

AGREEMENT ON SOCIAL SECURITY BETWEEN THE  
UNITED STATES AND THE SLOVAK REPUBLIC

MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

AN AGREEMENT ON SOCIAL SECURITY BETWEEN THE UNITED  
STATES OF AMERICA AND THE SLOVAK REPUBLIC



SEPTEMBER 18, 2013.—Message and accompanying papers referred to the  
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*To the Congress of the United States:*

Pursuant to section 233(e)(1) of the Social Security Act, as amended by the Social Security Amendments of 1977 (Public Law 95-216, 42 U.S.C. 433(e)(1)) (the “Social Security Act”), I transmit herewith an Agreement on Social Security between the United States of America and the Slovak Republic (the “United States-Slovak Republic Totalization Agreement”). The Agreement consists of two separate instruments: a principal agreement and an administrative arrangement. The Agreement was signed in Bratislava on December 10, 2012.

The United States-Slovak Republic Totalization Agreement is similar in objective to the social security totalization agreements already in force with most European Union countries, Australia, Canada, Chile, Japan, Norway, and the Republic of Korea. Such bilateral agreements provide for limited coordination between the United States and foreign social security systems to eliminate dual social security coverage and taxation and to help prevent the lost benefit protection that can occur when workers divide their careers between two countries. The United States-Slovak Republic Totalization Agreement contains all provisions mandated by section 233 of the Social Security Act and other provisions that I deem appropriate to carry out the purposes of section 233, pursuant to section 233(c)(4) of the Social Security Act.

I also transmit for the information of the Congress a report prepared by the Social Security Administration explaining the key points of the United States-Slovak Republic Totalization Agreement, along with a paragraph-by-paragraph explanation of the provisions of the principal agreement and administrative arrangement. Annexed to this report is another report required by section 233(e)(1) of the Social Security Act on the effect of the United States-Slovak Republic Totalization Agreement on income and expenditures of the U.S. Social Security program and the number of individuals affected by the United States-Slovak Republic Totalization Agreement.

BARACK OBAMA.

THE WHITE HOUSE, *September 17, 2013.*



AGREEMENT ON SOCIAL SECURITY  
BETWEEN  
THE UNITED STATES OF AMERICA  
AND  
THE SLOVAK REPUBLIC

The United States of America and

the Slovak Republic (hereinafter referred to as "the Contracting States"),

Being desirous of regulating the relationship between their two countries in the field of Social Security, have agreed as follows:

## PART I

### General Provisions

#### Article 1

##### Definitions

1. For the purposes of this Agreement:

(a) "United States" means,

the United States of America;

(b) "national" means,

as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act, as amended, and

as regards the Slovak Republic, a state citizen of the Slovak Republic;

(c) "laws" means the laws and regulations specified in Article 2 of this Agreement;

(d) "Competent Authority" means,

as regards the United States, the Commissioner of Social Security, and

as regards the Slovak Republic, the Ministry of Labour, Social Affairs and Family of the Slovak Republic;

(e) "agency" means,

as regards the United States, the Social Security Administration, and

as regards the Slovak Republic, an institution responsible for implementing the laws specified in Article 2 of this Agreement;

(f) "period of coverage" means a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage;

(g) "benefit" means any benefit provided for in the laws specified in Article 2 of this Agreement; and

(h) "personal data" means any information relating to a specific (identified or identifiable) person, as well as any information which can be used to distinguish or trace an individual's identity. This includes, but is not limited to, the following: any individual identifier; citizenship, nationality, statelessness or refugee status; benefits, eligibility or other claims information; contact information; medical information or lay information used in a medical determination; information about marital, familial or personal relationships; and information pertaining to work, financial or economic status.

2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.

Article 2

Material Scope

1. For the purposes of this Agreement, the applicable laws are:
  - (a) as regards the United States, the laws governing the Federal old-age, survivors and disability insurance program:
    - (i) Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A and 228 of that title, and regulations pertaining to those sections,
    - (ii) Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters;
  - (b) as regards the Slovak Republic,
    - (i) the Act on Social Insurance, sections pertaining to pension benefits (old-age benefits, early retirement benefits, disability benefits, widows and widowers benefits and orphans benefits),
    - (ii) with regard to Part II of this Agreement only, to the Act on Social Insurance, sections referring to participation in Social Insurance.
2. Unless otherwise provided in this Agreement, the laws referred to in paragraph 1 of this Article shall not include treaties or other international agreements or supranational legislation on social security concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation.
3. No provision in this Agreement shall affect the obligations of the Slovak Republic's social security agreements with third countries or any other international agreements by which the Slovak Republic is bound.

4. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends or supplements the laws specified in paragraph 1. This Agreement shall apply to future legislation of a Contracting State which creates new categories of beneficiaries or new benefits under the laws of that Contracting State unless the Competent Authority of that Contracting State notifies the Competent Authority of the other Contracting State in writing within three months of the date of the official publication of the new legislation that no such extension of the Agreement is intended.

Article 3

Personal Scope

This Agreement shall apply:

- (a) to any person who is or has been subject to the laws of either Contracting State, and
- (b) to the dependents and survivors of such a person within the meaning of the applicable laws of either Contracting State.

Article 4

Equality of Treatment and Portability of Benefits

1. Persons described in Article 3 of this Agreement who reside in the territory of a Contracting State shall receive equal treatment with nationals of the other Contracting State in the application of the laws of the other Contracting State regarding entitlement to or payment of benefits.
2. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because a person resides outside or is absent from the territory of that Contracting State shall not be applicable to a person who resides in the territory of the other Contracting State.

## PART II

## Provisions Concerning Applicable Laws

Article 5

## Coverage Provisions

1. Except as otherwise provided in this Article, a person employed within the territory of one of the Contracting States shall, with respect to that employment, be subject to the laws of only that Contracting State.
2. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is sent by that employer to the territory of the other Contracting State for a temporary period, the person shall be subject to the laws of only the first Contracting State as if the person were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed five years. For purposes of applying this paragraph in the case of an employee who is sent from the territory of the United States by an employer in that territory to the territory of the Slovak Republic, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.
3. Paragraph 2 of this Article shall apply where a person who has been sent by his or her employer from the territory of a Contracting State to the territory of a third State, and who is compulsorily covered under the laws of that Contracting State while employed in the territory of the third State, is subsequently sent by that employer from the territory of the third State to the territory of the other Contracting State.
4. A person who is normally self-employed in the territory of one Contracting State, and who temporarily transfers his or her self-employment activity to the territory of the other Contracting State shall be subject to the laws of only the first Contracting State, provided that the period of self-employment activity in the territory of the other Contracting State is not expected to exceed five years.

5. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.

(b) Traveling employees of air transportation companies who perform work in the territories of both Contracting States and who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that Contracting State.

6. (a) This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.

(b) Nationals of one of the Contracting States who are employed by the Government of that Contracting State in the territory of the other Contracting State but who are not exempt from the laws of the other Contracting State by virtue of the Conventions mentioned in subparagraph (a) shall be subject to the laws of only the first Contracting State. For the purpose of this paragraph, employment by the United States Government includes employment by an instrumentality thereof.

7. The Competent Authorities of the two Contracting States may agree to grant an exception to the provisions of this Article with respect to particular persons or categories of persons, provided that any affected person shall be subject to the laws of one of the Contracting States.

## PART III

## Provisions on Benefits

Article 6

## Benefits under United States Laws

The following provisions shall apply to the United States:

1. Where a person has completed at least six quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Slovak Republic laws and which do not coincide with periods of coverage already credited under United States laws.
2. In determining eligibility for benefits under paragraph 1 of this Article, the agency of the United States shall credit one quarter of coverage for every 90 days of coverage certified by the agency of the Slovak Republic; however, no quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws. The total number of quarters of coverage to be credited for a year shall not exceed four. The agency of the United States shall not take into account periods of coverage which occurred prior to the earliest date for which periods of coverage may be credited under its laws, nor will the agency of the United States take into account any periods of coverage which are not based on contributions.
3. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.

4. Entitlement to a benefit from the United States which results from paragraph 1 of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provision of paragraph 1 of this Article.
5. The United States agency will pay a lump-sum death benefit under this Agreement provided the person on whose record benefits are being claimed died on or after the date of entry into force of this Agreement.

