

SURVIVOR PAYMENTS UNDER THE RAILROAD RETIREMENT ACT

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THE RAILROAD RETIREMENT ACTS of 1935 and 1937 primarily provide annuities for employees of the railroad industry but make some provisions also for payments to the survivors of such employees who die either without receiving an annuity or, under certain conditions, after the annuity has begun. These survivor payments are of three kinds: (1) survivor annuities to the spouse, provided under both acts but payable only if the annuitant elected to receive a reduced annuity during his lifetime in order to provide an annuity for his widow; (2) death-benefit annuities, provided under the 1935 act only and payable for 12 months to the surviving spouse or dependent next of kin of an individual who was receiving or entitled to receive an employee annuity under that act; and (3) lump-sum death benefits, provided only under the 1937 act.

These three types of survivor payments combined have accounted for payments totaling more than \$4.4 million to August 31, 1939, or about 2 percent of the total payments certified under the Railroad Retirement Act to that date. Lump-sum death payments totaled about \$1.6 million, death-benefit annuities about \$1.5 million, and survivor annuities about \$1.3 million. In recent months, payments of lump-sum death benefits have been much larger than payments of the other two types, with survivor annuity payments somewhat higher than death-benefit annuity payments (see table 3, page 81).

Survivor Annuities

Under both the 1935 and 1937 acts an individual may elect to receive a reduced joint and survivor annuity during his lifetime in order to provide a lifetime annuity for his widow after his death. The two acts differ in many respects with regard to the provisions governing the election of a joint and survivor annuity. The 1935 act made no specific provision for the proportion which the survivor annuity was to bear to the joint and

survivor annuity received by the employee annuitant during his lifetime. The Board, however, by administrative regulation, permitted the election of one of three options: Option A, under which the widow receives as much as her husband was receiving or was entitled to receive during his lifetime; Option B, under which she receives three-fourths as much; and Option C, under which she receives half as much. In the 1937 act specific provision was made for these three options. The 1937 act also specifically provided that, once a valid joint and survivor election was made, it should be irrevocable, except that it would become inoperative if the employee or his wife died before the annuity began to accrue, or if the marriage was dissolved, or if a full disability annuity was awarded on the basis of 30 years of service.

The 1935 act provided that the Combined Annuity Table should be used in determining "the present values and amounts of the annuity payments." It thus permitted no differentiation between annuitants with a normal life expectancy and those who, because they were disabled or for some other reason, had a less than normal life expectancy. As a result, it was to the interest of applicants who were in poor health and had a short life expectancy to elect joint and survivor annuities.

The 1937 act contains several provisions intended to avoid the adverse selection which resulted under the 1935 act. As stated previously, the later act provides that any joint and survivor election shall become inoperative if a full disability annuity based on 30 years of service is granted. In addition it provides that, unless election was made before January 1, 1938, it must be made at least 5 years prior to the date designated for the annuity to begin to accrue, unless the applicant furnishes proof of health. Finally the 1937 act provides that "the amounts of the two annuities shall be such that their combined actuarial value as determined by the Board shall be the same as the actuarial value of the single-life

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annuity to which the individual would otherwise be entitled."¹

Joint and Survivor Elections

Since survivor annuities arise out of the death of employee annuitants who have elected joint and survivor annuities, it is necessary to consider the number of joint and survivor elections made by employee annuitants and the number of deaths which have occurred among such annuitants. Of the 104,338 employee annuitants certified to August 31, 1939, 7,011 or 6.7 percent made joint and survivor elections under either the 1935 or 1937 acts.

The percentage of such elections among employee annuity certifications has been decreasing. Of the employee annuities certified to June 30, 1938, 7.7 percent were joint and survivor annuities, as compared with 5.2 percent certified during 1938-39, and 4.2 percent certified during July and August 1939. This decrease is to be expected in view of the restrictions upon joint and survivor elections embodied in the 1937 act. Another factor contributing to the declining percentage of joint and survivor elections may be the smaller proportion of very aged annuitants in the later period. The decrease is probably more marked than the figures show, since the longer time required, on the average, to adjudicate joint and survivor claims has tended somewhat to delay the reflection of these changes in the figures, based as they are on certification date rather than accrual date.

