury notes. Because such transfers are generally made in round sums, a small balance has been maintained in the trust fund. The figures on benefit payments represent checks drawn by the disbursing officer in the Treasury and differ from figures given later in the article, which are based on amounts certified by the Board to the Secretary of the Treasury for payment of benefits.

Classes of Benefit Payments

Systematic reporting of the operations of an agency administering an aspect of social insurance

⁶ The excise tax on employers and the income tax on employees begin at 2½ percent each in 1937 and rise by ¼ percent each every 3 years until they reach 3¼ percent each in 1949.

⁷ This includes a reappropriation of \$46,620,000 originally appropriated for benefit payments under the 1935 act during the fiscal year 1936-37.

should logically follow the legislative provisions. For each type of benefit provided by law the reporting system should permit periodic reporting of the applications received, their disposition, the number and amount of new benefit payments, the termination of the payments for various causes, and the resulting changes in the number and amount of benefit payments in force. When the death of an employee annuitant brings into effect survivors' rights to other types of benefit, the

reports should trace the transition from one type of benefit to the other. They should reflect the rate at which applications are handled by the administrative machinery but should also show the rate at which applications from eligible individuals have been received.

In view of the administrative exigencies and difficulties which the Railroad Retirement Board faced, it is only natural that the Board should have paid much more attention to the certifica-

Table 2.—Financial operations under the Railroad Retirement Acts of 1935 and 1937, by months, July 1936—May 1939

Year and month (1)	Appropriation balance on first of month ¹ (2)	Transfers from appropriation to trust fund (3)	Cancellations and repayments ² (4)	Interest received by trust fund (5)	3-percent special Treasury notes acquired ³ (6)	Deposits with disbursing officer for benefit payments (7)	Benefit payments ⁴ (8)	Cash with disbursing officer at end of month ⁵ (9)	Balance in trust fund at end of month ⁶ (10)
1936									
July.....	\$46,620,000					\$310,000	\$901	\$9,098	
August.....	46,610,000					100,000	901	108,186	
September.....	46,510,000						34,139	74,057	
October.....	46,510,000					150,000	89,630	134,517	
November.....	46,360,000					500,000	164,095	470,512	
December.....	45,860,000					1,000,000	287,368	1,163,143	
1937									
January.....	44,860,000					500,000	364,616	1,318,526	
February.....	44,360,000						449,748	868,777	
March.....	44,360,000		\$772			1,000,000	525,624	1,343,153	
April.....	43,360,772		72			1,000,000	569,980	1,773,172	
May.....	42,360,845		502				792,421	960,761	
June.....	42,361,348		527			5,740,000	790,902	5,020,849	
July.....	\$141,893,692	\$10,000,000				10,000,000	3,894,131	\$6,643,679	
August.....	131,893,692	20,000,000	33		\$10,000,000	10,000,000	4,376,321	12,267,357	\$33
September.....	111,893,692	14,000,000	184		10,000,000	4,000,000	4,533,299	11,734,057	218
October.....	97,893,692	14,000,000	1,941		10,000,000	4,000,000	4,935,778	10,796,373	2,160
November.....	83,893,692	14,000,000	2,773		10,000,000	4,000,000	6,011,963	8,784,409	4,933
December.....	69,893,692	20,000,000	1,317		10,000,000	10,000,000	8,107,008	10,677,400	6,250
1938									
January.....	49,893,692	\$15,000,720	2,617		10,000,000	5,000,000	6,714,722	8,962,677	12,589
February.....	34,893,692	16,000,000	2,839		10,000,000	5,000,000	6,461,123	7,501,553	15,528
March.....	19,893,692	16,000,000	4,885		10,000,000	5,000,000	7,326,023	5,175,530	20,414
April.....	4,893,692	4,000,000	2,225	\$45,205	-10,000,000	14,000,000	8,210,082	10,965,448	67,845
May.....	893,692		2,031	117,123	-5,000,000	5,000,000	7,654,016	8,311,431	187,000
June.....	893,692	800,000	4,533	1,246,493	1,200,000	800,000	8,196,532	1,014,899	140,027
July.....	118,343,692	22,600,000	2,876		2,000,000	20,000,000	8,115,367	12,899,531	142,963
August.....	63,343,692	9,500,000	37,213		1,500,000	8,000,000	8,402,865	12,496,665	180,117
September.....	69,843,692	11,500,000	9,397		1,500,000	10,000,000	8,567,162	13,929,503	189,514
October.....	75,343,692	11,500,000	12,358		1,500,000	10,000,000	8,706,770	15,222,732	201,873
November.....	63,843,692	16,500,000	4,801		1,500,000	15,000,000	8,856,363	21,365,308	206,674
December.....	47,343,692	16,500,000	3,717		1,500,000	15,000,000	8,813,153	27,553,216	210,391
1939									
January.....	30,843,692	1,500,000	1,124		1,500,000		8,750,817	18,802,397	211,516
February.....	29,343,692		411				9,043,924	9,765,472	211,928
March.....	29,343,692	18,000,000	1,735			18,000,000	9,109,816	18,648,655	213,663
April.....	11,343,692		14,642			213,663	9,172,489	9,689,832	14,942
May.....	11,343,692	93,692	2,300	266,301	-10,000,000	10,359,993	9,697,189	10,952,636	16,743
Cumulative to May 31.....	11,250,000	248,897,412	117,740	1,677,123	67,200,000	193,473,656	\$177,127,075	\$10,952,636	16,743

¹ Appropriation balance derived as follows: prior to July 1937, column 2, first of month, + column 4 - column 7 = column 2, first of next month; after July 1937, column 2, first of month, - column 3 = column 2, first of next month. Balance as of July 1 includes appropriation for new fiscal year. Appropriations were \$46,620,000 for 1936-37; \$99,880,000 for 1937-38 plus reappropriation of balance of \$46,620,000 from 1936-37; and \$118,250,000 for 1938-39.

² Includes checks canceled by General Accounting Office and repayments on account of improper payments to claimants. Checks returned to disbursing officer and canceled by him are not included (see footnote 4). Cancellations and repayments are treated as additions to trust fund, except for the period prior to July 1937, during which they were treated as returns to appropriations.

³ Minus items represent sale of notes.

⁴ On the basis of checks issued by disbursing officer less checks canceled by disbursing officer.

⁵ Column 9, end of preceding month + column 7 - column 8 = column 9, end of next month.

⁶ Balance in trust fund derived as follows: column 10, end of preceding month, + column 3 + column 4 + column 5 - column 6 (or + column 6, if figure in column 6 is negative) - column 7 = column 10.

⁷ Deposit of \$10,000 with disbursing officer was made prior to July 1, 1936, but was not drawn against until after that date.

⁸ After transfer to appropriation of \$5,392,038 balance from 1935-act deposits with disbursing officer, but not including \$222 remaining as balance in 1935-act appropriation. A small balance accumulating in the 1935-act appropriation after July 1937, representing cancellations and repayments of checks issued against 1935-act deposits, is not shown in table.

⁹ After transfer to appropriation of \$5,392,038 balance from 1935-act deposits with disbursing officer.

¹⁰ After transfer to 1935-act appropriation of \$1,905 representing cancellations on checks issued against 1935-act deposits. See footnote 8.

¹¹ Includes transfer of \$3,720 balance from 1935-act appropriation. See footnote 8.

¹² Total benefit payments on basis of checks issued by disbursing officer are \$8.2 million less than total on basis of vouchers certified to Secretary of Treasury for payment, as shown in table 3, since checks drawn by the disbursing officer as of the first of a given month are certified to the Secretary of the Treasury and encumbered on the books of the Railroad Retirement Board in the latter part of the preceding month. The total on the basis of checks drawn by disbursing officer is somewhat larger than on the basis of checks cashed and returned, as reported in Daily Statement of the U. S. Treasury.

Source: Railroad Retirement Board, Bureau of General Control, Division of Finance.

tion of annuities than to the development of a complete and well-rounded reporting system. The number of aspects covered by the reporting system is constantly being increased, and early reports on other aspects are being checked and revised where necessary. Much still remains to be done in rounding out the Board's system of reporting. The preliminary nature of some of the figures presented in this article reflects the continuing process of expansion, clarification, and revision.

Under the act of 1935 and the amendatory act of 1937 the Board administers five classes of payments. These are:

- (1) *Employee annuities*, both disability and old age, paid to eligible individuals after retirement and based on their years of service and average monthly compensation with employers under the act.
- (2) *Survivor annuities*, paid to the surviving spouse of a deceased employee annuitant who duly elected a reduced annuity during his lifetime in order to provide a lifetime annuity for his surviving spouse after his death.
- (3) *Death-benefit annuities*, paid only under the 1935 act to the surviving spouse or dependent next of kin of a deceased annuitant or of a deceased employee who at the time of his death was entitled to receive an annuity. These death-benefit annuities are in monthly amounts equal to half the annuities paid or payable to the employee annuitants before their death, and are payable for 12 months only.
- (4) *Lump-sum death benefits*, paid only under the 1937 act to a designated beneficiary or to the deceased employee's legal representative. These benefits are equal to 4 percent of the compensation earned as an employee after December 31, 1936 (excluding compensation in excess of \$300 in any one month), less the aggregate amount of any employee or survivor annuities that may have been paid or payable. If an employee annuitant has elected a joint and survivor annuity and his spouse is alive at the time of his death, the death benefit is not payable until after her death.