Article 7

Benefits under Slovak Republic Laws

The following provisions shall apply to the Slovak Republic:

1. If, under the laws of the Slovak Republic, a person is not eligible for a benefit because he or she has not accumulated sufficient periods of coverage, the agency of the Slovak Republic will take into account periods of coverage under United States laws provided such periods do not coincide with periods of coverage already credited under Slovak Republic laws.
2. For the purpose of establishing eligibility for a benefit pursuant to paragraph 1, the agency of the Slovak Republic will credit 90 days of insurance for each quarter of coverage under United States laws. The agency of the Slovak Republic shall credit the total number of days in a calendar year for four quarters of coverage under United States laws in the same calendar year.
3. When it is not possible to determine the time when periods of coverage were completed under United States laws within a specific calendar year, it shall be presumed that such periods do not coincide with periods of coverage completed under Slovak Republic laws. Such periods may be allocated to any time during the year, in the manner most advantageous for the person.
4. The agency of the Slovak Republic shall determine the benefit amount by taking into account only periods of coverage credited under the laws of the Slovak Republic. This shall not apply if, under the laws of the Slovak Republic, the person is eligible for the benefit only by taking into

account periods of coverage credited under the laws of both Contracting States, and if internal regulations do not allow the determination of the benefit amount based solely on periods of coverage credited under Slovak Republic laws.

5. The benefit amount described in the second sentence of paragraph 4 of this Article shall be determined in the following manner:
  - (a) The Slovak Republic agency shall first determine whether a person meets eligibility requirements for a benefit under Slovak Republic laws after taking into account combined periods of coverage under the laws of both Contracting States.
  - (b) If a person is eligible for a benefit under subparagraph (a) of this paragraph, the Slovak Republic agency shall then calculate the theoretical benefit amount as if all periods of coverage under the laws of both Contracting States had been completed solely under Slovak Republic laws.
  - (c) Based on the theoretical benefit amount, the Slovak Republic agency shall calculate the benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage credited under Slovak Republic laws to the total periods of coverage credited under the laws of both Contracting States.
6. If a person has not been credited with 12 months of coverage under Slovak Republic laws, no Slovak Republic benefit is payable under the Agreement. The preceding sentence does not apply if entitlement to a benefit can be established based solely on periods of coverage credited under Slovak Republic laws. If a person has been credited with fewer than six quarters of coverage under United States laws, the Slovak Republic agency shall credit such periods of coverage to calculate the benefit amount under Slovak Republic laws.

7. A person whose disability began while he or she was a minor, a dependent or a regular doctoral studies student under age 26, and whose disability claim is established without the requirement that he or she perform work activity to obtain periods of coverage, may establish eligibility for disability benefits on the condition that such person permanently resides in the territory of the Slovak Republic.

#### PART IV

##### Miscellaneous Provisions

###### Article 8

###### Administrative Measures

The Competent Authorities of the two Contracting States shall:

- (a) conclude an administrative arrangement and take all necessary administrative measures for the implementation of this Agreement;
- (b) communicate to each other information concerning the measures taken for the application of this Agreement; and
- (c) communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

###### Article 9

###### Mutual Assistance

The Competent Authorities and the agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.

Article 10

Confidentiality of Exchanged Personal Data

1. Unless otherwise required by the national statutes of a Contracting State, personal data transmitted in accordance with this Agreement to one Contracting State by the other Contracting State shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection of privacy and confidentiality of personal data and the provisions of this Agreement shall govern such use.
2. The Competent Authorities of the Contracting States shall inform each other about all amendments to their national statutes regarding the protection of privacy and confidentiality of personal data that affect the transmission of personal data.
3. Any subject may request, and the Competent Authority or agency requesting or transmitting personal data must disclose to that subject upon such request, the content, receiving agency and duration of use of the subject's personal data and the purpose and legal grounds for which such data were used or requested.
4. The agencies shall take all reasonable steps to ensure that transmitted personal data are accurate and limited to data required to fulfill the receiving agency's request. In accordance with their respective national statutes, the agencies shall correct or delete any inaccurate transmitted personal data and any data not required to fulfill the receiving agency's request, and immediately notify the other Contracting State's agency of such correction. This shall not limit a subject's right to request such correction directly from the agencies.
5. Both the transmitting and the receiving agencies shall effectively protect personal data against unauthorized or illegal access, alteration or disclosure.

Article 11

## Confidentiality of Exchanged Employers' Information

Unless otherwise required by the national statutes of a Contracting State, employers' information transmitted between Contracting States in accordance with this Agreement shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection and confidentiality of employers' information and the provisions of this Agreement shall govern such use.

Article 12

## Fee Waiver and Documents

1. Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to corresponding documents which are submitted to the Competent Authority or an agency of the other Contracting State in the application of this Agreement.
2. Documents and certificates which are presented for purposes of this Agreement shall be exempted from requirements for authentication by diplomatic or consular authorities.
3. Copies of documents which are certified as true and exact copies by an agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.

Article 13

Correspondence and Language

1. The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person, wherever the person may reside, whenever it is necessary for the administration of this Agreement.
2. An application or document may not be rejected by a Competent Authority or agency of a Contracting State solely because it is in the language of the other Contracting State.

Article 14

Applications

1. A written application for benefits filed with the agency of one Contracting State shall be considered an application for benefits under the laws of the other Contracting State, and shall protect the rights of claimants under the laws of the other Contracting State if the applicant:
  - (a) requests at the time of filing that his or her application be considered an application under the laws of the other Contracting State, or
  - (b) if he or she does not make such a request, provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.
2. An applicant for benefits under the laws of a Contracting State may request that his or her application not be considered an application for benefits under the laws of the other Contracting State.
3. The provisions of Part III shall apply only to benefits for which an application is filed on or after the date this Agreement enters into force.

Article 15

Appeals and Time Limits

1. A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be decided according to the procedure and laws of the Contracting State whose decision is being appealed.
2. Any claim, notice or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

Article 16

Transmittal of Claims, Notices and Appeals

In any case to which a provision of Article 14 or 15 of this Agreement applies, the agency to which the claim, notice or written appeal has been submitted shall indicate the date of receipt on the document and transmit it without delay to the agency of the other Contracting State.

Article 17

Currency

1. Payments under this Agreement may be made in the currency of the Contracting State making the payments.
2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Contracting States shall immediately take measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

Article 18

Resolution of Disagreements

Any disagreement regarding the interpretation or application of this Agreement shall be resolved by consultation between the Competent Authorities.

Article 19

Supplementary Agreements

This Agreement may be amended in the future by supplementary agreements which, from their entry into force, shall be considered an integral part of this Agreement.

PART V

Transitional and Final Provisions

Article 20

Transitional Provisions

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of entry into force of this Agreement.
2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of either Contracting State and other events which occurred before the entry into force of this Agreement.
3. In applying paragraph 2 or 4 of Article 5, in the case of persons who were sent by their employer or who transferred their self-employment activity to work in the territory of a Contracting State prior to the date of entry into force of this Agreement, the period of employment or self-employment referred to in those paragraphs shall be considered to begin on the date of the entry into force of this Agreement.

4. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.
5. The application of this Agreement shall not result in any reduction in the amount of a benefit to which entitlement was established prior to its entry into force.

Article 21

Entry into Force

1. This Agreement is subject to approval according to the applicable procedures or internal legislative regulations of each Contracting State.
2. This Agreement shall enter into force on the first day of the third calendar month following the month in which the Contracting States inform each other by a written notification that all necessary statutory and constitutional requirements for the entry into force of this Agreement have been fulfilled.
3. Nothing in this Agreement shall supersede the notes concerning the payment of social security benefits exchanged between the United States and Czechoslovak Governments on June 20 and July 12, 1968.

Article 22

Duration and Termination

1. This Agreement shall remain in force indefinitely.
2. This Agreement may be terminated by either Contracting State giving written notice of its termination to the other Contracting State. In the event that the Agreement is terminated, it shall remain in force until the expiration of one calendar year following the year in which a Contracting State receives written notice of its termination from the other Contracting State.
3. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement.

DONE at BRATISLAVA on Dec. 10, 2012 in duplicate in the English and Slovak languages, the two texts being equally authentic.

For the United States of America:



For the Slovak Republic:



ADMINISTRATIVE ARRANGEMENT  
FOR THE IMPLEMENTATION OF THE AGREEMENT  
ON SOCIAL SECURITY  
BETWEEN THE UNITED STATES OF AMERICA  
AND THE SLOVAK REPUBLIC

The Competent Authority of the United States of America and

the Competent Authority of the Slovak Republic,

In conformity with Article 8(a) of the Agreement between the  
United States of America and the Slovak Republic on Social Security of  
hereinafter referred to as the "Agreement," have agreed as follows:

CHAPTER I

General Provisions

Article 1

Where terms which appear in the Agreement are used in this  
Administrative Arrangement, they shall have the same meaning as they have in the  
Agreement.