Table 1 shows the average single-life annuity² and the average actual annuity, after reduction for joint and survivor election, of employee annuitants making such election. The average single-life annuity of annuitants electing joint and survivor options was \$70.85 in the period ended June 30, 1938, and \$59.74 during the fiscal year

¹ In computing joint and survivor annuities under the 1937 act, the Board has ruled that the Combined Annuity Table shall be applied to all joint and survivor annuities beginning at 65 or over. For annuities subject to a reduction for retirement before age 65, Hunter's Analyzed Disabled Life Mortality Table, modified to conform with the mortality of disability pensioners under the railroad pension plans, shall be used where the applicant has a subnormal life expectancy. The use of Hunter's Table makes less advantageous the selection of joint and survivor annuities by annuitants with subnormal life expectancies.

² The "single-life" annuity is the "normal" annuity—which is calculated on the basis of the annuity formula from credited service and average monthly compensation—less deductions, if any, for retirement before age 65. The "actual" annuity is the single-life annuity less deductions resulting from election of joint and survivor annuity.

1938-39.³ This decrease, amounting to 15.7 percent, reflects (1) a decline in the average single-life annuity for all annuitants;⁴ (2) the elimination under the 1937 act of joint and survivor certifications for disability annuitants with 30 years of service, whose average single-life annuity has been greater than for any other type of employee annuitant under the act; and (3) the fact that disability annuitants with less than 30 years of service, whose average single-life annuity has been the lowest,⁵ constituted 13.2 percent of the joint and survivor certifications during 1938-39 and only 0.4 percent prior to June 30, 1938.⁶

The difference in the actual annuities as between the two time periods is greater than in the single-life annuities, amounting to 19.4 percent. This variation results from a shift in the proportion of annuitants electing the different options. The percentage electing Option A, which makes the two annuities equal in amount and hence requires a larger reduction from single life to actual, was higher among certifications during the fiscal year 1938-39 than among those to June 30, 1938. The percentage electing Option C, which gives the widow half as much as the annuitant was receiving before his death and hence requires a smaller reduction, was lower in the later period. The fact that the tendency indicated in the 1938-39 figures is not sustained in the certifications for July and August makes it difficult to determine the trend in the selection of the several options. The higher proportion of Option A cases in the period 1938-39 may be due to delay in the certification of disability annuities computed on the basis of Hunter's Table. Such persons with subnormal life expectancies tend more frequently to elect Option A, which gives the widow her maximum annuity.

³ The averages are based only on final certifications made during the period and would be somewhat lower if allowance is made for the fact that cases initially certified on a subject-to-recertification basis (because part of the data necessary for final determination was missing) are on the average somewhat lower even after recertification than those initially certified on a final basis. The averages for 1938-39 include some cases initially certified prior to June 30, 1938, but it is believed that if it were possible to correct for this the averages would not be materially changed.

⁴ Factors in this decline have been discussed in the July *Bulletin*, pp. 19-21.

⁵ This lower average single-life annuity is due partly to the lower average credited service and compensation of disability annuitants with less than 30 years' service and partly to the reduction for retirement before age 65 which is applied to such annuities. See the July *Bulletin*, pp. 17-21.

⁶ It is probable that these figures do not reflect a trend in the election of options but result from a delay in the certification of joint and survivor annuities computed on the basis of Hunter's Table.

Table 1.—Number and percent, and average single-life and actual annuity ¹ of employee annuities certified under joint and survivor elections, by option ² and by period in which certified

Period in which certified	Number	Percent of total	Average single-life annuity	Average actual annuity	Percent reduction
Through June 1938: ³					
All options.....	5,042	100.0	\$70.85	\$50.59	28.6
Option A.....	1,478	29.3	60.36	41.62	37.3
Option B.....	822	16.3	74.22	51.35	30.8
Option C.....	2,742	54.4	72.15	54.97	23.8
Fiscal year 1938-39: ⁴					
All options.....	1,814	100.0	59.74	40.78	31.7
Option A.....	056	3.2	54.83	32.47	40.8
Option B.....	273	15.0	59.68	39.84	33.2
Option C.....	885	48.8	63.13	46.80	25.9
July-August 1939: ⁵					
All options.....	165	100.0	60.90	40.71	33.2
Option A.....	60	32.3	59.51	33.62	43.7
Option B.....	20	12.9	52.45	32.67	37.7
Option C.....	85	54.8	64.46	47.51	26.3
Total through August 1939:					
All options.....	7,011	100.0	67.17	47.33	29.5
Option A.....	2,184	31.2	62.10	38.20	38.5
Option B.....	1,115	16.9	69.41	47.52	31.5
Option C.....	3,712	52.9	69.37	52.45	24.4

¹ Averages for single-life and actual annuity are based on final certifications only.