- (5) *Pensions* paid under the 1937 act to individuals who were, on both March 1 and July 1, 1937, on the pension or gratuity rolls of employers under the act and who were not eligible on July 1, 1937, for annuities based in whole or in part on service prior to January 1, 1937. The pensions began July 1, 1937, and are equal in amount to the individual pensions or gratuities granted by employers, without diminution by reason of any general reduction or readjustment after December 31, 1930, but not to exceed \$120 per month.

Up to and including October 1, 1937, there was also a sixth group of beneficiaries designated as "temporary pensioners." These were carrier pensioners who on July 1, 1937, were eligible for annuities under either the 1935 act or the 1937 act and under the 1937 act could be paid pensions only until their annuities were awarded and certified, but not later than October 1, 1937.

Total Disbursements for Benefits

Table 3 gives the total payments authorized by the Railroad Retirement Board—or, more exactly, the total amount, minus cancellations, certified by the Board to the Secretary of the Treasury for payment, by class of payment and by months, from July 1936 through May 1939. These figures at present constitute the only data from which total payments authorized by the Board during each fiscal year and the grand total to date can be easily obtained. They give the amounts payable in, but not for, particular months. The first payment after certification of a claim is ordinarily for the period between the date the annuity begins (accrual date) and the month of certification, but such retroactive payments for more than one month are included in the month of actual payment and not allocated to the months for which they are payable.

The movement of the total amount of payments certified monthly to the Secretary of the Treasury, as shown in chart I, chiefly reflects changes in amounts certified for employee annuities. The one exception is the peak of July 1937, when the private pensioners were taken over and payments for both July 1 and August 1 were certified. The total amount certified for payment attained a

peak in December 1937, reflecting the peak of new certifications of employee annuities, which were higher in that month than in any other month. A second peak in March and April 1938 reflected a large number of new certifications and the first large number of recertifications at higher amounts, which involve an adjustment payment covering the increase in the amount of the annuity retroactive to the accrual date. Thereafter the increase was relatively gradual.

The tendency of total payments to parallel payments for employee annuities results from the fact that the greatest proportion of total benefit payments certified by the Board to date has been for

employee annuities, both age and disability. Thus, of \$185.3 million certified to the end of May 1939, \$119.2 million or 64.3 percent went to employee annuitants. Payments to permanent pensioners constituted 33.1 percent of all payments certified up to that time. No other class of payment constituted as much as 1 percent of the total. Survivor and death-benefit annuities together accounted for only 2.5 percent of total certifications prior to July 1, 1937, 1.2 percent during the fiscal year 1937-38, and 1.3 percent during the 11 months ended May 31, 1939.

Monthly payments of lump-sum death benefits were first made in January 1938. They consti-

Table 3.—Total amount of benefit payments certified to the Secretary of the Treasury in each month, by class of payment, July 1936-May 1939¹

Fiscal year and month	Total payments	Employee annuities	Survivor annuities	Death-benefit annuities	Lump-sum death benefits	Permanent pensions ²
Cumulative through May 1939.....	\$185,349,359	\$119,224,063	\$1,106,511	\$1,330,679	\$1,235,975	\$61,268,588
Total, 1936-37.....	4,604,232	4,487,490	47,490	69,245		
1936						
July.....	1,803	1,803				
August.....	976	976				
September.....	52,338	52,210	128			
October.....	70,363	66,831	3,532			
November.....	220,214	218,519	7,359	325		
December.....	333,421	332,536	461	422		
1937						
January.....	439,090	430,423	846	1,827		
February.....	471,696	464,475	2,292	4,828		
March.....	639,667	629,556	3,093	7,016		
April.....	672,709	651,902	7,225	13,581		
May.....	755,163	730,222	7,765	17,175		
June.....	940,881	902,037	14,775	24,068		
Total, 1937-38.....	82,994,286	46,097,991	381,237	625,100	38,954	34,667,453
July.....	6,949,667	662,762	8,782	16,304		5,526,136
August.....	4,551,474	1,444,367	22,050	44,808		2,750,706
September.....	4,621,983	1,653,005	19,169	34,805		2,736,585
October.....	4,885,833	2,134,042	13,612	27,465		2,710,712
November.....	7,217,573	4,468,177	20,052	36,018		2,602,425
December.....	8,628,156	5,820,113	34,797	70,256		2,700,989
1938						
January.....	6,793,328	4,044,864	34,776	55,671	302	2,657,692
February.....	6,457,029	3,767,390	24,496	34,446	1,597	2,629,098
March.....	8,358,095	5,677,665	29,389	46,969	2,174	2,602,496
April.....	8,380,826	5,576,417	60,049	123,398	12,600	2,588,351
May.....	7,805,005	5,139,457	46,361	70,667	10,457	2,538,662
June.....	8,346,210	5,689,707	46,799	64,293	11,813	2,533,506
Total, 1938-39 to May 31.....	97,750,840	68,638,574	677,783	636,326	1,197,020	26,601,135
July.....	8,408,325	5,725,978	52,321	84,558	27,539	2,537,929
August.....	8,554,061	5,899,260	61,258	68,040	35,059	2,490,443
September.....	8,545,649	5,906,594	66,114	84,035	37,289	2,471,635
October.....	8,920,443	6,326,128	60,714	51,349	26,483	2,455,768
November.....	8,865,460	6,244,225	51,221	60,567	62,841	2,446,803
December.....	9,021,040	6,383,667	61,021	63,552	83,891	2,428,907
1939						
January.....	8,973,209	6,330,103	59,577	57,248	118,494	2,407,785
February.....	9,150,324	6,476,104	62,570	56,011	182,597	2,382,041
March.....	8,991,519	6,278,671	71,060	34,080	261,416	2,345,261
April.....	9,130,100	6,478,516	63,843	61,861	199,822	2,328,056
May.....	9,161,703	6,588,326	68,080	55,010	164,804	2,305,482

¹ Figures are total amount of vouchers certified to the Secretary of the Treasury for payment minus cancellations.

² Total payments of pensions in any month are frequently less than corresponding monthly amounts payable as indicated by figure for pensions in force (table 4). This is due to cancellation of checks because of pensioner deaths which were not reported to the Railroad Retirement Board before voucher for month's payment was sent to the Secretary of the Treasury.

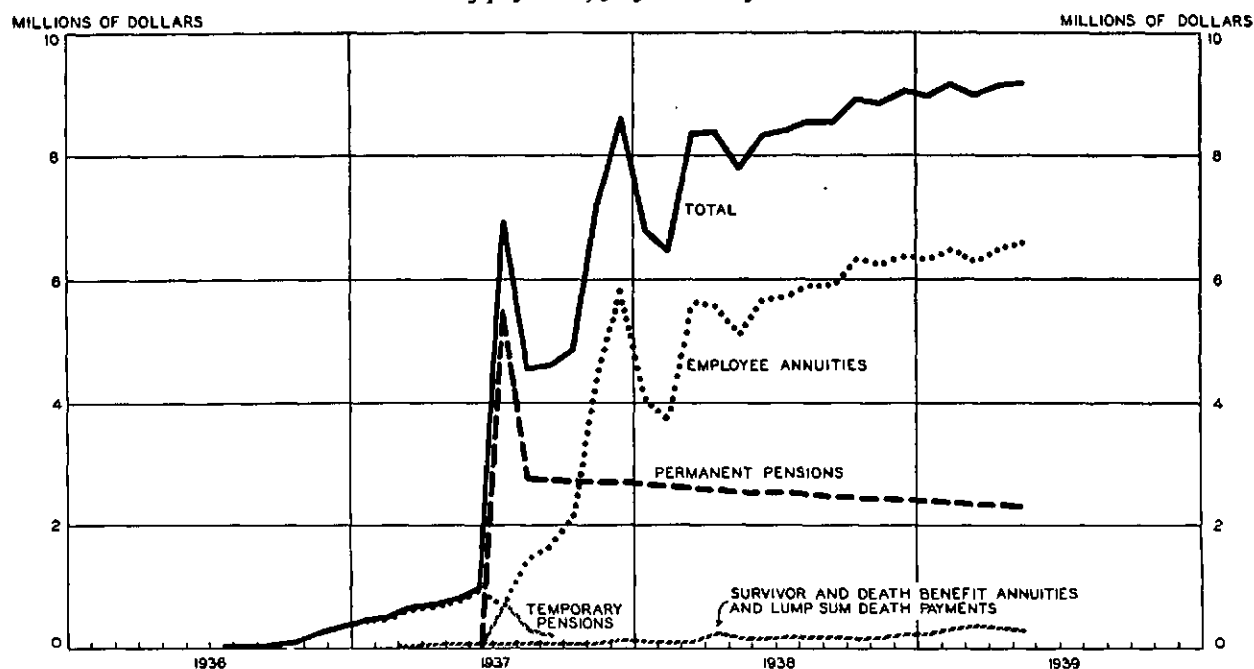
³ Total benefit payments on basis of vouchers certified to the Secretary of

the Treasury for payment are \$8.2 million more than total on basis of checks drawn by disbursing officer as shown in table 2. The reason for this difference is given in footnote 12, table 2.