Article 2

1. The agencies defined in paragraph 1(e) of Article 1 of the Agreement shall be:
  - (a) for the United States, the Social Security Administration; and
  - (b) for the Slovak Republic, the Social Insurance Agency.
2. The agencies shall agree upon the joint procedures, methods and forms necessary for the implementation of the Agreement and this Administrative Arrangement.

## CHAPTER II

## Provisions on Coverage

## Article 3

1. Where the laws of one Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the agency of that Contracting State, upon request of the employer and employee, or self-employed person, shall issue a certificate stating that the employer, employee or self-employed person is subject to those laws and indicating the duration for which the certificate shall be valid. This certificate shall be proof that the employee or self-employed person is exempt from the laws on compulsory coverage of the other Contracting State.
2. The certificate referred to in paragraph 1 of this Article shall be issued:
  - (a) in the United States, by the Social Security Administration; and
  - (b) in the Slovak Republic, by the Social Insurance Agency.
3. Exceptions according to paragraph 7 of Article 5 of the Agreement will be granted:
  - (a) in the United States, by the Social Security Administration; and
  - (b) in the Slovak Republic, by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.
4. The agency of a Contracting State which issues a certificate referred to in paragraph 1 of this Article shall furnish a copy of the certificate or agreed upon information from the certificate to the agency of the other Contracting State as needed by the agency of the other Contracting State.

## CHAPTER III

## Provisions on Benefits

## Article 4

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the agencies of the two Contracting States.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 14 of the Agreement shall provide the agency of the other Contracting State with such evidence and other information in its possession as may be required to complete action on the claim.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the agency of the other Contracting State with such evidence and other available information in its possession as may be required for it to complete action on the claim.
4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's dependents and survivors. The types of information to be verified shall be agreed upon by the agencies of both Contracting States.
5. The agencies of the Contracting States shall pay benefits under the Agreement directly to the beneficiary or his or her designee.

## CHAPTER IV

## Miscellaneous Provisions

## Article 5

1. In accordance with measures to be agreed upon pursuant to paragraph 2 of Article 2 of this Administrative Arrangement, the agency of one Contracting State shall, upon request of the agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering the Agreement.
2. To facilitate the implementation of the Agreement and this Administrative Arrangement, the agencies may agree on measures for the provision and transmission of the electronic exchange of data.

## Article 6

The agencies of the two Contracting States shall exchange statistics annually on the payments made to beneficiaries under the Agreement for the calendar year ending on December 31. These statistics shall include the number of beneficiaries and the total amount of benefits under this Agreement, sorted into types of benefits.

## Article 7

1. Where administrative assistance is requested under Article 9 of the Agreement, expenses other than regular personnel and operating costs of the agency providing the assistance shall be reimbursed, except as may be agreed to by the Competent Authorities or agencies of the Contracting States.
2. Upon request, the agency of either Contracting State shall furnish without cost to the agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.

3. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination, if requested by that agency, shall be arranged by the agency of the other Contracting State in accordance with the rules of the agency making the arrangements and at the expense of the agency which requests the examination.
4. The agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 3 of this Article upon presentation of a statement of expenses by the agency of the other Contracting State.

Article 8

This Administrative Arrangement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

DONE at BRATISLAVA on Dec. 14 2012, in duplicate in the English and Slovak languages, the two texts being equally authentic.

FOR THE COMPETENT  
AUTHORITY OF THE  
UNITED STATES OF AMERICA:



FOR THE COMPETENT  
AUTHORITY OF THE  
SLOVAK REPUBLIC:



**PRINCIPAL AGREEMENT**

**AGREEMENT ON SOCIAL SECURITY  
BETWEEN  
THE UNITED STATES OF AMERICA  
AND  
THE SLOVAK REPUBLIC**

**ANNOTATIONS AND COMMENTS**

The United States of America and

the Slovak Republic (hereinafter referred to as "the Contracting States"),

Being desirous of regulating the relationship between their two countries  
in the field of Social Security, have agreed as follows:

**PART I**

**General Provisions**

**Article 1**

Article 1 defines key terms used in the Agreement.

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**Definitions**

**1. For the purposes of this Agreement:**

(a) "United States" means,

Article 1.1(a) permits abbreviated reference to "United States of America" in the Agreement.

the United States of America;

(b) "national" means,

Under section 101(a)(22) of the Immigration and Nationality Act,

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as regards the United States, a national of the United States as defined in Section 101, Immigration and Nationality Act, as amended, and

as regards the Slovak Republic, a state citizen of the Slovak Republic;

(c) "laws" means the laws and regulations specified in Article 2 of this Agreement;

(d) "Competent Authority" means,  
as regards the United States, the Commissioner of Social Security, and

as regards the Slovak Republic, the Ministry of Labour, Social Affairs and Family of the Slovak Republic;

(e) "agency" means,

**ANNOTATIONS AND COMMENTS**

"the term 'national of the United States' means (A) a citizen of the United States, or (B) a person who, though not a citizen of the United States, owes permanent allegiance to the United States." Those in category (B) include natives of American Samoa.

The *Law of 19th January 1993 on Citizenship of the Slovak Republic* specifies the categories of persons to whom the Slovak Republic accords citizenship. A Slovak Republic citizen is any person whom the Slovak Republic accords citizenship. This includes, but is not limited to, a person who carries a valid Slovak Republic passport or other valid identity document designating the person as a Slovak Republic citizen.

The term "laws," as used in the Agreement, refers to each country's social security laws and regulations as set forth in Article 2.

"Competent Authority," wherever it appears in this Agreement, refers to the government official in each country with ultimate responsibility for administering the social security program and the provisions of the Agreement.

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"Agency," as used in the Agreement, refers to the administrative body in each country responsible for taking and processing claims

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as regards the United States, the Social Security Administration, and

as regards the Slovak Republic, an institution responsible for implementing the laws specified in Article 2 of this Agreement;

- (f) "period of coverage" means a period of payment of contributions or a period of earnings from employment or self-employment, as defined or recognized as a period of coverage by the laws under which such period has been completed, or any similar period insofar as it is recognized by such laws as equivalent to a period of coverage;
- (g) "benefit" means any benefit provided for in the laws specified in Article 2 of this Agreement; and

- (h) "personal data" means any information relating to a specific (identified or identifiable) person, as well as any information which can be used to distinguish or trace an

**ANNOTATIONS AND COMMENTS**

and making coverage determinations under each country's social security laws.

The Social Security Administration (SSA) is the agency for the United States. However, the U.S. Internal Revenue Service (IRS) retains its responsibility for determining Social Security tax liability based on SSA coverage determinations under the Agreement.

For the Slovak Republic, the agency is the Social Insurance Agency (SIA).

"Period of coverage" means any period credited under the social security laws of either country for purposes of determining benefit eligibility, including periods of covered employment and self-employment.

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"Benefit" refers to old-age, survivors and disability benefits provided under the social security laws of either country. With respect to the United States, the term also includes the lump-sum death payment under section 202(i) of the Social Security Act ("Act"). It also excludes special age-72 payments provided for certain uninsured persons under section 228 of the Act.

"Personal data" refers to personally identifiable information. Since there is no definition of "personal data" in the Act, this term incorporates and expands upon essential elements of the definition of

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individual's identity. This includes, but is not limited to, the following: any individual identifier; citizenship, nationality, statelessness or refugee status; benefits, eligibility or other claims information; contact information; medical information or lay information used in a medical determination; information about marital, familial or personal relationships; and information pertaining to work, financial or economic status.

2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.

**Article 2**

**Material Scope**

1. For the purposes of this Agreement, the applicable laws are:

(a) as regards the United States, the laws governing the Federal old-age, survivors and disability insurance program:

(i) Title II of the Social Security Act and regulations pertaining thereto, except sections 226, 226A and 228 of that title, and regulations pertaining to those sections,

(ii) Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters;

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Article 2.1 specifies the laws to which the Agreement applies.

For the United States, the Agreement applies to title II of the Act. It also applies to the corresponding tax laws (the Federal Insurance Contributions Act—FICA and the Self-Employment Contributions Act—SECA) and any regulations pertaining to those laws. The Agreement does not apply to Medicare provisions (sections 226 and 226A of the Act). It also does not apply to provisions for special payments to uninsured individuals age 72 or over under section 228 of the Act. Persons to whom the Agreement applies who qualify for Medicare hospital insurance or age-72 payments without application of this Agreement may still receive such benefits.