² Under Option A, the widow receives as much as her husband was receiving or was entitled to receive during his lifetime; under Option B, she receives $\frac{3}{4}$ as much; under Option C, $\frac{1}{2}$ as much.

³ Excludes a small number of annuities, payments on which were suspended on June 30, 1938, or which had been commuted into lump-sum payments.

⁴ Preliminary. Includes as new certifications cases suspended on June 30, 1938, but reinstated during the year and excludes cases still suspended as of June 30, 1939, or cases certified during the year but suspended on June 30, 1939. Excludes also commuted annuity payments. Averages are based on annuities recertified to a finally certified status during the year as well as on annuities initially finally certified.

⁵ Preliminary. Includes only annuities initially certified during the 2 months.

Over the entire period Option C has been the most popular of the 3 options. Of the 7,011 certifications under joint and survivor options up to August 31, 1939, 52.9 percent were under Option C (table 1). Option A was selected by 31.2 percent and Option B by 15.9 percent.

Deaths Among Joint and Survivor Annuitants

By June 30, 1939, the Board had received notice of 10,192 ⁷ deaths among employee annuitants. The post office has been the chief source of information with respect to such deaths, since letter carriers are instructed not to deliver annuity checks when the annuitant has died. In other instances, the survivors of the annuitant or his legal representative notifies the Board of the annuitant's death.

⁷ This includes 3,773 deaths among employee annuitants certified under the 1935 act, 6,370 under the 1937 act, and an additional 49 deaths among temporary partial annuitants who will not be classified under either act until they are completely recertified.

In 1,779 or 17.5 percent of these 10,192 cases a joint and survivor election had been made. This proportion of deaths among joint and survivor annuitants to deaths among all annuitants was about $2\frac{1}{2}$ times the proportion of joint and survivor annuities among all employee annuities. It reflects the tendency for older annuitants and annuitants with subnormal life expectancies to elect joint and survivor annuities.

When the Board receives a notice of death, it sends applications and instructions to individuals who, according to its records, may be eligible for survivor payments. Of the 1,779 cases of deaths among joint and survivor annuitants, survivor annuities had been awarded in all but 133 cases by June 30, 1939. In 29 of these cases the wife had died before the employee annuitant or the option had been declared inoperative or the claim had been closed without certification because the survivor had failed to reply to requests for necessary information. As of June 30, 1939, there were 104 cases still pending adjudication.

There have been 184 cases in which the annuity to the survivor was not preceded by certification of annuity payments to the employee. Cases of this sort arise when the employee making a joint and survivor election is eligible for an annuity prior to his death but death occurs during the calendar month in which the annuity begins to accrue. No employee-annuity payment is due for the calendar month in which the annuitant dies. Including these cases, the total number of survivor annuities granted to June 30, 1939, was 1,830.

Number and Average Amount of Survivor Annuities

It has been pointed out that the proportion of employee annuitants who make joint and survivor elections is relatively small. For this reason and because the retirement act is still comparatively new and there has therefore been relatively little time for deaths to occur among joint and survivor annuitants, the number of annuities awarded to survivors of employee annuitants electing such options was only 1,933 by August 31, 1939 (table 2). In the fiscal year 1938-39 a total of 1,008 new survivor annuities was certified, compared to 822 certified prior to July 1, 1938. By the end of August 1939 only 57 survivor annuities had been terminated by death. Adjusting for

suspensions and reinstatements, the number of these annuities in force as of the end of August 1939 was 1,875.

The average survivor annuity certified during the fiscal year 1938-39, excluding minor increases resulting from recertifications, amounted to \$30.41 per month, as compared with \$38.58 for 1937-38, and \$40.44 for the 115 certifications made in 1936-37. The change reflects in the main the decrease, pointed out above, in the average single-life annuity to which employee annuitants with joint and survivor elections are entitled and on

which the determination of the amount of survivor annuity is based.