⁴ Total payments of \$1,183,541 were made to temporary pensioners as follows: July, \$715,582 (see footnote 5); August, \$289,542; September, \$178,417.

⁵ Vouchers for both July 1 and August 1 payments were certified to the Secretary of the Treasury in July 1937.

Chart I.—Total amount¹ of benefit payments certified to the Secretary of the Treasury in each month, by class of payment, July 1936–May 1939



¹ Minus cancellations.

tuted 0.5 percent of total benefit payments during the fiscal year 1937–38, but increased to 1.2 percent for the 11 months ended May 31, 1939, and will continue to increase for many years to come. This follows, since lump-sum benefits are payable on account of the death of every employee under the act who had earnings subsequent to December 31, 1936, unless he or his surviving spouse has received in annuity payments more than 4 percent of his earnings after that date, and since the total earnings on which these payments are based will increase with the passage of time.

Total payments up to May 31, 1939, presented in table 3, have been made to more than 166,400 individuals.⁸ Of these, about 98,800 were employee annuitants, 48,700 permanent pensioners, 14,700 death beneficiaries,⁸ and 4,200 survivor and death-benefit beneficiaries.⁹

Payments in Force

Figures on annuities, pensions, and other payments in force as of the end of each month, which

⁸ Benefits paid with respect to the death of an annuitant or employee under the act are counted as 1 benefit, even though a single payment may have been divided among 2 or more persons.

⁹ Survivor annuitants under the 1935 act also receive death-benefit annuities under that act. Such persons receive 2 benefits but are counted only once in these totals.

are presented in table 4, represent amounts payable with respect to a single month to all individuals who were on the pension or annuity rolls at the end of the month and eliminate the effect of accumulated payments for several months made at the time of certification. Thus, while annuities in force as of December 31, 1937, totaled \$5.2 million, payments certified to the Treasury (table 3) in that month, including retroactive payments, totaled \$8.6 million. By May 1939, the two sets of figures were much closer together, \$8.2 million in annuities being in force at the end of May as compared with \$9.2 million certified to the Treasury for payment during May. The in-force figures presented in table 4 do not, however, include all payments made with respect to a particular month, since annuities are carried in these in-force figures only from the date of certification and not from the date of accrual when that date is prior to the certification date.

In-force figures based on certification dates show the net changes in the amounts payable monthly under the system, resulting primarily from three factors—the rate at which eligible employees apply for annuities, the rate at which these applications are adjudicated and certified, and the rate at which annuities already certified are ter-

minated by death. Inasmuch as the date of certification is an administrative factor which determines when the first payment to an annuitant will be made but not the first month which the annuity payment will cover, the in-force figures based on certification dates fail to show the development of the system in terms of the period for which these annuities were payable. At the beginning of the system, when the lag between application date and certification date is relatively long, constantly changing, and different for the various classes of payment and types of applicants, the lag in certification affects the in-force figures to a considerable extent.

An analysis of new annuities and of terminations on the basis of accrual dates rather than certification dates would show the number and

amount of annuities payable for a particular month, whether they were in force at that time or were subsequently certified for retroactive payment. As long as some certifications continue to be made a good many months after the accrual date and recertifications are made for higher amounts, figures based on accrual dates would be subject to continuous revision. The Board is planning in time to prepare figures based on accrual dates. In their absence principal reliance in analyzing the development of the system must be placed on in-force figures based on certification dates. This means that a large part of the analysis relates to administrative factors affecting the rate of certification.

Table 4 and chart II show the growth, sharply accentuated at certain periods, in the total num-

Table 4.—Number of annuities and pensions in force and monthly amount payable at end of month, by class of payment, July 1936–May 1939

Year and month	All annuities and pensions		Employee annuities ¹		Survivor annuities		Death-benefit annuities ²		Permanent pensions	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1936										
July.....	18	\$901	18	\$901						
August.....	18	901	18	901						
September.....	185	12,487	185	12,487						
October.....	515	33,123	515	33,123						
November.....	981	62,208	975	62,054	3	\$72	3	\$51		
December.....	1,742	108,261	1,732	107,918	5	171	5	171		
1937										
January.....	2,500	154,218	2,480	153,468	8	277	12	472		
February.....	3,355	205,361	3,302	203,455	18	605	35	1,300		
March.....	4,247	260,395	4,168	257,460	24	871	55	2,054		
April.....	5,030	309,676	4,878	303,945	46	1,801	106	3,930		
May.....	6,252	385,450	6,000	376,128	76	2,861	178	6,461		
June.....	7,223	446,614	6,870	433,047	115	4,651	238	8,910		
July.....	* 61,546	* 3,620,765	7,520	474,784	130	5,213	259	9,406	* 47,836	* \$2,777,768
August.....	* 62,526	* 3,698,967	9,856	650,701	176	7,077	338	12,423	47,631	2,758,699
September.....	* 63,598	* 3,787,738	12,588	845,948	225	8,837	403	14,597	47,201	2,740,351
October.....	66,093	3,094,578	18,524	1,235,317	246	9,778	424	15,568	46,890	2,723,914
November.....	73,375	4,472,588	26,090	1,742,215	286	11,448	476	17,379	46,523	2,701,544
December.....	86,632	5,214,726	39,375	2,489,253	353	14,245	578	21,304	46,326	2,689,923
1938										
January.....	91,544	5,509,135	44,546	2,800,584	425	17,070	607	22,360	45,966	2,669,113
February.....	93,794	5,662,837	47,253	2,980,968	464	18,625	600	22,220	45,477	2,641,023
March.....	97,451	5,925,974	51,190	3,260,067	536	21,741	597	22,135	45,119	2,621,130
April.....	102,468	6,281,906	56,403	3,650,992	602	26,363	693	26,060	44,700	2,598,453
May.....	104,866	6,465,950	59,130	3,835,125	751	29,362	676	25,254	44,309	2,576,208
June.....	108,240	6,708,316	62,870	4,097,616	807	31,459	649	24,232	43,914	2,554,078
July.....	110,713	6,882,878	65,612	4,289,625	897	34,701	649	24,021	43,555	2,534,530
August.....	113,680	7,082,345	68,829	4,504,803	974	37,095	643	23,950	43,234	2,510,496
September.....	116,412	7,260,034	71,706	4,695,265	1,114	41,410	680	25,461	42,903	2,497,867
October.....	118,993	7,426,695	74,543	4,878,648	1,196	43,814	655	23,911	42,599	2,480,319
November.....	121,741	7,595,263	77,445	5,060,257	1,310	47,026	715	25,893	42,271	2,462,085
December.....	123,630	7,717,077	79,624	5,200,252	1,372	48,730	703	25,447	41,931	2,442,546
1939										
January.....	125,107	7,812,654	81,452	5,317,101	1,432	50,546	696	25,222	41,527	2,410,784
February.....	126,791	7,927,129	83,522	5,455,021	1,482	51,990	695	25,103	41,092	2,395,013
March.....	128,445	8,035,087	85,473	5,582,687	1,580	54,887	742	26,816	40,650	2,370,695
April.....	129,779	8,124,472	87,132	5,692,229	1,652	57,150	745	26,909	40,250	2,348,182
May.....	131,061	8,211,507	88,734	5,799,982	1,712	58,978	756	27,006	39,859	2,325,599

¹ Includes finally certified annuities, annuities subject to recertification, temporary annuities to former carrier pensioners (beginning with October 1937), and temporary partial annuities (beginning with November 1937). For definitions of forms see pp. 15-16; see also table 9.