Although the Agreement does not apply for the purposes of entitlement to Medicare, a worker who has coverage only under the Slovak Republic system because of Article 5 of the Agreement will be exempt from health insurance contributions under FICA and

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(b) as regards the Slovak Republic,

(i) the Act on Social Insurance, sections pertaining to pension benefits (old-age benefits, early retirement benefits, disability benefits, widows and widowers benefits and orphans benefits),

(ii) with regard to Part II of this Agreement only, to the Act on Social Insurance, sections referring to participation in Social Insurance.

2. Unless otherwise provided in this Agreement, the laws referred to in paragraph 1 of this Article shall not include treaties or other international agreements or supranational legislation on social security concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation.

3. No provision in this Agreement shall affect the obligations of the Slovak Republic's social security agreements with third countries or any other international agreements by which the Slovak Republic is bound.

SECA. This is in addition to the worker's exemption from U.S. retirement, survivors and disability insurance contributions.

For the Slovak Republic, the Agreement applies to the laws governing the old-age, early retirement, survivors and disability insurance (OASDI) benefits programs of the social security system. A worker subject only to U.S. laws under the coverage provisions of the Agreement and his or her employer will be exempt from making contributions for Slovak Republic OASDI, maternity and sickness, work injury, unemployment insurance and health insurance programs.

Except as the Agreement itself provides, the laws to which the Agreement applies do not include treaties and other international agreements. This includes either country's bilateral social security agreements with third countries or multilateral agreements. This provision ensures that if a person has periods of coverage in the United States and the Slovak Republic and periods of coverage in a third country with which either country has a social security agreement, SSA cannot combine periods from all three countries to meet U.S. benefit eligibility requirements.

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The Slovak Republic requested the inclusion of this paragraph. It provides that none of the provisions of this Agreement affect the Slovak Republic's commitments under any bilateral or multilateral agreements or other arrangements. These include, but are not limited to, its obligations under European Union (EU) rules, its

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4. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends or supplements the laws specified in paragraph 1. This Agreement shall apply to future legislation of a Contracting State which creates new categories of beneficiaries or new benefits under the laws of that Contracting State unless the Competent Authority of that Contracting State notifies the Competent Authority of the other Contracting State in writing within three months of the date of the official publication of the new legislation that no such extension of the Agreement is intended.

agreements as a member of the European Economic Area (EEA), and its bilateral agreements with other countries.

Article 2.4 provides that the Agreement will automatically apply to any future U.S. or Slovak Republic legislation that amends or supplements the laws set forth in paragraph 1. This includes legislation that creates new categories of beneficiaries or new benefits. The country enacting the legislation may exclude it from the scope of the Agreement by giving written notice to the other country within 3 months of the legislation's official publication.

## Article 3

### Personal Scope

This Agreement shall apply:

- (a) to any person who is or has been subject to the laws of either Contracting State, and
- (b) to the dependents and survivors of such a person within the meaning of the applicable laws of either Contracting State.

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Article 3 specifies the persons to whom the Agreement applies. These include persons currently or previously covered under U.S. or Slovak Republic laws. The Agreement also applies to the dependents and survivors of such persons when the laws of one or both countries confer rights to dependents or survivors because of their relationship to such persons.

## Article 4

### Equality of Treatment and Portability of Benefits

1. Persons described in Article 3 of this Agreement who reside in the territory of a Contracting State shall receive equal treatment with nationals of the other Contracting State in the application of the

Article 4.1 provides that persons to whom the Agreement applies who reside in the United States or Slovak Republic will receive the same treatment regarding benefit rights as that country gives its own

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laws of the other Contracting State regarding entitlement to or payment of benefits.

2. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because a person resides outside or is absent from the territory of that Contracting State shall not be applicable to a person who resides in the territory of the other Contracting State.

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nationals. The intent of this provision is to eliminate discrimination based on a person's nationality with respect to benefits. It would not affect restrictions on benefit eligibility or payment because a person is not lawfully present in that country or did not have permission to work in that country. The provision also does not affect the coverage provisions of either country's laws, since Part II of the Agreement deals with social security coverage.

Article 4.2 provides that where the laws of either country require residence in that country in order to qualify for or receive social security benefits, a person may also qualify for and receive those benefits while residing in the other country. By virtue of an exchange of diplomatic notes in 1968 (see Article 21.3) and SSA's published finding about the Slovak Republic's social security system (see 63 Fed. Reg. 41,314), the United States has long paid benefits to Slovak Republic (formerly Czechoslovak) citizens who do not satisfy U.S. residency requirements for benefit payment contained in section 202(t)(1) of the Act. However, the nonpayment exception is subject to other U.S. payment restrictions based on residency requirements for dependents and survivors; e.g., section 202(t)(11) of the Act. Further, both countries intend that under the Agreement nationals of either country may qualify or receive benefits while residing in the other country. Accordingly, under section 233(c)(2) of the Act, the Agreement will permit the United States to pay dependents and survivors currently subject to such residency requirements as well as certain persons who are third country nationals residing in either country.

Part II eliminates dual social security coverage, which occurs when a worker must pay social security taxes to both countries for the same earnings. The Agreement complies with the existing coverage provisions under the laws of both countries except when necessary to prevent payment of social security taxes to both countries for the same earnings. The provisions in this Part retain the worker's social security coverage and taxation in the country to whose economy he

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PART II

Provisions Concerning Applicable Laws

Article 5

Coverage Provisions

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1. Except as otherwise provided in this Article, a person employed within the territory of one of the Contracting States shall, with respect to that employment, be subject to the laws of only that Contracting State.
  
2. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is sent by that employer to the territory of the other Contracting State for a temporary period, the person shall be subject to the laws of only the first Contracting State as if the person were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed five years. For purposes of applying this paragraph in the case of an employee who is sent from the territory of the United States by an employer in that territory to the territory of the Slovak Republic, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.

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or she has the more direct connection while exempting the worker from coverage and taxation under the other country's system.

Article 5.1 establishes a basic territoriality rule, stating that ordinarily, only the country in which a person is working will compulsorily cover the worker's employment in that country. Employment that both countries would otherwise cover will remain covered exclusively under the system of the country where the worker is working. Such employment will be exempt from coverage under the other country's system.

Under Article 5.2, an employee who normally works for an employer located in the United States or in the Slovak Republic who temporarily transfers to work in the other country for the same employer will continue to pay social security taxes to the system of the country from which the employee transferred. This rule will apply only if the employer expects the period of transfer to be 5 years or less.

Article 5.2 also applies to certain workers whose employers in the United States send them to work for a subsidiary or other affiliate of that employer in the Slovak Republic. U.S. law allows American companies to extend U.S. Social Security coverage to U.S. citizens and resident aliens employed by an affiliated company in another country. To do this, the parent company in the United States must enter into an agreement with the IRS to pay Social Security contributions on behalf of all U.S. citizens and residents the foreign affiliate employs. Under Article 5.2, U.S. citizens or resident aliens an American employer sends to work for a Slovak Republic affiliate for 5 years or less will continue to have coverage in the United States and be exempt from Slovak Republic coverage and contributions, if an IRS agreement covers the affiliate.

In determining the length of a transfer for workers whose employer

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3. Paragraph 2 of this Article shall apply where a person who has been sent by his or her employer from the territory of a Contracting State to the territory of a third State, and who is compulsorily covered under the laws of that Contracting State while employed in the territory of the third State, is subsequently sent by that employer from the territory of the third State to the territory of the other Contracting State.
4. A person who is normally self-employed in the territory of one Contracting State, and who temporarily transfers his or her self-employment activity to the territory of the other Contracting State shall be subject to the laws of only the first Contracting State, provided that the period of self-employment activity in the territory of the other Contracting State is not expected to exceed five years.
5. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.

sent them from one country to the other before the Agreement entered into force, both countries will ignore any period of work before the Agreement's entry into force. (See Article 20.3).

Under Article 5.3, the provisions of Article 5.2 will apply even if an employee did not transfer directly from one country to the other, but first transferred to work in a third country.

Article 5.4 provides that a person who is self-employed in one country who transfers his or her trade or business to the other country for a period of 5 years or less will remain covered only by the country from which he or she moved. This rule will apply only if the self-employed person expects the period of transfer to last 5 years or less.

In determining the duration of such a transfer for a person who moves his or her business to the other country before the Agreement enters into force, Article 20.3 provides that both countries will ignore any period of self-employment before the Agreement's entry into force.

Article 5.5(a) states that an employee on a U.S. or Slovak Republic ship, who would otherwise have coverage in both countries, will have coverage only in the country whose flag the ship flies. U.S. law considers a ship to fly the flag of the United States if the Act defines it as an American vessel. Section 210(c) of the Act defines an American vessel as one that is, "documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is

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(b) Traveling employees of air transportation companies who perform work in the territories of both Contracting States and who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that Contracting State.