In table 3 the 1,830 survivor annuities, which were certified to June 30, 1939, are distributed by the actual monthly amount payable and by the type of option. Of survivor annuities granted to this date, 44.3 percent arose from Option A, 37.4 percent from Option C, and 18.3 percent from Option B. Only 31.1 percent of all joint and survivor annuities certified to June 30, 1939, were granted under Option A, the option which gives the surviving spouse the largest share of the

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

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 August 1939.....	1,933	\$65,491	57	\$1,823	-1	\$248		
Total, 1936-37.....	115	4,651	0	0	0	0		
1936								
November.....	3	72	0	0	0	0	3	\$72
December.....	2	98	0	0	0	0	5	171
1937								
January.....	3	106	0	0	0	0	8	277
February.....	10	328	0	0	0	0	18	605
March.....	6	265	0	0	0	0	24	871
April.....	22	930	0	0	0	0	46	1,801
May.....	30	1,059	0	0	0	0	76	2,861
June.....	39	1,789	0	0	0	0	115	4,651
Total, 1937-38.....	707	27,273	15	533	0	97		
1938								
July.....	15	562	0	0	0	0	130	5,213
August.....	49	1,892	1	27	0	0	178	7,077
September.....	47	1,759	0	0	0	0	225	8,837
October.....	22	976	1	34	0	0	246	9,778
November.....	40	1,669	0	0	0	0	286	11,448
December.....	68	2,782	1	9	0	24	353	14,245
1938								
January.....	72	2,821	0	0	0	2	425	17,070
February.....	40	1,595	1	40	0	0	464	18,628
March.....	73	3,128	1	33	0	20	656	21,741
April.....	131	4,787	5	191	0	25	682	28,363
May.....	91	3,101	2	104	0	1	751	29,362
June.....	59	2,195	3	91	0	23	807	31,489
Total, 1938-39.....	1,008	30,653	31	1,017	-1	114		
1939								
July.....	93	3,333	3	122	0	0	897	34,701
August.....	78	2,436	1	47	0	4	974	37,095
September.....	140	4,292	0	5	0	47	1,114	41,419
October.....	88	2,672	1	8	-5	-269	1,190	43,814
November.....	114	3,171	2	108	2	148	1,310	47,028
December.....	63	1,738	3	128	2	94	1,372	48,750
1939								
January.....	62	1,846	1	34	-1	3	1,432	60,546
February.....	55	1,588	5	128	0	-14	1,432	61,990
March.....	101	2,949	3	74	0	22	1,580	64,887
April.....	76	2,412	5	183	1	33	1,652	67,150
May.....	65	1,950	5	129	0	7	1,712	68,978
June.....	73	2,271	2	46	0	36	1,783	71,239
Total, 1939-40 through August 1939.....	103	2,913	11	272	0	34		
1939								
July.....	58	1,715	5	102	0	0	1,836	62,853
August.....	45	1,197	6	170	0	34	1,875	63,914

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 Suspensions are subtracted and reinstatements of suspended annuities are added. Recertifications of 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 usually positive because of preponderant effect of recertifications.

Table 3.—Number of survivor annuities certified through June 1939, by monthly amount payable, classified by type of option¹ elected by the deceased

Monthly amount payable	Total		Option A		Option B		Option C	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total.....	1,830	100.0	811	100.0	335	100.0	684	100.0
Under \$10.00.....	74	4.0	22	2.7	7	2.1	45	6.6
\$10.00-\$19.99.....	322	17.6	124	15.3	41	12.2	157	23.0
\$20.00-\$29.99.....	441	24.2	142	17.5	71	21.2	228	33.3
\$30.00-\$39.99.....	397	21.7	128	15.8	66	19.7	203	29.7
\$40.00-\$49.99.....	257	14.0	127	15.7	80	23.9	50	7.3
\$50.00-\$59.99.....	180	9.8	126	15.5	53	15.8	1	.1
\$60.00-\$69.99.....	88	4.8	73	9.0	15	4.5		
\$70.00-\$79.99.....	48	2.6	44	5.4	2	.6		
\$80.00-\$89.99.....	22	1.2	22	2.7				
\$90.00-\$99.99.....	3	.2	3	.4				
Average survivor annuity.....	\$34.35		\$40.50		\$36.86		\$25.79	
Average actual employee annuity of the deceased.....	46.22		40.50		49.15		51.68	

¹ Under Option A, the widow receives as much as her husband was receiving or was entitled to receive during his lifetime; under Option B, she receives $\frac{1}{2}$ as much; under Option C, $\frac{1}{3}$ as much.

single-life annuity of the deceased. The figures indicate that the proportion of deaths among employee annuitants electing Option A has been larger than among those electing the other options. Older annuitants as well as disability annuitants who have shorter life expectancies tend to elect Option A.