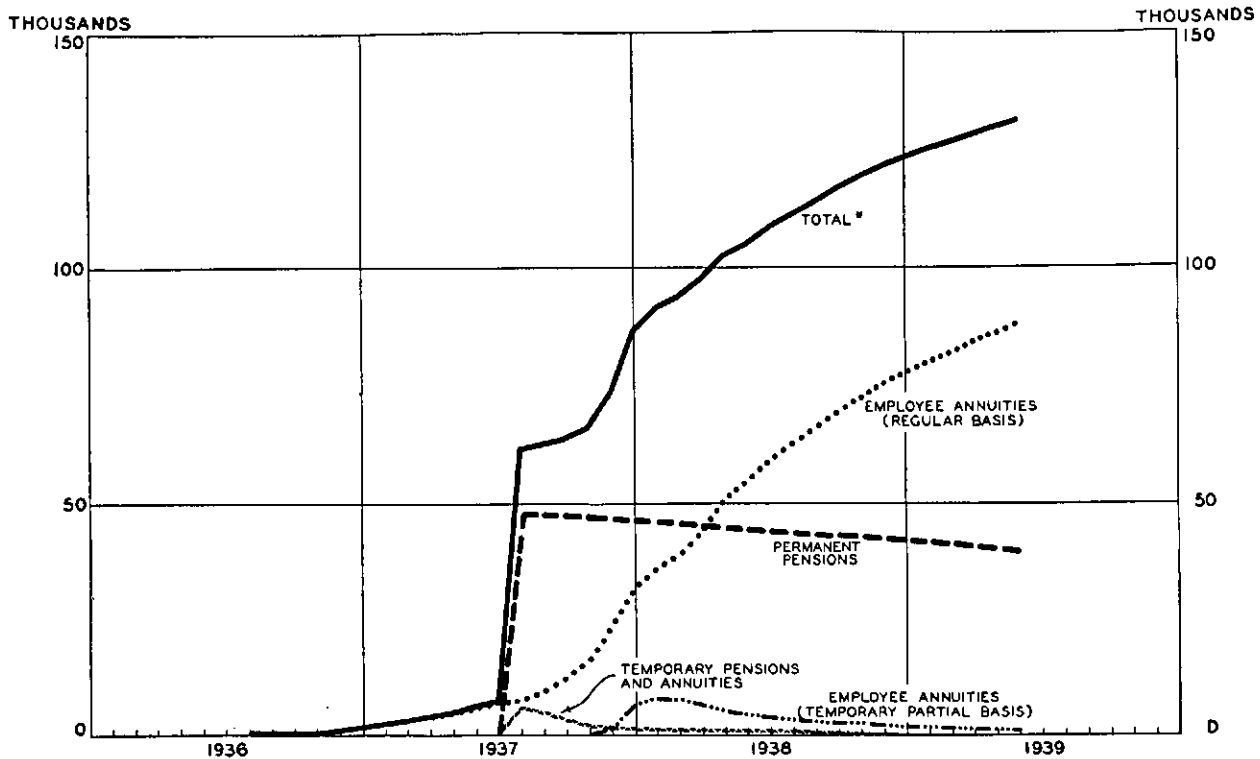
² In a few cases payments are made to more than 1 person on account of the death of a single individual. Such cases are here counted as single items throughout, completing an adjustment which was carried back only to July 1, 1938, in the Railroad Retirement Board's annual report for 1937-38.

³ Number of temporary pensioners taken over from carriers' pension rolls on

July 1, 1937, was 6,057, with monthly pensions totaling \$371,096. Of these, there were in force on July 31, 5,801 pensions amounting to \$353,512; on Aug. 31, 4,625 pensions amounting to \$270,065; and on Sept. 30, 3,181 pensions amounting to \$178,063. After Oct. 1, temporary pensions on which amount of annuity was not yet determined were transferred to temporary annuities, the amount of temporary annuity being equal to the amount of pension previously received from the carrier.

⁴ Number transferred from carriers' pension rolls on July 1, 1937, was 47,977, with monthly pensions totaling \$2,784,873.

Chart II.—Number of annuities and pensions in force at end of month, by class of payment, July 1936–May 1939



*Includes death-benefit and survivor annuities.

ber of annuities and pensions in force. As of June 30, 1937, 7,223 annuitants were receiving payments amounting to \$446,600 monthly. The transfer of practically the entire body of carrier pensioners in July 1937 raised the figures as of July 31 to 61,500 annuitants and pensioners and the total monthly amount to \$3.6 million.

From that date the growth in the figures for total annuities and pensions reflects primarily the growth in employee annuities, since the number and amount of pensions in force have declined steadily as a result of deaths among the pensioners. A detailed statement of the new certifications, terminations, and resulting changes in the figures for pensions in force is presented in table 5. The sharp rise in the total annuities and pensions in force in November and December 1937 (table 4) and the steady rise thereafter are directly related to the number of certifications of employee annuities. By June 30, 1938, payments were being made on 108,200 annuities and pensions of all classes at a total monthly rate of \$6.7 million. The increase was not as rapid after June 30, 1938. Nevertheless, by May 31, 1939, the

total number of annuities and pensions in force had risen 21.1 percent to 131,061, and the total amount payable monthly had reached \$8.2 million or 22.4 percent more than on June 30, 1938.

Employee annuities have formed an increasing proportion of this growing total, rising from 22.3 percent of the total monthly amount payable on September 30, 1937, to 61.1 percent as of June 30, 1938, and 70.6 percent as of May 31, 1939. Corresponding figures for pensions were 77.0 percent, 38.1 percent, and 28.3 percent. Survivor annuities¹⁰ have increased slightly, the figures for the three periods being 0.2 percent, 0.5 percent, and 0.7 percent. The increase in the number and amount of survivor annuities is limited by the fact that a relatively small number of annuitants elect such annuities. Death-benefit annuities constituted only 0.4 percent of the total in force on the first two dates, and 0.3 percent on the third. The number of such annuities in force at any one time is limited, since they are payable only on the death of an annuitant under the 1935 act, under which

¹⁰ The remainder of the present article deals only with employee annuities. A separate article on survivor benefits under the Railroad Retirement Act will appear in a later issue of the Bulletin.

few new certifications are being made, and they terminate after 12 monthly payments.

Applications and Certifications for Employee Annuities

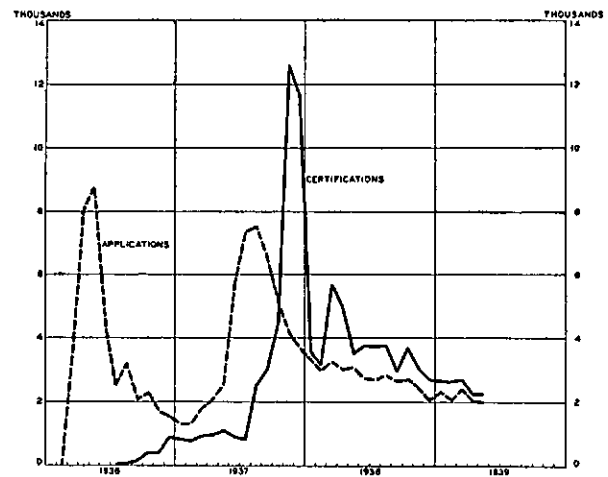
Under the Retirement Act of 1935 annuities were first payable for June 1936. From March through June, 24,800 applications for employee annuities were received by the Board (table 6), and the applications during May were the largest in any one month since the establishment of the railroad retirement system. (See chart III.) On June 30, 1936, on injunction proceedings filed by all the major carriers, the District Court of the United States for the District of Columbia enjoined the Railroad Retirement Board from requiring carriers to furnish at their own expense the information from their records on which the determination of prior-service credit could be based, and enjoined the Commissioner of Internal Revenue from collecting taxes under the Carriers Taxing Act. The number of applications fell off rapidly thereafter, owing to the uncertainty which railroad workers felt as to the future of the retirement system, and in January and February 1937 reached the lowest point in the history of the Board's operations. Eventually, at the suggestion of President Roosevelt, a conference of railroad managements and railroad unions met to devise a mutually acceptable retirement system. On February 18, 1937, the conference agreed upon a series of amendments to the 1935 act to be jointly recommended to Congress.

The number of applications started to rise immediately thereafter and attained another peak, lower than that of May 1936, in July and August, after the approval by the President of the amendatory Railroad Retirement Act of 1937 on June 24. Since August 1937 the rate of application has declined almost uninterruptedly, but more sharply during the fiscal year 1937-38 than during the fiscal year 1938-39. The tendency of the rate of application to level off is an indication that the large number of older workers in the railroad industry who continued to work, in the absence of a firmly established Federal retirement system, have now in the main applied for annuities under the system.

The court order of June 30, 1936, made it difficult for the Board to obtain records of prior service. Therefore, up to the passage of the

amendatory Railroad Retirement Act of 1937 the Board had made only about 7,000 certifications. The peak of certifications of employee annuities was not reached until November and December of 1937 when three shifts were employed in the adjudication of accumulated claims. About a third of the 24,000 annuities certified in these 2 months were awarded on a "temporary partial" basis (see page 16), relying upon employers' summary "short-form" reports of service and compensation of applicants, pending the necessary detailed check of monthly service and compensation records. After December the number of certifications dropped sharply, chiefly as a result of a reduction in personnel imposed by budgetary

Chart III.—Applications for employee annuities received and claims initially approved for certification, by months, March 1936–May 1939



limitations. In addition, the number of claims which could be handled on the basis of short-form adjudication decreased, and the number of claims certified on this basis declined rapidly after December. Furthermore, the proportion of difficult cases that remained to be adjudicated increased.

A large proportion of the cases remaining for adjudication involved determination of an employment relation or proof of disability, or both. Under the act of 1935 an applicant was eligible for prior-service credit if he was in active service or in an employment relation to an employer under the act on or after August 29, 1935. An individual was considered to have an employment relation to an employer if he was "furloughed or on leave

of absence and subject to call for service and ready and willing to serve, all in accordance with the established rules and practices usually in effect on railroads." The employment relation provision was broadened in the 1937 act to include absences on account of sickness or disability and to remove the requirement of being "ready and willing to serve" in the case of leave of absence. However, in all cases of employment relation, the individual must have been in that relation on August 29, 1935.

The adjudication of employment-relation claims involves special difficulties. It is necessary to determine first that on the carrier or other employer there existed rules or practices covering furlough, leave of absence, or absence on account of sickness or disability. This determination had to be made craft by craft and railroad by railroad. As of October 31, 1938, employers had submitted over 2,000 separate labor agreements and nearly 1,000 statements of practice, and more

than 2,000 rules and practices covering 21 occupational groups had been summarized.