6. (a) This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.

(b) Nationals of one of the Contracting States who are employed by the Government of that Contracting State in the territory of the other Contracting State but who are not employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State."

Under Article 5.5(b), a member of the flight crew of an aircraft operating between the United States and the Slovak Republic who would otherwise have coverage in both countries will have coverage only in the country in which the company employing the person has its headquarters. However, if the employee resides in the other country, he or she will only have coverage in that country.

Article 5.6(a) specifies that the coverage provisions of this Agreement will not affect the persons to whom the Vienna Conventions on diplomatic and consular relations apply. The Conventions, to which both the United States and the Slovak Republic are parties, apply to members of the staff of a diplomatic or consular mission. This includes the diplomatic, consular, administrative and technical staffs; family members of such staff who form part of their households; the domestic service staff of the mission; and private servants whom the members of such missions employ. The Vienna Conventions usually exempt such persons from social security coverage and contributions in the host country unless specific arrangements waive their immunity from taxation. Persons whose immunity such arrangements waive would be subject to the laws of the host country and the coverage provisions of this Agreement.

Under Article 5.6(b), if a U.S. or Slovak Republic national works for his or her country's government in the other country, but the Vienna Conventions do not apply to this person, the person will be

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exempt from the laws of the other Contracting State by virtue of the Conventions mentioned in subparagraph (a) shall be subject to the laws of only the first Contracting State. For the purpose of this paragraph, employment by the United States Government includes employment by an instrumentality thereof.

7. The Competent Authorities of the two Contracting States may agree to grant an exception to the provisions of this Article with respect to particular persons or categories of persons, provided that any affected person shall be subject to the laws of one of the Contracting States.

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subject only to his or her country's laws. This provision applies to U.S. Government and Slovak Republic Government employees, as well as to persons working for a U.S. Government instrumentality.

Under Article 5.7, either country may grant an exception to the coverage rules of the Agreement if the other country agrees and the person involved retains coverage in one of the countries. Either country may grant such an exception to an individual worker or to all workers under similar circumstances, e.g., in the same profession or working for the same employer. This provision allows the Competent Authorities to resolve anomalous coverage situations that are unfavorable to workers or to eliminate dual coverage in unforeseen circumstances.

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**PART III**

**Provisions on Benefits**

**Article 6**

**Benefits under United States Laws**

The following provisions shall apply to the United States:

1. Where a person has completed at least six quarters of coverage

Part III establishes the basic rules for determining social security benefit entitlement when an individual has coverage in both countries. It sets out the rules for determining benefit amounts when entitlement is possible only with combined work credits. Article 6 deals with the U.S. system, and Article 7 contains rules applicable to the Slovak Republic system.

Article 6 contains rules for using combined coverage to determine

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under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Slovak Republic laws and which do not coincide with periods of coverage already credited under United States laws.

2. In determining eligibility for benefits under paragraph 1 of this Article, the agency of the United States shall credit one quarter of coverage for every 90 days of coverage certified by the agency of the Slovak Republic; however, no quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws. The total number of quarters of coverage to be credited for a year shall not exceed four. The agency of the United States shall not take into account periods of coverage which occurred prior to the earliest date for which periods of coverage may be credited under its laws, nor will the agency of the United States take into account any periods of coverage which are not based on contributions.
3. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the

U.S. benefit eligibility and amounts. If a person has at least six U.S. quarters of coverage, but not enough quarters to qualify for U.S. benefits, SSA will take into account any periods of coverage that Slovak Republic laws credit, if these periods do not coincide with quarters of coverage that the United States already credited.

Article 6.2 establishes how SSA will convert periods of coverage under the Slovak Republic system into equivalent periods under the U.S. system. The U.S. system measures periods of coverage in terms of calendar quarters while the Slovak Republic system measures periods of coverage in days. Beginning in 1978, SSA bases quarters of coverage on the amount of a person's annual earnings (e.g., for 2013, \$1,160 in earnings equals one quarter of coverage). Under Article 6.2, SSA will credit one quarter of coverage in a calendar year for every 90 days of coverage that the Slovak Republic agency certifies for that year. (Article 7.1 provides a corresponding rule for converting U.S. quarters of coverage into Slovak Republic periods of coverage when determining Slovak Republic benefit eligibility.) SSA will not credit months of coverage under Slovak Republic laws that fall within a calendar quarter that SSA already credited as a U.S. quarter of coverage. SSA will also not credit more than 4 quarters of coverage for any calendar year or consider periods of Slovak Republic coverage credited prior to 1937, the earliest date for which U.S. law permits crediting periods of coverage.

Article 6.3 describes the method of computing U.S. benefit amounts when SSA establishes entitlement by totalizing (i.e., combining) U.S. and Slovak Republic coverage. Persons whose U.S. coverage alone qualifies them for U.S. benefits will not receive U.S. totalization benefits.

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person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.

4. Entitlement to a benefit from the United States which results from paragraph 1 of this Article shall terminate with the acquisition of sufficient periods of coverage under United States laws to establish entitlement to an equal or higher benefit without the need to invoke the provision of paragraph 1 of this Article.
5. The United States agency will pay a lump-sum death benefit under this Agreement provided the person on whose record benefits are being claimed died on or after the date of entry into force of this Agreement.

Article 7

**Benefits under Slovak Republic Laws**

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Under Article 6.3, the amount of the worker's benefit depends on both the level of his or her earnings and the duration of his or her U.S. Social Security coverage. SSA regulations (20 CFR 404.1918) describe this computation procedure in detail. The first step in the procedure is to compute a theoretical Primary Insurance Amount (PIA) as though the worker had spent a full career under U.S. Social Security at the same level of earnings as during his or her actual periods of U.S. covered work. SSA then prorates the theoretical PIA to reflect the proportion of a coverage lifetime completed under the U.S. program. The regulations define a coverage lifetime as the number of years used in determining a worker's average earnings under the regular U.S. national computation method.

Article 6.4 provides that if a worker entitled to a U.S. totalization benefit acquires additional U.S. coverage that enables the worker to qualify for an equal or higher benefit based only on his or her U.S. coverage, SSA will pay the regular national law benefit rather than the totalization benefit.

Under the Agreement, SSA will pay any lump-sum death payments under section 202(i) of the Act only if the death occurs on or after the Agreement's effective date.

The Slovak Republic pays social security benefits to workers who meet the applicable eligibility standards, including minimum length-of-coverage and other requirements. Under Article 7, the Slovak Republic will add the person's U.S. coverage to his or her Slovak Republic coverage, if necessary, to meet eligibility rules. If the person meets the requirements based on combined U.S. and Slovak Republic credits, the Slovak Republic will pay a partial benefit proportional to the amount of coverage credited under the

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Slovak Republic system.

SLOVAK REPUBLIC SOCIAL SECURITY BENEFITS

GENERAL

The Slovak Republic social security system is a three-pillar structure. It consists of a mandatory defined benefit pension financed on a pay-as-you-go basis, a fully funded second pillar invested in individual pension funds (mandatory for new entrants into the labor market, although an opt out to contribute to the first pillar system only is possible), and a voluntary third pillar, which is a tax-deductible savings scheme for employers and their employees. This Article applies to the first pillar system, which is a contributory program that covers almost all residents of the Slovak Republic. The Slovak Republic pays benefits under the first pillar in amounts that it bases primarily on the number of years of contributions, the amount of lifetime earnings and an actuarial coefficient designed to guarantee a constant replacement rate. The second and third pillars exist to supplement the basic benefit. Benefits and contributions under these schemes vary according to the funds in which an employee invests, and the government provides general oversight.

OLD-AGE BENEFITS

Retirement age in the Slovak Republic is in the process of transition. Prior to 2004, the retirement age for men was age 60 and, for women, as low as age 53. Starting in 2004, these ages began to increase. With each year, the retirement age increases by 9 months until it reaches the age of 62. For men, the retirement age is now 62. For women, the retirement age will be 62 by 2024. The Slovak Republic system requires a minimum of 15 years of coverage for entitlement to an old-age pension. A worker may retire early if

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he or she is no more than 2 years from retirement age, has at least 15 years of contributions, ceases all work activity and earns at least 1.2 times the legally defined subsistence wage. The Slovak Republic bases its benefit formula on a "points" system. It divides a person's individual earnings by the average earnings for all workers during the same period. The Slovak Republic agency then multiplies this quotient by the total periods of coverage under the Slovak Republic system and an actuarial coefficient designed to ensure a constant replacement rate.