The average monthly amount of survivor annuity payable to individuals certified under the different options to June 30, 1939, was \$40.50 under Option A, \$36.86 under Option B, and \$25.79 under Option C. The relative size of the average monthly amount payable under the different options reflects in the main the different proportion incorporated in the options. The average for all survivor annuities was \$34.35.

Death-Benefit Annuities Under the 1935 Act

Death-benefit annuities are provided under the 1935 act only and are payable with respect to the deaths of employees who are certified for annuities or entitled to receive annuities under that act. In general, an employee is so entitled if before June 24, 1937, the effective date of the 1937 act, he had ceased compensated service for an employer under the act, had relinquished all rights to return to such service, and was otherwise eligible for an annuity.

The death-benefit annuity is equal to one-half the monthly annuity so paid or payable, before any reduction resulting from the election of a joint and survivor annuity. It is payable for 12 months to the surviving spouse or, if there is no spouse, to the dependent next of kin of the deceased annuitant.

Of the 104,338 employee annuities certified to August 31, 1939, approximately 22,300 were certified under the 1935 act. New certifications under the 1935 act are currently being made at the rate of less than 50 a month and will probably disappear in the not far distant future. Since deaths among annuitants under the 1935 act are occurring at the rate of 150 to 200 per month, the number of such annuities in force is gradually decreasing.

By June 30, 1939, 3,773 deaths among employee annuitants under the 1935 act had been reported to the Board. In 310 cases, the rights of survivors to death-benefit annuities had not been determined by June 30, 1939. With respect to 804, or 23.2 percent of the remaining 3,463 deaths, there was no surviving spouse or dependent next of kin, and no payment therefore could be made. In an additional 32 cases, or 0.9 percent, the existence of a surviving spouse or dependent next of kin was known, but these individuals either could not be located or the information necessary for making the payment could not be obtained. These claims may still be paid but are at present considered as abandoned. In the remaining 2,627 cases, or 75.9 percent of those for which a determination had been made by June 30, 1939, survivors were certified to receive death-benefit annuities.²

In addition to the 2,627 death-benefit annuities resulting from the death of an employee annuitant, 778 resulted from the death of individuals

² In 850 or 32.4 percent of these 2,627 cases a joint and survivor election had been made, and the surviving spouse received not only a 12 months' death-benefit annuity but also a survivor annuity for life.

who had never received employee annuities but who were entitled to receive them at the time of death.

Table 4 summarizes information on the payments of these death-benefit annuities from the beginning of the Board's operations to August 31, 1939. During the fiscal year 1938-39, 1,720 were certified as compared with 1,435 in 1937-38 and 250 prior to July 1, 1937. An additional 203 were certified during the first 2 months of the fiscal

year 1939-40. These annuities terminate after 12 months or earlier if, on the death of the spouse or dependent next of kin, there is no other dependent next of kin. Except for the initial period to January 1938, the number of death-benefit annuities in force has therefore tended to increase very slowly and has never reached 800. During the fiscal year 1938-39, when 1,720 new certifications of death-benefit annuities were made, there were 1,599 terminations. The average new death-

Table 4.—Number and monthly amount payable of new certifications for death-benefit annuities, under the 1935 act, terminations by completion of payments and by death, net adjustments, and number in force and monthly amount payable at end of month, by fiscal years and by months, November 1936-August 1939¹