The next stage is the determination that the particular applicant was on furlough or otherwise absent in accordance with an existing rule or practice. The Board in April 1938 organized a separate unit to handle claims involving this matter. By the end of May 1939, this unit had ruled upon 22,026 individual claims for prior-service credit on the basis of employment relation. In 16,854 or 76.5 percent of these cases the claim of the applicant was sustained, and in the remaining 5,172 or 23.5 percent it was disallowed.

With the decline in the number of applications, the certification of employee annuities has fallen off. The continued excess of certifications over applications each month indicates the certification of claims accumulated from earlier months. The decline in the rate of certification since March 1939 is in part a result of the transfer of personnel from the Division of Retirement Claims in connec-

Table 5.—Number and monthly amount payable of new certifications for permanent pensions, terminations by death, net adjustments, and number in force and monthly amount payable at end of month, by fiscal years and by months,¹ July 1937–May 1939

Fiscal year and month	New certifications		Terminations by death		Net adjustments ²		In force at end of month	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Cumulative through May 1939.....	48,736	\$2,820,049	8,806	\$491,220	-71	-\$3,220		
Transferred from carriers' pension rolls, July 1, 1937.....	47,977	2,784,873						
Total, 1937-38.....	666	30,346	4,656	257,093	-73	-3,147		
1937								
July.....	113	6,102	253	13,173	-1	-32	47,836	\$2,777,768
August.....	102	3,746	346	19,460	-61	-3,355	47,531	2,758,699
September.....	73	3,670	382	21,102	-21	-915	47,201	2,740,851
October.....	32	2,183	325	16,310	-9	-310	46,899	2,723,914
November.....	55	2,274	435	24,978	4	333	46,523	2,701,544
December.....	160	7,504	360	19,462	3	277	46,326	2,689,023
1938								
January.....	53	1,712	431	23,428	18	906	45,966	2,669,113
February.....	14	404	509	28,734	6	239	45,477	2,641,023
March.....	28	1,264	384	20,945	-2	-212	45,119	2,621,130
April.....	19	846	444	24,117	6	594	44,700	2,598,453
May.....	14	570	401	22,665	-4	-151	44,309	2,576,208
June.....	3	6	386	20,713	-12	-621	43,914	2,554,978
Total, 1938-39 to May 31.....	93	4,329	4,150	234,127	2	-81		
1939								
July.....	2	108	365	20,697	4	139	43,555	2,534,530
August.....	6	291	320	17,961	-7	-344	43,234	2,516,496
September.....	8	387	341	19,196	2	179	42,903	2,497,867
October.....	7	333	317	18,124	6	244	42,599	2,480,319
November.....	55	2,995	384	21,091	1	-138	42,271	2,462,085
December.....	3	178	347	20,024	4	306	41,931	2,442,546
1939								
January.....	7	325	403	22,848	-8	-239	41,527	2,419,784
February.....	-1	-80	423	24,104	-11	-586	41,092	2,395,013
March.....	0	-11	450	24,697	8	391	40,650	2,370,695
April.....	5	242	416	23,252	11	496	40,250	2,348,182
May.....	1	68	384	22,109	-9	-532	39,859	2,325,599

¹ Correction for a claim that has been certified or terminated in error or for an incorrect amount is made in figures for month in which error is discovered and not in those for month in which error was made. To this extent, number and amount shown for any given month differ slightly from actual monthly activity.

² Terminations because of suspension and return to service are subtracted, and reinstatements of suspended pensions are added. Recertifications of pensions result in additions to amount but not to number of cases. For this reason, amount of adjustment bears no relation to net number of cases adjusted.

tion with the organization of an administrative staff for the Railroad Unemployment Insurance Act.

To May 31, 1939, a total of about 13,000 appli-

Table 6.—Applications for employee annuities received and claims initially approved for certification, by fiscal years and by months, March 1936–May 1939

Fiscal year and month	Applica- tions received ¹	Claims initially approved for cer- tification ²		
		Total ³	Regular annuities	Temporary partial annuities
Cumulative through May 1939.	131,601	99,336	86,064	12,372
Total, 1935-36 (4 months)	24,770			
1936				
March	3,471			
April	8,049			
May	8,780			
June	4,470			
Total, 1936-37	27,929	7,386	7,386	
July	2,400	18	18	
August	3,205	53	53	
September	2,064	148	148	
October	2,263	396	396	
November	1,698	373	373	
December	1,534	687	687	
1937				
January	1,319	830	830	
February	1,319	768	768	
March	1,778	933	933	
April	2,059	960	960	
May	2,511	1,112	1,112	
June	5,689	908	908	
Total, 1937-38	52,895	59,644	48,061	10,983
July	7,355	787	787	
August	7,542	2,499	2,499	
September	6,572	3,013	3,013	
October	5,149	4,426	4,426	
November	4,169	12,615	9,510	3,105
December	3,679	11,089	7,129	4,560
1938				
January	3,346	3,574	2,335	1,239
February	2,973	3,146	2,395	751
March	3,259	5,719	5,246	473
April	3,041	4,901	4,477	424
May	3,077	3,608	3,266	242
June	2,733	3,767	3,578	189
Total, 1938-39 to May 31	26,097	32,306	30,917	1,389
July	2,690	3,733	3,562	171
August	2,846	3,771	3,575	196
September	2,655	2,039	2,826	113
October	2,684	3,716	3,539	177
November	2,438	3,018	2,874	144
December	2,068	2,697	2,575	122
1939				
January	2,274	2,676	2,573	103
February	2,050	2,610	2,497	119
March	2,385	2,682	2,591	91
April	2,014	2,208	2,142	66
May	1,984	2,250	2,163	87

¹ Based on month claim number was assigned.

² Annuities certified on a "subject-to-recertification" basis after check of part of service and compensation are included with "regular annuities" certifications. Temporary annuities to former carrier pensioners are not included as certifications.

³ After a claim is approved for certification by the Division of Retirement Claims some time is required before it goes through the stages needed for regular certification to the Secretary of the Treasury for payment. As a result, the figures of monthly certifications here given differ from, and on a cumulative basis are somewhat larger than, the figures of new certifications of employee annuities to the Treasury, as given in table 7.

cants for employee annuities was held ineligible for such annuities. This does not include applicants who were ineligible when their claim was first adjudicated and subsequently became eligible, mainly by attaining age 65, or age 60 if disabled, and were granted an annuity. Many of the 13,000 individuals at present ineligible will likewise subsequently become eligible. Among the ineligible cases are about 1,400 former carrier pensioners who applied for employee annuities, were found ineligible for such annuities, and were granted pensions under the 1937 act.

Changes of Employee Annuities in Force

Table 7 shows in greater detail than does table 4 the increase in the number of employee annuities in force. It gives for each month the new certifications of annuities to the Treasury and the terminations by death reported to the Board. The differences between these two figures primarily determine the increase in the number of employee annuities in force. The figures of new certifications to the Treasury here given differ from, and on a cumulative basis lag somewhat behind, the figures given in table 6 of claims approved for certification. After a claim is approved for certification it takes a number of days for it to pass through the several further steps required for regular certification to the Treasury for payment.

The gradual increase in the number of deaths among employee annuitants, amounting to approximately 600 a month for the past 5 months, may be seen from table 7. Since new certifications continue to exceed terminations by death, the number of employee annuities in force has increased from month to month and will continue to increase for some time to come.

Status of Certification

With adjudication of prior-service credit depending upon records in the possession of private employers, considerable delay arises in many cases before service and compensation can be completely checked. Among the most important factors causing delay are the indefiniteness of the information furnished by many applicants, the bad condition and relative inaccessibility of some employers' records, and in general the time required to check an individual's name through more than 400 pay rolls, of one or more railroads. It would have entailed considerable hardship for

applicants if at the peak of annuity applications the Board had insisted on certification only on the basis of a complete check of all relevant records of service and compensation. Instead it adopted the practice of certifying annuities on four different bases adapted to certain typical problems of adjudication:

- (1) *Finally certified annuities*, with all relevant service and compensation records and all other data bearing on the adjudication of the claims completely checked. The

largest proportion of annuities are initially certified on a final basis.

- (2) *Annuities subject to recertification*, initially certified on the basis of a month-to-month check of only part of the relevant service and compensation,¹¹ the amount of the annuity in these cases being subject to recertification when the remaining service has been checked.

¹¹ In a small proportion of cases annuities are "subject to recertification" because, although all relevant service and compensation records have been checked, certain other data necessary for final determination have not yet been furnished to the Board.