DISABILITY BENEFITS

The Slovak Republic system pays benefits to two classes of disability beneficiaries. Full disability benefits are available to those who have at least a 70 percent reduction in capacity to work. Partial disability benefits exist for workers suffering from a 41 - 69 percent reduction in work capacity. The Slovak Republic bases eligibility for these benefits on total periods of coverage under the Slovak Republic system. Progressively higher periods of coverage apply for individuals whose disability began at a later age; thus, a person whose disability began prior to age 20 needs less than 1 year of coverage, while a person aged 45 or older needs at least 15 years of coverage. The Slovak Republic system calculates the benefit amount for the full disability benefit in exactly the same manner as the old-age pension. For the partial disability benefit, the Slovak Republic agency pro-rates this same amount according to the degree of disability by the percentage of loss in work capacity.

SURVIVORS BENEFITS

Survivors' benefits are payable to unmarried widow(er)s of the worker, surviving divorced spouses receiving alimony payments from the worker at the time of his or her death and to children under age 26. For survivors' benefits to be payable, the worker must be

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receiving a benefit at the time of his or her death, or must meet all the factors of entitlement (except for age attainment) at the time of his or her death, or his or her death must be the result of a work related injury or disease. Widow(er)s receive 60 percent of the worker's benefit amount at the time of the worker's death (the benefit amount for surviving divorced spouses cannot exceed the amount of alimony payments at the time of the worker's death), and children of the deceased qualify for 40 percent of the deceased worker's pension. The maximum amount payable based on a worker's record is 100 percent of his or her pension amount at the time of death. If the total benefits for all survivors exceed this, the benefits for all survivors decrease proportionately to meet the maximum.

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**COST-OF-LIVING ADJUSTMENTS**

Benefits rise according to the Swiss Indexation method. This method uses a composite of changes in the consumer price index and changes in national wages to determine cost of living adjustments. While no statute requires periodic cost of living adjustments (COLAs), the minimum monthly salary increases annually.

Article 7 contains rules for determining Slovak Republic benefit eligibility and amounts for people who have periods of social security coverage in both countries, but who do not have enough Slovak Republic coverage to qualify for Slovak Republic benefits. In such cases, the Slovak Republic agency will add U.S. quarters of coverage to periods of Slovak Republic coverage in determining whether a person meets the minimum requirements for benefits

The following provisions shall apply to the Slovak Republic:

1. If, under the laws of the Slovak Republic, a person is not eligible for a benefit because he or she has not accumulated sufficient periods of coverage, the agency of the Slovak Republic will take into account periods of coverage under United States laws provided such periods do not coincide with periods of coverage already credited under Slovak Republic laws.

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2. For the purpose of establishing eligibility for a benefit pursuant to paragraph 1, the agency of the Slovak Republic will credit 90 days of insurance for each quarter of coverage under United States laws. The agency of the Slovak Republic shall credit the total number of days in a calendar year for four quarters of coverage under United States laws in the same calendar year.
3. When it is not possible to determine the time when periods of coverage were completed under United States laws within a specific calendar year, it shall be presumed that such periods do not coincide with periods of coverage completed under Slovak Republic laws. Such periods may be allocated to any time during the year, in the manner most advantageous for the person.
4. The agency of the Slovak Republic shall determine the benefit amount by taking into account only periods of coverage credited under the laws of the Slovak Republic. This shall not apply if, under the laws of the Slovak Republic, the person is eligible for the

under Slovak Republic law.

In combining coverage periods to determine benefit eligibility, the Slovak Republic agency will credit 90 days of coverage for each quarter of coverage SSA certifies. Article 6.2 provides a corresponding rule for converting Slovak Republic months of coverage into U.S. quarters of coverage when determining U.S. benefit eligibility.

Article 7.1 stipulates that the Slovak Republic will not count U.S. periods of coverage that coincide with coverage that the Slovak Republic already credited. However, it is not always possible to determine exactly when a person earned certain periods of coverage under the U.S. system. Beginning in 1978, the method of crediting quarters of coverage under the U.S. system changed from a quarterly to an annual method. Before 1978, a worker received one quarter of coverage for every calendar quarter in which he or she earned at least \$50 in covered wages. Currently, a worker earns up to four quarters of coverage in a year based on the amount of annual earnings. The U.S. earnings record therefore indicates the total number of quarters of coverage earned in each year after 1977, but not the actual calendar quarters in which the worker earned them.

Under Article 7.3, the Slovak Republic agency will assume that U.S. quarters of coverage in a calendar year do not overlap with days of Slovak Republic coverage in the same year, although they will credit no more than 365 days of coverage in any one year (366 days in the case of a leap year). Article 6.2 contains a similar provision applicable to the United States.

Article 7.4 describes the conditions under which the Slovak Republic will pay benefits. A Slovak Republic benefit based only on Slovak Republic coverage will be payable unless a person is eligible only if the SIA credits both U.S. and Slovak Republic coverage, and

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benefit only by taking into account periods of coverage credited under the laws of both Contracting States, and if internal regulations do not allow the determination of the benefit amount based solely on periods of coverage credited under Slovak Republic laws.

5. The benefit amount described in the second sentence of paragraph 4 of this Article shall be determined in the following manner:
  - (a) The Slovak Republic agency shall first determine whether a person meets eligibility requirements for a benefit under Slovak Republic laws after taking into account combined periods of coverage under the laws of both Contracting States.
  - (b) If a person is eligible for a benefit under subparagraph (a) of this paragraph, the Slovak Republic agency shall then calculate the theoretical benefit amount as if all periods of coverage under the laws of both Contracting States had been completed solely under Slovak Republic laws.
  - (c) Based on the theoretical benefit amount, the Slovak Republic agency shall calculate the benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage credited under Slovak Republic laws to the total periods of coverage credited under the laws of both Contracting States.
6. If a person has not been credited with 12 months of coverage under Slovak Republic laws, no Slovak Republic benefit is payable under the Agreement. The preceding sentence does not apply if entitlement to a benefit can be established based solely on periods of coverage credited under Slovak Republic laws. If a person has

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only if Slovak Republic regulations do not permit the computation of a benefit based only on Slovak Republic national laws. Similar to the U.S. system, the Slovak Republic system currently has a newer and an older computation in place for the determination of benefits. This paragraph states that the agency of the Slovak Republic will use the newer method unless its regulations require that it use the older.

Article 7.5 describes the old method for benefit computations under an Agreement. The Slovak Republic agency will perform three separate benefit calculations. Initially, it will combine periods of coverage in the Slovak Republic and in the United States. If the combined coverage meets the length of coverage requirements under Slovak Republic law, the Slovak Republic agency will first compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Slovak Republic law. Finally, it will determine a pro rata benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage completed under Slovak Republic laws to the total periods completed in both countries.

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Under Article 7.6, the Slovak Republic system will not take U.S. periods of coverage into account under the Agreement if the worker has fewer than 12 months of Slovak Republic coverage and cannot establish entitlement to Slovak Republic benefits based on Slovak Republic coverage alone (in limited circumstances, it is

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been credited with fewer than six quarters of coverage under United States laws, the Slovak Republic agency shall credit such periods of coverage to calculate the benefit amount under Slovak Republic laws.

7. A person whose disability began while he or she was a minor, a dependent or a regular doctoral studies student under age 26, and whose disability claim is established without the requirement that he or she perform work activity to obtain periods of coverage, may establish eligibility for disability benefits on the condition that such person permanently resides in the territory of the Slovak Republic.

**PART IV**

**Miscellaneous Provisions**

**Article 8**

**Administrative Measures**

The Competent Authorities of the two Contracting States shall:

- (a) conclude an administrative arrangement and take all necessary administrative measures for the implementation of this Agreement;
- (b) communicate to each other information concerning the measures taken for the application of this Agreement; and
- (c) communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

**ANNOTATIONS AND COMMENTS**

possible to qualify for Slovak Republic benefits with less than one year of coverage). Like the similar six quarters of coverage required for totalization by the United States under Article 6.1, this provision removes the considerable administrative burden of processing claims for very small benefits based on minimal periods of coverage. The Slovak Republic agency will credit U.S. periods of coverage totaling less than six quarters.

The Slovak Republic provides a special class of non-contributory benefits paid from general tax revenues to persons whose disability began when they were minor children and who, as a result, have no prior work history. Article 7.7 stipulates that the Slovak Republic agency will pay such social assistance benefits under this Agreement only to permanent residents of the Slovak Republic.

Article 8 outlines various duties of the Competent Authorities under the Agreement. Paragraph (a) authorizes and requires the Competent Authorities to conclude an Administrative Arrangement and take all necessary administrative measures to implement the Agreement. Paragraph (b) requires them to notify each other of steps they take unilaterally to implement the Agreement. Paragraph (c) obligates the Competent Authorities to notify each other of any changes in their social security laws that may affect the application of the Agreement.