Fiscal year and month	New certifications ²		Terminations by completion of payments or death		Net adjustments ³		In force at end of month	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Cumulative through August 1939.....	3,608	\$132,664	2,880	\$107,417	-1	\$457		
Total, 1936-37.....	250	9,380	12	464	0	0		
1936								
November.....	3	81	0	0	0	0	3	\$81
December.....	2	89	0	0	0	0	5	171
1937								
January.....	7	301	0	0	0	0	12	472
February.....	23	827	0	0	0	0	35	1,300
March.....	20	754	0	0	0	0	55	2,054
April.....	51	1,875	0	0	0	0	106	3,930
May.....	70	2,531	0	0	0	0	176	6,461
June.....	74	2,918	12	464	0	0	238	8,916
Total, 1937-38.....	1,435	53,518	1,023	38,354	-1	151		
1938								
July.....	40	1,301	19	811	0	0	259	9,406
August.....	115	4,292	36	1,283	0	7	338	12,423
September.....	112	3,910	47	1,752	0	16	403	14,597
October.....	70	2,517	49	1,646	0	0	424	15,563
November.....	94	3,375	42	1,564	0	0	476	17,379
December.....	158	5,988	56	2,111	0	47	578	21,304
1938								
January.....	134	5,041	105	4,002	0	22	607	22,366
February.....	70	2,786	77	2,932	0	0	600	22,220
March.....	104	4,042	106	4,148	-1	21	597	22,135
April.....	250	9,552	160	5,616	0	27	693	26,096
May.....	169	6,333	186	7,185	0	9	676	25,254
June.....	113	4,274	140	5,297	0	0	649	24,232
Total, 1938-39.....	1,720	62,700	1,599	59,847	1	278		
1939								
July.....	167	6,258	160	6,457	-1	-12	649	24,021
August.....	133	4,905	138	4,056	-1	-20	643	23,950
September.....	193	7,286	147	5,757	0	2	680	25,481
October.....	105	3,745	138	6,284	-1	-31	655	23,911
November.....	189	6,920	130	5,097	1	158	715	25,893
December.....	121	4,325	134	4,704	1	33	703	25,547
1939								
January.....	112	4,064	119	4,402	0	12	696	25,222
February.....	100	3,538	102	3,690	1	33	696	25,103
March.....	189	6,872	140	5,119	-2	-40	742	26,816
April.....	130	5,124	135	5,091	2	59	745	26,909
May.....	141	4,988	129	4,901	0	9	757	27,006
June.....	134	4,668	121	4,384	1	73	771	27,364
Total, 1939-40 through August 1939.....	203	7,065	246	8,750	-1	27		
July.....	119	4,218	126	4,498	0	11	764	27,095
August.....	84	2,846	120	4,251	-1	15	727	25,705

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 is made. To this extent, number and amount shown for any given month differ slightly from actual monthly activity.

² In a few cases, payments arising from the death of a single individual are made to more than one person. Such cases are here counted as single items

throughout, completing an adjustment which in the Board's 1938 *Annual Report*, was carried back to June 1938 only.

³ Suspensions are subtracted and reinstatements of suspended annuities are added. Recertifications of 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 adjusted amount is usually positive because of preponderant effect of recertification.

benefit annuity certification in each fiscal year has been approximately \$37 per month.

Lump-Sum Death Benefits

In the 1937 act, the provision for a 12-month death-benefit annuity was dropped and a lump-sum death benefit was provided, payable to the designated beneficiary or legal representative of any deceased individual who had compensation credited under the act after December 31, 1936. The amount paid in each case is equal to 4 percent of such credited compensation (excluding compensation in excess of \$300 in any one month), less any employee and survivor annuities paid or due at time of death.

As shown in table 5, there were 18,088 lump-sum death-benefit payments made to August 31, 1939. In 16,963 or 93.8 percent of these cases the benefit was paid with respect to the death of individuals who had not prior to death filed applications for employee annuities. Practically all of them were not yet eligible for an annuity; a few may have met the age or disability requirements for an annuity but for some reason had not filed a claim. The majority of death-benefit payments will always arise from the deaths of employees who have not yet reached retirement age.

The remaining 1,125 payments arose out of deaths which occurred after application for an employee annuity had been filed. In 1,067 of these cases the claim for an employee annuity had not yet been certified at the time of death, and since it was clear that the accrued amount of annuity payments was less than 4 percent of the individual's credited compensation after December 31, 1936, the claim was settled by a lump-sum death payment amounting to the full 4 percent of credited compensation. The number of such cases will ordinarily be relatively unimportant, since the probability of deaths occurring during the period between application and certification is relatively slight and becomes even less as the period of adjudication is shortened. In 40 cases the employee annuity had been certified, but the annuitant had died in the month of accrual, and therefore no annuity was payable. The lump-sum death payment in these cases, therefore, amounted to the full 4 percent of the credited compensation earned after December 31, 1936. Finally, in 18 cases the employee annuity had been

certified, and payment had begun before death occurred, but the total annuity payments had not equaled 4 percent of the credited compensation. A lump-sum death payment equal to the remainder of the 4 percent was made.