Table 7.—Number and monthly amount payable of new certifications for employee annuities,¹ terminations by death and net adjustments, and number in force and monthly amount payable at end of month, by fiscal years and by months,² July 1936–May 1939

Fiscal year and month	New certifications *		Terminations by death		Net adjustments *		In force at end of month	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Cumulative through May 1939.....	98,653	\$6,030,465	9,627	\$615,694	-320	\$384,104	-----	-----
Total, 1936-37.....	7,158	445,285	284	17,414	-4	5,175	-----	-----
1936								
July.....	18	901					18	\$901
August.....							18	901
September.....	167	11,560				25	185	12,487
October.....	333	20,823	3	197		9	515	33,123
November.....	467	29,045	6	426	-1	312	976	62,054
December.....	767	46,265	9	598	-1	197	1,732	107,918
1937								
January.....	771	45,850	21	1,144	-2	843	2,480	153,468
February.....	845	60,615	23	1,446		818	3,302	203,455
March.....	906	55,700	40	2,582		887	4,168	257,460
April.....	764	49,505	54	3,303		273	4,878	303,945
May.....	1,179	74,450	58	3,463	1	1,195	6,000	376,128
June.....	941	60,557	70	4,250	-1	612	6,870	433,047
Total, 1937-38.....	58,682	3,012,542	2,815	177,693	-151	217,065	-----	-----
July.....	710	45,033	90	4,357	-3	1,041	7,520	474,764
August.....	2,452	180,842	115	6,654	-1	1,748	9,859	650,701
September.....	2,836	200,166	100	5,856	-4	937	12,568	845,948
October.....	4,156	293,498	108	7,208	-2	676	16,634	1,132,914
November.....	6,391	555,911	164	11,210	-7	1,331	24,824	1,678,947
December.....	13,790	772,626	224	13,935	-3	3,904	38,387	2,441,542
1938								
January.....	5,687	318,610	338	20,897	-3	22,896	43,733	2,762,152
February.....	3,041	170,373	265	17,467	-16	21,466	46,493	2,945,465
March.....	4,427	257,335	309	18,942	-37	49,154	50,574	3,233,012
April.....	5,775	349,539	388	23,531	-40	50,537	55,921	3,609,557
May.....	3,283	203,590	397	25,127	-31	31,386	58,776	3,819,406
June.....	4,155	256,015	341	22,505	-4	32,045	62,586	4,084,901
Total, 1938-39 to May 31.....	32,813	1,972,637	6,826	420,586	-165	161,863	-----	-----
July.....	3,325	206,144	494	33,216	-27	21,857	65,390	4,279,748
August.....	3,767	232,647	476	31,962	-27	16,712	68,654	4,497,145
September.....	3,561	216,745	622	40,357	-22	15,743	71,571	4,689,276
October.....	3,443	206,961	575	37,103	-7	14,495	74,432	4,873,630
November.....	3,490	203,046	574	35,910	-3	15,036	77,345	5,055,803
December.....	2,838	167,137	623	38,820	-10	12,923	79,550	5,197,043
1939								
January.....	2,498	148,644	645	41,354	-5	10,496	81,398	5,314,830
February.....	2,716	164,562	642	41,546	1	15,128	83,473	5,452,974
March.....	2,638	155,852	648	41,033	-32	13,236	85,431	5,581,030
April.....	2,327	137,817	651	42,202	-7	14,269	87,100	5,690,914
May.....	2,210	133,077	578	37,078	-26	11,962	88,706	5,798,875

¹ Excludes temporary annuities to former carrier pensioners. For this reason, figures in force differ somewhat from those in table 4.

² Correction for a claim that has been certified or terminated in error or for an incorrect amount is made in figures for month in which error is discovered and not in those for month in which error was made. To this extent, number and amount shown for any given month differ slightly from actual monthly activity.

³ The number of new certifications to the Secretary of the Treasury in each month differ from, and on a cumulative basis lag somewhat behind, the number of applications approved for certification, as given in table 6. The

reason for this lag is indicated in footnote 3, table 6. The figures of new certifications given here also differ slightly from those in table 10, which are unrevised figures.

⁴ Reinstatements of suspended annuities are added, while terminations for reasons other than death, including suspensions, returns to service, and commuted lump-sum annuity payments are subtracted. Recertifications of employee annuities result in additions to amount but not to number of cases. For this reason, amount of adjustment bears no relation to net number of cases adjusted. Net adjustment in amount is always positive, because of preponderant effect of recertifications.

(3) *Temporary partial annuities*, certified on the basis of a summary report of service and compensation received from the employer but not verified from month-to-month service and compensation records. This procedure was applied only to employees retiring from active service at age 65 or over. The amount of the annuity calculated from the data on this "short-form" statement is reduced by approximately one-third so that the amount of the temporary partial annuity will virtually never be greater than the amount of the annuity when finally determined on the basis of a detailed check of service and compensation records. The amount of annuity in such cases is subject to recertification, retroactively to the accrual date, when the detailed month-to-month check of service and compensation has been made.

(4) *Temporary annuities* to former carrier pensioners, who could not under the 1937 act be paid pensions beyond October 1, 1937, because they were eligible for an annuity, but the amount of whose annuity could not be determined by that date because of the difficulty of checking their service and compensation records. They were therefore given temporary annuities equal in amount to their pension. When certification of the amount of the annuity is eventually made on the basis of service and compensation under the act, this is not counted as a "recertification" on the Board's records, but as an initial certification.

Table 8 shows month by month the number of employee annuities approved for recertification.¹² The figures include recertifications both of temporary partial annuities and of annuities subject to recertification. Recertifications were not made in any large number until January 1938, when 1,244 annuities were recertified. This was about one-third as large as the number of initial certifications in that month. The largest number of annuities approved for recertification, 2,897, was made in March 1938—about one-half as many as

¹² In from 15 to 20 percent of these cases the annuity has been recertified on an incomplete basis, subject to further recertification when the complete reports become available.

the initial certifications in that month. In 1939 recertifications have approximated one-half the number of initial certifications.

Table 8.—Number of employee annuities approved for recertification¹ prior to July 1, 1937, and by fiscal years and months, July 1937–May 1939

Fiscal year and month	Number of recertifications	Fiscal year and month	Number of recertifications
Cumulative through May 1939	24,862	Total, 1938-39 to May 31	11,945
Prior to July 1, 1937	411	1938	
Total, 1937-38	12,917	July	1,283
1937		August	1,136
July	85	September	1,070
August	132	October	1,022
September	81	November	1,031
October	72	December	1,049
November	131	1939	
December	306	January	1,041
1938		February	1,045
January	1,244	March	1,284
February	1,839	April	1,081
March	2,897	May	923
April	2,242		
May	1,680		
June	1,787		

¹ Includes recertifications of annuities initially awarded either on a "subject to recertification" basis or on a "temporary partial" basis.

Table 9 shows employee annuities in force at the end of each month, classified by status of certification. The proportion of annuities in force certified temporarily without a detailed check of service and compensation records has diminished to a negligible amount. As a combined result of the decline in the number of new certifications made on a temporary partial basis and the recertification of many of these annuities after check of service and compensation, the number in force on a temporary partial basis has fallen rapidly. At the end of January 1938 they constituted 17.1 percent of all employee annuities in force. By the end of June 1938 they had dropped to 5.2 percent and by the end of May 1939 to 0.9 percent. Over the same period the number of temporary annuities was steadily reduced by determination of the amount of the annuity on the basis of service and compensation, and only 28 were in force on this basis as of May 31, 1939.¹³

The large amount of work involved in checking detailed service and compensation records and the resulting delay in collecting from employers' records all the data needed for final certification

¹³ In addition, there were 112 temporary annuitants who had died before their regular annuity was determined or whose annuity was suspended as of May 31, 1939. Annuity determinations remain to be made in those cases.

remain a problem for the Board. Consequently, the Board has continued to find it advisable to certify a substantial number of claims on a "subject-to-recertification" basis. Of initial certifications of employee annuities on a regular basis during the past year, approximately 25 percent each month have been awarded on a subject-to-recertification basis.

Types of Employee Annuities

Employee annuities fall into two main groups—age and disability. Age annuities are of two kinds—those accruing at or after age 65 and those beginning before 65 for individuals who have had at least 30 years of credited service. Under the 1937 act but not under the 1935 act such annuities are limited to persons at least 60 years of age. The amount of annuity is reduced at the rate of 1/180 for each calendar month by which the annuitant is under 65 at the time the

annuity begins to accrue.¹⁴ Disability annuitants are also of two kinds—those who have had 30 years of credited service when the annuity begins to accrue and those who have had less than 30 years of credited service. The latter must be at least 60 years of age when the annuity begins to accrue, and the amount of the annuity is reduced as for age annuities beginning before age 65.

Table 10 shows the number and percentage distribution of new certifications in each month by type of annuity. The proportion of age annuities 65 and over among new certifications was considerably lower and the proportion of the three

¹⁴ Under the 1935 act but not under the 1937 act such a deduction of 1/180 is made for each month an individual continued in the service of an employer under the act after age 65, except during any period between ages 65 and 70 if a continuance-in-service agreement was filed with the Board. This applies only to age annuitants, since all disability annuities must begin before age 65. There were 1,783 such cases under the 1935 act as of June 30, 1938. The deductions for such annuities were very small, the average reduction at that time being only \$1.63 per month. Such cases are included with the age retirements at age 65 or over. This reduction does not apply to carrier officials and employee representatives.