PRINCIPAL AGREEMENT

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Article 9

Mutual Assistance

The Competent Authorities and the agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.

Article 9 authorizes the two countries to furnish each other non-reimbursable assistance in administering the Agreement. Such assistance may include taking benefit applications and the gathering and exchange, including the electronic exchange, of information relevant to claims filed and benefits paid under the Agreement. Although Article 9 establishes a general principle that mutual administrative assistance will be free of charge, the provision authorizes the two sides to agree to exceptions, such as the exception for medical examinations in Article 7.3 of the Administrative Arrangement.

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Article 10

Confidentiality of Exchanged Personal Data

1. Unless otherwise required by the national statutes of a Contracting State, personal data transmitted in accordance with this Agreement to one Contracting State by the other Contracting State shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection of privacy and confidentiality of personal data and the provisions of this Agreement shall govern such use.

Both the United States and the Slovak Republic recognize the great importance of ensuring the integrity of personal data, as well as a person's rights pertaining thereto. Accordingly, both countries have statutes and regulations that govern disclosure and provide strict safeguards for maintaining the confidentiality of personal data in the possession of their respective governments. In the United States, these statutes include the Freedom of Information Act, the Privacy Act, section 6103 of the Internal Revenue Code, and pertinent provisions of the Act and other related statutes. In the Slovak Republic, the applicable laws include Act No. 428/2002 (as amended) and EU Directive 95/46/EC. Article 10.1 provides that both countries will protect personal data furnished under the Agreement in accordance with the applicable provisions of the privacy and confidentiality laws of the country that receives the personal data.

**PRINCIPAL AGREEMENT**

2. The Competent Authorities of the Contracting States shall inform each other about all amendments to their national statutes regarding the protection of privacy and confidentiality of personal data that affect the transmission of personal data.
3. Any subject may request, and the Competent Authority or agency requesting or transmitting personal data must disclose to that subject upon such request, the content, receiving agency and duration of use of the subject's personal data and the purpose and legal grounds for which such data were used or requested.
4. The agencies shall take all reasonable steps to ensure that transmitted personal data are accurate and limited to data required to fulfill the receiving agency's request. In accordance with their respective national statutes, the agencies shall correct or delete any inaccurate transmitted personal data and any data not required to fulfill the receiving agency's request, and immediately notify the other Contracting State's agency of such correction. This shall not limit a subject's right to request such correction directly from the agencies.
5. Both the transmitting and the receiving agencies shall effectively protect personal data against unauthorized or illegal access, alteration or disclosure.

**ANNOTATIONS AND COMMENTS**

Article 10.2 provides that if either country modifies any of its statutes that regulate the privacy or confidentiality of personal data transmitted between the countries, the Competent Authority of the Contracting State that modified its statute must notify the Competent Authority of the other Contracting State.

Article 10.3 protects a person's right to request particular information about any of his or her personal data requested from or transmitted to either country under the Agreement. Article 10.3 also provides that when a person requests such information about his or her personal data from a country, that country must provide the requested information to the person.

Article 10.4 provides that both countries will take reasonable steps to ensure the accuracy of personal data transmitted between the two countries and will limit the transmission of personal data to only that information necessary to satisfy the other country's request. However, if one country later discovers that it transmitted or received inaccurate personal data or personal data not required to satisfy a country's request, the country that discovers the discrepancy will correct or delete the personal data in question and immediately notify the agency of the other country. The countries will perform such correction or deletion in accordance with their respective statutes governing alteration and destruction of data.

Article 10.4 also recognizes the right of a person to ask either agency directly to correct or delete any of his or her own personal data that he or she discovers to be inaccurate or not required to satisfy a Contracting State's request.

Both the United States and the Slovak Republic agree to protect the integrity, privacy, and confidentiality of personal data under their respective laws when receiving or transmitting such data under this Agreement.

**PRINCIPAL AGREEMENT**

**ANNOTATIONS AND COMMENTS**

Article 11

**Confidentiality of Exchanged Employers' Information**

Unless otherwise required by the national statutes of a Contracting State, employers' information transmitted between Contracting States in accordance with this Agreement shall be used for purposes of administering this Agreement and the laws in Article 2 of this Agreement. The receiving Contracting State's national statutes for the protection and confidentiality of employers' information and the provisions of this Agreement shall govern such use.

Article 12

**Fee Waiver and Documents**

1. Where the laws of a Contracting State provide that any document which is submitted to the Competent Authority or an agency of that Contracting State shall be exempted, wholly or partly, from fees or charges, including consular and administrative fees, the exemption shall also apply to corresponding documents which are submitted to the Competent Authority or an agency of the other Contracting State in the application of this Agreement.
2. Documents and certificates which are presented for purposes of this Agreement shall be exempted from requirements for authentication by diplomatic or consular authorities.
3. Copies of documents which are certified as true and exact copies

Article 11 provides protections for employers' confidential information. It provides to any business-related information exchanged under this Agreement similar protections to those provided for personal data under the Agreement and under each country's national statutes.

Article 12.1 states that if the laws of one country exempt documents submitted in connection with a social security claim from fees or charges, that exemption will also apply if a country sends such documents to the other country by or on behalf of a claimant or beneficiary.

Some countries require that a diplomatic, consular, or other official representative in the other country certify the authenticity of documents submitted to their social security authorities by or on behalf of persons in another country. Both the United States and the Slovak Republic are parties to the Hague Convention Abolishing the Requirement for Legalisation for Foreign Public Documents. Article 12.2 reaffirms that neither country will require such authentication of documents submitted under the Agreement.

If the agency of one country certifies that a copy of a document it

**PRINCIPAL AGREEMENT**

by an agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency of each Contracting State shall be the final judge of the probative value of the evidence submitted to it from whatever source.

**ANNOTATIONS AND COMMENTS**

furnishes to the agency of the other country is a true and exact copy of an original document, the other country will accept this certification. Nevertheless, each country will remain the final judge of the probative value of any documents submitted to it for the purpose of coverage records and benefit claims administration under the Agreement.

**Article 13**

**Correspondence and Language**

1. The Competent Authorities and agencies of the Contracting States may correspond directly with each other and with any person, wherever the person may reside, whenever it is necessary for the administration of this Agreement.
2. An application or document may not be rejected by a Competent Authority or agency of a Contracting State solely because it is in the language of the other Contracting State.

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Article 13.1 authorizes direct correspondence between the Competent Authorities and agencies of the two countries and between these bodies and any person with whom they may need to communicate.

The Competent Authorities and agencies of each country may not reject an application or document because it is in the language of the other country. SSA already accepts applications and documents written in any language.

**Article 14**

**Applications**

1. A written application for benefits filed with the agency of one Contracting State shall be considered an application for benefits under the laws of the other Contracting State, and shall protect the rights of claimants under the laws of the other Contracting State if the applicant:

Article 14.1 provides for situations in which an application filed for benefits from one country will also be an application for benefits from the other country.

PRINCIPAL AGREEMENT

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(a) requests at the time of filing that his or her application be considered an application under the laws of the other Contracting State, or

(b) if he or she does not make such a request, provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.

2. An applicant for benefits under the laws of a Contracting State may request that his or her application not be considered an application for benefits under the laws of the other Contracting State.

3. The provisions of Part III shall apply only to benefits for which an application is filed on or after the date this Agreement enters into force.

Under subparagraph (a), a written application submitted to the agency of one country that expresses intent to file for benefits in the other country will protect the claimant's right to benefits under the laws of the other country as if the applicant presented it to other country, provided the applicant expresses an intent to file for benefits in the other country when filing the application.

An applicant who files an application with the agency of one country may not always know about his or her benefit rights in the other country. Subparagraph (b) provides that even if it states no intention to file for benefits in the other country, an application will also protect an applicant's rights under the other country's laws if the applicant indicates at the time of filing that the worker had coverage in the other country.

Article 14.2 allows an applicant filing for a benefit under the laws of one country to restrict the scope of his or her application to benefits from that country only.

Article 14.3 requires that a person claiming benefits under the Agreement file an application on or after the date the Agreement enters into force.

Article 15

Appeals and Time Limits

1. A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be decided according to the

Both the United States and the Slovak Republic have formal procedures for appealing the determinations of their agencies. Under Article 15.1, a claimant may file a written appeal of a decision by the

**PRINCIPAL AGREEMENT**

procedure and laws of the Contracting State whose decision is being appealed.