The death of an employee annuitant under the 1937 act rarely gives rise to a lump-sum death payment at the present time. By June 30, 1939, 6,370 deaths among employee annuitants under the

Table 5.—Number and average amount of lump-sum death-benefit payments under the 1937 act, by fiscal years and by months, January 1938–August 1939

Fiscal year and month ¹	Number	Average amount ²
Cumulative through August 1939.....	18,088	\$89.94
Total, January through June 1938.....	666	52.70
1938		
January.....	2	36.21
February.....	31	42.10
March.....	52	42.77
April.....	114	48.82
May.....	249	52.40
June.....	218	59.08
Total, 1938-39.....	18,359	86.08
July.....	305	60.33
August.....	584	58.75
September.....	686	59.13
October.....	545	63.12
November.....	597	64.87
December.....	1,359	65.84
1939		
January.....	1,735	70.59
February.....	1,933	84.51
March.....	2,575	93.72
April.....	2,193	101.15
May.....	1,552	105.50
June.....	1,295	118.50
Total, 1939-40 through August 1939.....	2,063	130.33
July.....	849	124.89
August.....	1,214	134.13

¹ Based on months ending on 20th calendar day.
² Monthly averages are based on initial certification; cumulative average includes recertifications of 36 claims, resulting in an increase of \$884.11.

1937 act had been reported to the Board. Lump-sum death-benefit rights had been adjudicated in all but 70 of these cases by that date. Excluding these cases still pending, in only 0.8 percent of the deaths was a lump-sum payment due.³ It is anticipated that, in the future, lump-sum payments after the death of employee annuitants will be relatively more important. As employees are credited with increased amounts of compensation after December 31, 1936, there will be an increased number and proportion of employee annuitants whose total annuity payments will not equal 4 percent of credited compensation.

³ Includes cases in which, though certification had been made, no annuity payment was payable because the annuitant had died in the calendar month of accrual.

The principal factor accounting for the small number of death payments resulting from the deaths of annuitants under the 1937 act was that the amount of employee annuity paid or due exceeded 4 percent of credited compensation. This was the situation in 65.3 percent of the cases in which no payment was due. In another 22.0 percent of the cases the employee annuitant had no credited compensation subsequent to December 31, 1936, the annuity having been based entirely on service prior to January 1, 1937. In 12.7 percent of the cases a survivor annuity was payable, and no lump-sum death payment would be payable until after the death of the survivor annuitant. To date no such lump-sum payments have been made.

Average Payment

As shown in table 5, the average payment for all lump-sum death benefits has increased almost uninterruptedly from month to month, reflecting an increasing accumulation, on the average, of credited compensation after December 31, 1936. The average payment in August 1939 was \$134.13. The average of all lump-sum payments to August 31, 1939, was \$89.94.

The average payment with respect to the death of the 16,963 individuals who had not applied for an employee annuity was slightly higher (table 6), amounting to \$90.22, and the average payment with respect to the deaths of the 1,067 uncertified employee-annuity applicants was \$84.70, or about \$5.00 lower than the average of all payments. It is probable that the applicants for employee annuities had, on the average, ceased compensated employment for a longer time prior to death and therefore had less credited compensation after December 31, 1936. In the 18 cases in which employee-annuity payments had been made, 4 percent of credited compensation averaged \$123.93, the previous annuity payments averaged \$66.64, and the lump-sum benefit averaged \$57.29.

Claims and Adjudications

To August 31, 1939, only 21,410 lump-sum death-benefit claims had been received with respect to the death of individuals who had not applied for an employee annuity (table 6), whereas it is estimated that approximately twice that number of individuals with compensated service

Table 6.—Number of applications, certifications, and denials, and average amount of lump-sum death-benefit payments under the 1937 act with respect to the death of individuals who had not filed applications for annuities, by fiscal years and by months, November 1937–August 1939

Fiscal year and month ¹	Received	Certified		Denied
		Number	Average amount ²	
Cumulative through August 1939.....	21,410	16,963	\$90.22	250
Total, 1937-38.....	8,108	698	53.29	46
1937				
November.....	568	0	0	0
December.....	507	0	0	0
1938				
January.....	588	1	47.88	0
February.....	894	19	44.16	0
March.....	1,538	45	43.47	12
April.....	1,535	104	49.89	16
May.....	1,469	221	52.34	12
June.....	1,099	208	58.98	6
Total, 1938-39.....	11,228	14,430	86.26	182
1939				
July.....	920	262	61.15	3
August.....	1,042	483	60.61	12
September.....	895	578	59.43	10
October.....	977	507	62.02	16
November.....	858	558	64.57	16
December.....	870	1,294	65.46	15
1939				
January.....	887	1,092	70.69	12
February.....	926	1,824	84.12	12
March.....	1,086	2,404	93.72	42
April.....	941	2,096	101.19	15
May.....	972	1,444	104.70	15
June.....	954	1,228	118.60	14
Total, 1939-40 through August 1939.....	1,884	1,935	130.07	22
July.....	819	785	125.10	11
August.....	1,065	1,150	134.48	11

¹ Based on months ending on 20th calendar day.