Table 9.—Number of employee annuities in force and monthly amount payable at end of month by status of certification, July 1936–May 1939

Month	All employee annuities		Regular annuities ¹		Temporary partial annuities ²		Temporary annuities to former pensioners	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1936								
July.....	18	\$901	18	\$901				
August.....	19	901	18	901				
September.....	185	12,487	185	12,487				
October.....	515	33,123	515	33,123				
November.....	975	62,054	975	62,054				
December.....	1,732	107,918	1,732	107,918				
1937								
January.....	2,480	153,468	2,480	153,468				
February.....	3,302	203,455	3,302	203,455				
March.....	4,168	257,469	4,168	257,469				
April.....	4,878	303,945	4,878	303,945				
May.....	6,000	376,128	6,000	376,128				
June.....	6,870	433,047	6,870	433,047				
July.....	7,520	474,784	7,520	474,784				
August.....	9,856	650,701	9,856	650,701				
September.....	12,588	845,946	12,588	845,946				
October.....	18,324	1,235,317	18,324	1,132,914			1,890	\$102,402
November.....	26,960	1,742,216	23,836	1,626,540	988	\$52,466	1,268	63,268
December.....	39,375	2,489,233	32,005	2,161,443	6,292	280,099	988	47,710
1938								
January.....	44,546	2,800,594	36,094	2,427,667	7,639	334,485	813	36,431
February.....	47,253	2,980,968	38,917	2,620,952	7,676	324,513	760	35,502
March.....	51,199	3,290,967	44,203	2,970,104	6,371	282,908	625	27,954
April.....	56,403	3,630,992	51,015	3,414,365	4,906	196,191	482	21,435
May.....	69,130	4,835,125	54,721	3,661,821	4,055	187,585	354	15,718
June.....	62,870	4,097,616	69,301	3,960,863	3,285	124,298	284	12,654
July.....	65,612	4,289,625	62,473	4,169,971	2,817	109,776	222	9,877
August.....	69,829	4,695,803	65,979	4,597,363	2,675	99,791	175	7,857
September.....	71,706	4,695,295	69,097	4,597,290	2,474	92,046	135	5,989
October.....	74,543	4,878,046	72,170	4,790,645	2,262	82,935	111	5,018
November.....	77,445	5,090,257	75,274	4,976,152	2,071	76,651	100	4,463
December.....	79,624	5,200,252	77,636	5,126,860	1,914	70,662	74	3,206
1939								
January.....	81,452	5,317,101	79,585	5,248,055	1,813	66,774	54	2,270
February.....	83,522	5,455,021	81,851	5,394,106	1,592	58,898	49	2,046
March.....	85,473	5,582,697	84,014	5,529,543	1,417	51,450	42	1,657
April.....	87,132	5,692,229	85,980	5,650,497	1,120	40,417	32	1,315
May.....	88,734	5,799,982	87,882	5,769,949	824	28,926	28	1,106

¹ Certified on basis of detailed check of all or part of relevant service and compensation records, including cases certified on a "subject-to-recertification" basis.

² Certified on basis of "short-form" statement of service and compensation without detailed check of service and compensation records.

other types considerably higher in the period from July 1, 1938, to May 31, 1939, than for the earlier period. At the beginning of the retirement system there was a greater accumulation of persons eligible for age retirements above 65 than for age retirements below 65 or for disability annuities. Not only were there a great many workers in active service who had continued to work long after the age of 65, but there was also an accumulation of disabled workers over age 65 who were eligible only for age annuities. Had the retirement system been in existence at the time these workers became disabled they would have qualified for disability annuities.

The increase in the proportion of disability annuities shown in the table is due also in part to the fact that under the 1937 act disabled employees between 60 and 65 years of age are eligible for disability annuities, even though they do not have 30 years of service. In addition, under this provision, persons who have left the railroad industry with less than 30 years of credited service will be eligible for a disability annuity at age 60 if they become disabled subsequent to leaving the railroad industry. Furthermore, the 1937 act extended the definition of employment relation to include absence from work because of sickness or disability.

Administrative factors also affected the low rate of certification of disability annuities in the earlier period. The greater lag in the certification of such annuities was due in part to the relatively large proportion of disability cases involving the establishment of employment relation, which as has been indicated took a longer time to adjudicate. In part it was due to the difficulty of determining the existence of disability within the meaning of the 1937 act. That act defined disability as "total and permanent disability for regular employment for hire" whereas under the 1935 act employees "retired by a carrier on account of mental or physical disability" were entitled to a disability annuity, if otherwise eligible.

To expedite certification, the Board in October 1937 set up a Disability Rating Board to pass upon claims for disability annuities. Through June 1938, the Rating Board handled 8,040 disability claims at the rate of 993 a month as compared with a total of 13,228 in the 11 months from July 1, 1938, to May 31, 1939, at the rate of 1,202 a month (table 11).

Table 10.—Distribution of new certifications of employee annuities by type of annuity, cumulative through June 1938 and through May 1939, and by months, July 1938–May 1939

[Preliminary figures]

Year and month	Total ¹	Age annuities		Disability annuities	
		65 and over ²	Under 65 ²	30 years of service	Less than 30 years
Number					
Cumulative through May 1939.....	98,536	78,361	4,738	11,164	4,273
Cumulative through June 1938 ³	65,683	57,500	2,442	4,897	844
Total, July 1938–May 1939.....	32,853	20,861	2,296	6,267	3,429
1938					
July.....	3,322	2,163	221	688	250
August.....	3,771	2,315	250	833	373
September.....	3,556	2,384	216	683	273
October.....	3,445	1,998	277	736	432
November.....	3,491	2,374	221	378	318
December.....	2,847	1,889	185	482	291
1939					
January.....	2,500	1,593	183	434	290
February.....	2,725	1,624	232	509	360
March.....	2,638	1,678	183	438	339
April.....	2,347	1,439	163	470	275
May.....	2,211	1,404	165	414	228
Percentage distribution					
Cumulative through May 1939.....	100.0	79.6	4.8	11.3	4.3
Cumulative through June 1938.....	100.0	87.5	3.7	7.5	1.3
Total, July 1938–May 1939.....	100.0	63.5	7.0	19.1	10.4

¹ Distribution based on figures of new certifications to the Secretary of the Treasury before certain minor corrections were made. Figures of total new certifications during month, therefore, differ slightly from figures in table 7.

² Figures for periods after June 30, 1938, are not exactly comparable with those prior to that date, since the earlier figures include in "age 65 and over" age annuities which accrue in calendar month of annuitant's 65th birthday and therefore are not subject to reduction. However, such cases constituted less than 1 percent of all finally certified annuities in force as of June 30, 1938, and proportion since that time is probably not much greater.

³ See footnote 2. Of all finally certified age annuities in force as of June 30, 1938, which began before age 65, 25.1 percent began within calendar month of annuitant's 65th birthday and were not subject to reduction.

⁴ 130 annuities, payment on which was suspended as of June 30, 1938, are excluded.

Of the 21,276 claims handled to the end of May by the Disability Rating Board, 15.7 percent have been disallowed. Claims disallowed constituted 9.6 percent of the total handled during the fiscal year 1937–38, as compared with 19.4 percent in the next fiscal year.¹⁵ The larger proportion of disallowances in the later period is probably due to the fact that the clearer cases of disability tend

¹⁵ In many cases in which a claim for a disability annuity was disallowed, the applicant may have been awarded an age annuity with reduction for early retirement if he met the 30-year service and 60-year age requirement. Of disability claims disallowed up to Oct. 31, 1938, about 56 percent were awarded such annuities.

to be adjudicated first and that the Board delays in disallowing a claim until the applicant has had every chance to prove his claim.

The larger proportion of disability annuitants among new certifications in recent months, although in part due to the certification of an accumulation of disability claims, is also due to a real change in the proportion of disability claimants. Analysis of applications for employee annuities received by the Board during the 5 months from December 1938 to April 1939 shows that from 28.1 percent to 30.6 percent of the applicants each month claimed disability annuities. Even if, as the experience of the Board to date indicates, between 15 and 20 percent of these disability claims will be disallowed, the proportion of disability annuities resulting from applications received during these 5 months will be considerably in excess of that among annuities certified to June 30, 1938.

Changes in Characteristics of Employee Annuities

The Board's last annual report (pages 77-89) analyzed differences among the four types of employee annuities for all final certifications up to June 30, 1938, whether or not initially certified on a final basis.¹⁰ Similar figures since June 30, 1938, are available only for April and May 1939, and on a slightly different basis. The figures for the latter 2 months relate only to new certifications *initially* made on a final basis. There are difficulties in comparing characteristics of the relatively small number of certifications made in a single month with those for the accumulated certifications to June 30, 1938. In arriving at any general picture, the averages for the first period will have a predominant weight for some time to come. Over-all figures for the long initial period may conceal changes within the period itself, and the stability of the characteristics shown in the figures for 2 recent months is open to question when changes occurring in the intervening period can only be inferred. Furthermore, certifications made during the 2 recent months include some applications received prior to June 30, 1938. However, comparisons with the bench mark pro-

¹⁰ Comparisons are based only on finally certified annuities to eliminate the effect of the variable factors which may temporarily prevent final certification. The proportions of annuities of the various types among final certifications and among those subject to recertification differ in some respects. Compare percentage distributions in tables 10 and 12.