² Monthly averages are based on initial certification; cumulative average includes recertifications of 35 claims, resulting in an increase of \$82.22.

³ Includes a few claims received prior to November 1937.

after December 31, 1936, had died by that date. This deficiency of claims represents principally cases in which the deceased individual was not an employee of, or in an employment relation to, an employer under the act at the time of his death. In most such cases, the credited compensation since December 31, 1936, is small.

The regulations of the Railroad Retirement Board require the employer to notify the Board of the death of all employees in active service or in an employment relation. When such notification is received and a check of the Board's records reveals that the deceased had earnings under the act subsequent to December 31, 1936, the Board sends an application blank to the designated beneficiary or beneficiaries, or, if no designation has been made, to persons considered likely to be the legal representatives of the deceased. In some of

these cases, particularly when small sums are involved, the application blank and other information required are not returned to the Board, and the Board cannot make any payment.

The figures in table 6 show that claims received prior to December 1938 greatly exceeded claims adjudicated. This delay in adjudication arose from the necessity of solving many problems involving payments where no designation of a beneficiary had been made. With these problems solved, certifications exceeded applications, and the number of pending claims rapidly decreased.

By August 31, 1939, 17,213 of the 21,410 claims received had been adjudicated. In all but 250 of these cases the claim was approved for certification. These 250 represent principally cases in which the deceased had worked for an employer under the act prior to January 1, 1937, but had no credited compensation after December 31, 1936.

Designation of Beneficiaries

While survivor annuities are payable only to the spouse and death-benefit annuities only to the spouse or dependent next of kin, payments of lump-sum death benefits under the 1937 act may be made to any beneficiary or beneficiaries designated by the employee or the employee annuitant prior to his death.¹⁰ When no such designation has been made, or when the designated beneficiary or beneficiaries have died, the payment is made to the legal representative of the deceased employee or employee annuitant.

The Board distributed death beneficiary designation forms in June 1938 to all employees who at that time were employed by, or in an employment relation to, an employer under the act. By August 31, 1939, approximately 1,230,000 completed forms had been returned, exclusive of those returned by annuitants or applicants for annuities. The number of additional designations being received currently is not large, and there will

probably always be a substantial number of employees who have not designated a beneficiary.

While these designations were primarily intended for use in determining rights to death benefits under the 1937 act, they also determine the disposition of any annuity payments due at the employee annuitant's death. The Board has accordingly requested employee annuitants certified under either the 1937 or the 1935 act to make similar designations. To August 31, 1939, approximately 70,000 had done so.

Of death claims for accrued annuities or lump-sum death benefits approved to June 30, 1939, only 23 percent were paid to named beneficiaries, while 19 percent were paid to executors or administrators, and 58 percent to the relative determined to be entitled thereto under State laws. In recent months, however, more than half of the payments have been made to a person or persons specified by the employee in a designation filed with the Board.

Duplicate copies of the designations are now being returned to the designators after examination as to correctness of form and verification or correction of the social security account number. Return of the duplicate serves as a notice that the designation is on file with the Board. About 685,000 duplicates were returned in the period August 9 to September 25, 1939. Almost 2 percent of the duplicates mailed out have been returned to the Board by the post office, because the address given was incorrect or insufficient.

About four out of five of the beneficiary forms currently received by the Board are original designations, the others being chiefly corrections of designations that had been returned as incorrect in form. It is anticipated that many changes in beneficiaries will be made, since, under the Board regulations, an employee may at any time revoke, change, or make a new designation. Return of the duplicate forms will probably lead to changes in previously named beneficiaries, since receipt of the duplicate may remind the designator that a change in the designation of death-benefit beneficiary is desirable because of changes in marital and family status and responsibilities.

¹⁰ See Railroad Retirement Board, *Annual Report*, 1938, ch. VI, for an analysis, based on a sample of the death beneficiary designations received by the Board, of the relationship of the persons designated as beneficiaries to the persons making the designations.