Table 11.—Disability claims handled by the Disability Rating Board, by fiscal years and by months, October 1937-May 1939

Fiscal year and month	Total claims handled	Claims granted	Claims disallowed ¹
Cumulative through May 1939.....	21, 276	17, 939	3, 337
Total, 1937-38 (9 months).....	8, 048	7, 279	769
1937			
October ²	104	97	7
November.....	402	352	50
December.....	513	475	38
1938			
January.....	428	413	15
February.....	423	387	36
March.....	725	656	69
April.....	1, 499	1, 341	158
May.....	2, 079	1, 896	183
June.....	1, 875	1, 662	213
Total, 1938-39 to May 31.....	13, 228	10, 660	2, 568
July.....	1, 980	1, 579	411
August.....	1, 710	1, 374	336
September.....	1, 167	959	208
October.....	1, 322	1, 054	268
November.....	1, 224	947	277
December.....	949	692	257
1939			
January.....	1, 059	835	224
February.....	961	812	149
March.....	1, 044	856	188
April.....	914	785	129
May.....	888	767	121

¹ Of these applicants, those who met the 30-year service, 60-year age requirements were granted age annuities with reduction of 1/180 for each month during which they were less than 65 on accrual date. Of claims disallowed up to Oct. 31, 1938, approximately 56 percent were granted such annuities.

² Covers period from Oct. 19, 1937, when Disability Rating Board was set up, to end of month.

vided by the figures to June 30, 1938, are given in table 12 as indicating in a general way changes in characteristics of different types of employee annuities.

The average age at retirement was 64.7 on April and 65.1 on May certifications as compared with 68.5 on all final certifications to June 30, 1938. Each type of annuity except age annuities under 65 showed a lower average attained age at retirement in the later period. The higher age at retirement of annuitants 65 and over in the earlier period reflects the large number of very aged persons who retired at the beginning of the system. The lower average age, in the later months, of disability retirements with 30 years of service probably results from the fact that such retirements are now on a more current basis, with a greater number of eligible persons applying for disability annuities when they become disabled.

The difference in average age at retirement, as between earlier and later periods, is greater for all annuitants than for any single group. This is due to the much greater proportion, in the later period, of the three types of annuity beginning

before age 65, as shown in column 2 of the table.

Table 12 compares the certifications up to June 30, 1938, and those for recent months in terms of average "normal" annuity, "single-life" annuity, and "actual" annuity. The normal annuity is calculated by the annuity formula (see footnote 4, page 4) from credited service and average monthly compensation. The single-life annuity is the normal annuity less deductions, if any, for retirement under 65. Such deductions are, under the 1937 act, applicable to all age annuities beginning before age 65, and to all disability annuities based on less than 30 years of service.¹⁷ The actual annuity paid is the single-life annuity less deductions, if any, resulting from elections of joint and survivor annuities. For the large majority of the annuitants the actual annuity is the same as the normal annuity.

The average normal annuity was \$71 up to June 30, 1938, and was about \$2.50 or 4 percent less for April and May 1939. This difference is the resultant of differences in average credited

service and average monthly compensation. The average monthly compensation for all employee annuitants was only slightly lower in April and May of 1939 than for the earlier period. The most marked difference was shown by disability annuitants with less than 30 years of service.

Months of credited service, however, averaged about 4 percent less in April and May for all annuities. The average credited service for disability annuitants with less than 30 years of credited service was less by 8.4 percent in April and by 11.2 percent in May than for earlier annuities of this type. The reason for this difference is not clear from the data at present available. For age annuities 65 and over the corresponding figures were 6.1 percent and 5.5 percent. This difference is primarily due to the smaller proportion of very aged in the certifications of recent months, as reflected in the difference in the retirement age. These older annuitants are more likely to have longer years of service. Thirty years of credited service is a requirement for annuities of the other two types.

¹⁷ See footnote 14 for similar reduction under the 1935 act only.

Table 12.—Summary of characteristics, by type of annuity, of finally certified employee annuities certified to the Secretary of the Treasury to June 30, 1938,¹ and during April and May 1939²

Type of annuity and month or period	Number of annuities	Percent of total for month or period	Average							
			Age at retirement ³	Months of credited service ⁴	Monthly compensation	Normal annuity ⁵	Reduction for retirement before 65 ⁶	Single-life annuity ⁷	Actual annuity ⁸ (after reduction for joint and survivor annuity)	
All annuities:										
To June 30, 1938.....	53,889	100.0	68.5	333.4	\$158.39	\$70.94	(⁹)	\$70.48	\$69.06	
April 1939.....	1,665	100.0	64.7	322.0	155.52	68.32	(⁹)	68.43	65.59	
May 1939.....	1,619	100.0	65.1	321.9	156.73	68.50	(⁹)	68.67	66.07	
Age annuities:										
65 ⁺ and over:										
To June 30, 1938.....	47,431	88.0	69.5	330.8	156.17	69.77	(⁷)	⁷ 69.70	68.30	
April 1939.....	958	57.5	68.1	310.5	153.26	66.01	(⁷)	66.01	65.42	
May 1939.....	980	60.5	68.4	312.6	150.57	65.14	(⁷)	65.11	64.41	
Under 65 ¹ :										
To June 30, 1938.....	1,158	2.2	62.4	⁸ 360.0	167.16	78.11	\$13.72	64.39	63.53	
April 1939.....	130	7.8	62.2	⁸ 360.0	161.98	76.33	14.36	61.95	60.82	
May 1939.....	123	7.6	62.4	⁸ 360.0	167.47	78.00	14.30	63.70	62.65	
Disability annuities:										
30 years of credited service:										
To June 30, 1938.....	4,721	8.8	60.0	⁸ 360.0	182.29	83.37	(⁹)	83.37	81.43	
April 1939.....	431	25.9	58.9	⁸ 360.0	170.02	79.25	(⁹)	79.25	79.15	
May 1939.....	386	23.8	58.8	⁸ 360.0	181.67	82.81	(⁹)	82.81	82.81	
Less than 30 years of credited service:										
To June 30, 1938.....	551	1.0	62.4	276.4	125.80	49.91	9.14	40.77	40.21	
April 1939.....	146	8.8	62.1	253.3	121.78	44.13	8.82	35.31	34.38	
May 1939.....	130	8.0	61.9	243.4	118.66	42.36	9.26	33.10	32.12	

¹ Excludes a small number of annuities, payments on which were suspended as of June 30, 1938, or which had been commuted into lump-sum payments.

² Preliminary.

³ Attained age at time annuity began to accrue.

⁴ Average actual months of credited service is given here, even though in computing the annuity an ultimate fraction of 6 months or more is credited as a full year of service.

⁵ Normal annuity is annuity calculated solely on basis of annuity formula. From this amount reduction is made at rate of $\frac{1}{160}$ for each calendar month that annuitant is less than 65 years old at time his annuity begins, except in case of disability annuitants with 30 years of service. Under the 1935 act but not under the 1937 act similar reduction was made for each month that an employee had continued in service between age 65 and 70, unless a continu-

ance-in-service agreement was signed, and after age 70 under any circumstances. Single-life annuity is annuity after such reduction has been made, and is the same as normal annuity except where such reductions are applicable. Actual annuity is single-life annuity minus reduction applied in those cases in which a joint and survivor annuity is elected.

⁶ Reductions applicable to only a small proportion of total number of annuities; therefore no average reduction for all annuities is shown.

⁷ Not applicable under 1937 act. Reduction shown for period to June 30, 1938, results from 1935 act retirements between age 65 and 70 without continuance-in-service agreements or after age 70. See footnote 14, p. 17.

⁸ 30 years of credited service is required for these annuities, and all annuitants of this type are credited with exactly 30 years of service.

⁹ Not applicable under either act.

Reductions for retirement before age 65 averaged \$14 for age annuitants under 65 and \$9 for disability annuitants with less than 30 years of service. Averaged over all annuities, these reductions give an average single-life annuity of \$70.50 up to June 30, 1938, or 46 cents less than the average normal annuity, as compared with \$66.50 or about \$1.85 less than the normal annuity for certifications in the later months. The difference results primarily from the fact that annuities of the two types subject to reduction were a larger proportion of the later than of the earlier certifications. (See column 3.)

The reduction for the 3,785 joint and survivor annuities finally certified up to June 30, 1938, averaged \$20.26 or 28.6 percent of their single-life annuities. However, when these deductions are averaged over all finally certified annuities, they give an average actual annuity of only \$1.42 less than the average single-life annuity up to June 1938. For the later 2 months, the corresponding difference between average single-life and actual annuities was \$19.09 or 33.3 percent for the 112 joint and survivor annuities, and 57 cents when averaged over all finally certified annuities.

The proportion of joint and survivor elections has been lower for annuities certified under the 1937 act than under the 1935 act. The 1937 act eliminated joint and survivor annuities for individuals who receive a full disability annuity and placed greater restrictions upon the election of such annuities by others. The act provides that, on and after January 1, 1938, no individual can elect a joint and survivor annuity unless he furnishes proof of health satisfactory to the Board, or unless he makes his election at least 5 years before the accrual date of his annuity.

Actual annuities averaged approximately \$69 up to June 1938 and approximately \$66 for the 2 recent months. In all periods the highest average actual annuities are drawn by disability annuitants with 30 years of credited service, the lowest by disability annuitants with less than 30 years of credited service. The average annuities of the latter group are less than 50 percent of the former, resulting mainly from their lesser months of credited service and lower average monthly compensation, and from the deduction for retirement before age 65 which is applied to such annuities.