2. Any claim, notice or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

Article 16

**Transmittal of Claims, Notices and Appeals**

In any case to which a provision of Article 14 or 15 of this Agreement applies, the agency to which the claim, notice or written appeal has been submitted shall indicate the date of receipt on the document and transmit it without delay to the agency of the other Contracting State.

Article 17

**Currency**

1. Payments under this Agreement may be made in the currency of the Contracting State making the payments.
2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Contracting States shall immediately take measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

Article 18

**ANNOTATIONS AND COMMENTS**

agency of one country with the agency of either country. The appropriate agency of the country whose decision an individual is appealing will consider the appeal under its own laws and procedure.

Article 15.2 provides that when the laws of one country require the submission of a claim, notice, or written appeal within a set time limit, the agency of that country will consider it filed on time if the claimant files it with the agency of the other country within that prescribed time limit.

The agency with which an applicant files a claim, notice, or written appeal under Article 14 or 15 of the Agreement shall transmit it immediately to the agency of the other country. The sending agency will indicate the date on which it received the document.

**PRINCIPAL AGREEMENT**

**ANNOTATIONS AND COMMENTS**

**Resolution of Disagreements**

Any disagreement regarding the interpretation or application of this Agreement shall be resolved by consultation between the Competent Authorities.

Article 18 requires the Competent Authorities to attempt to resolve any dispute between them regarding the Agreement through consultation or negotiation.

**Article 19**

**Supplementary Agreements**

This Agreement may be amended in the future by supplementary agreements which, from their entry into force, shall be considered an integral part of this Agreement.

Article 19 provides that future supplementary agreements may amend the Agreement. After a supplementary agreement becomes effective, it will become an integral part of the Agreement.

**PART V**

**Transitional and Final Provisions**

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**Article 20**

**Transitional Provisions**

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of entry into force of this Agreement.
2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of either Contracting State and other events which occurred before the entry into force of this Agreement.

The agencies will pay benefits based on the Agreement no earlier than the effective date of the Agreement.

In determining benefit eligibility and amounts under the Agreement, Article 20.2 provides that the agencies will consider periods of coverage earned before the Agreement enters into force. The agencies will also consider events relevant to the determination of benefit rights, such as marriage, death, disability or attainment of a certain age, which happened prior to the Agreement's effective date.

PRINCIPAL AGREEMENT

3. In applying paragraph 2 or 4 of Article 5, in the case of persons who were sent by their employer or who transferred their self-employment activity to work in the territory of a Contracting State prior to the date of entry into force of this Agreement, the period of employment or self-employment referred to in those paragraphs shall be considered to begin on the date of the entry into force of this Agreement.
4. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.
5. The application of this Agreement shall not result in any reduction in the amount of a benefit to which entitlement was established prior to its entry into force.

Article 21

Entry into Force

1. This Agreement is subject to approval according to the applicable procedures or internal legislative regulations of each Contracting State.

ANNOTATIONS AND COMMENTS

However, the United States will not consider periods of Slovak Republic coverage credited prior to 1937, the earliest date for which U.S. law permits crediting periods of coverage. (See Article 6.2). Additionally, the United States will not pay a lump-sum death benefit under the Agreement if the person on whose record a claimant files for benefits died prior to the Agreement's entry into force. (See Article 6.5).

Article 20.3 provides that the agencies will measure the 5-year period to which paragraphs 2 and 4 of Article 5 refer beginning no earlier than the date the Agreement enters into force. Thus, for persons to whom Article 5.2 or Article 5.4 applies who were working in the other country before the Agreement's effective date, the prior period will not count for purposes of the 5-year limit.

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A decision to award or deny a claim either agency renders prior to the effective date of the Agreement will not prevent a person from filing a new application for other benefits that may be payable because of the Agreement.

Article 20.5 guarantees that the entry into force of this Agreement will not result in a reduction in benefits already payable at the time the Agreement becomes effective.

Each country will follow its own constitutional and statutory procedures for approving the Agreement. The Agreement may not enter into force until both countries meet all the legal requirements for its entry into force.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

2. This Agreement shall enter into force on the first day of the third calendar month following the month in which the Contracting States inform each other by a written notification that all necessary statutory and constitutional requirements for the entry into force of this Agreement have been fulfilled.
3. Nothing in this Agreement shall supersede the notes concerning the payment of social security benefits exchanged between the United States and Czechoslovak Governments on June 20 and July 12, 1968.

Once each country completes its internal approval process, the two governments will exchange written notifications to that effect. The Agreement will enter into force on the first day of the third calendar month after the month in which both governments have received the other government's written notification.

The governments of the United States and the Czechoslovak Socialist Republic entered into an understanding with an exchange of diplomatic notes on June 20 and July 12, 1968. This understanding provides for the reciprocal export of benefits to each country's citizens. This understanding, which is still in force for the two constituent successor states of the former Czechoslovakia, the Czech Republic and the Slovak Republic, guarantees that citizens of both countries can receive benefits from the other country regardless of statutory limitations on the export of benefits. Article 21.3 reaffirms the principle embodied in the understanding.

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Article 22

Duration and Termination

1. This Agreement shall remain in force indefinitely.
2. This Agreement may be terminated by either Contracting State giving written notice of its termination to the other Contracting State. In the event that the Agreement is terminated, it shall remain in force until the expiration of one calendar year following the year in which a Contracting State receives written notice of its termination from the other Contracting State.
3. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The

This Agreement will remain effective without any limit on its duration, unless one of the countries terminates it pursuant to Article 22.2.

Either country can terminate the Agreement by giving written notice of termination to the other. If either country takes actions to terminate this Agreement, it will remain in effect until the expiration of one calendar year after the year in which one of the countries receives written notice of termination from the other.

If either country terminates the Agreement, a person will retain benefit rights acquired before termination. Special arrangements

**PRINCIPAL AGREEMENT**

Contracting States shall make arrangements dealing with rights in the process of being acquired.

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed this Agreement.

DONE at Bratislava on December 10, 2012 in duplicate in the English and Slovak languages, the two texts being equally authentic.

For the United States of America:

Theodore Sedgwick

For the Slovak Republic:

Ján Richter

**ANNOTATIONS AND COMMENTS**

would dictate the extent to which each country would recognize benefit rights in the process of being acquired at the time of termination—for example, periods of coverage that had not yet resulted in fully insured status.

The U.S. Ambassador to the Slovak Republic, Theodore Sedgwick, and the Slovak Minister of Labour, Social Affairs and Family, Ján Richter, signed the Agreement on December 10, 2012 in Bratislava.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

ADMINISTRATIVE ARRANGEMENT  
FOR THE IMPLEMENTATION OF THE AGREEMENT  
ON SOCIAL SECURITY  
BETWEEN THE UNITED STATES OF AMERICA  
AND THE SLOVAK REPUBLIC

The Competent Authority of the United States of America and

the Competent Authority of the Slovak Republic,

In conformity with Article 8(a) of the Agreement between the United States of America and the Slovak Republic on Social Security of [date], hereinafter referred to as the "Agreement," have agreed as follows:

CHAPTER I

General Provisions

Article 1

Where terms which appear in the Agreement are used in this Administrative Arrangement, they shall have the same meaning as they have in the Agreement.

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Article 1 provides that terms have the same meaning in the Administrative Arrangement as they do in the Agreement.

Article 2

1. The agencies defined in paragraph 1(e) of Article 1 of the Agreement shall be:

- (a) for the United States, the Social Security Administration; and
- (b) for the Slovak Republic, the Social Insurance Agency.

Article 2.1 designates the agencies in each country responsible for implementing and administering the coverage and benefit provisions of the Agreement. The United States designates the Social Security Administration as its agency, and the Slovak Republic designates the Social Insurance Agency as its counterpart agency.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Article 2

1. The agencies defined in paragraph 1(e) of Article 1 of the Agreement shall be:
  - (a) for the United States, the Social Security Administration; and
  - (b) for the Slovak Republic, the Social Insurance Agency.
2. The agencies shall agree upon the joint procedures, methods and forms necessary for the implementation of the Agreement and this Administrative Arrangement.

Article 2.1 designates the agencies in each country responsible for implementing and administering the coverage and benefit provisions of the Agreement. The United States designates the Social Security Administration as its agency, and the Slovak Republic designates the Social Insurance Agency as its counterpart agency.

Article 2.2 authorizes and requires the agencies of both countries to agree upon those procedures, methods and forms they will use for the implementation of the Agreement and Administrative Arrangement.

CHAPTER II

Provisions on Coverage

Article 3

1. Where the laws of one Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the agency of that Contracting State, upon request of the employer and employee, or self-employed person, shall issue a certificate stating that the employer, employee or self-employed person is subject to those laws and indicating the duration for which the certificate shall be valid. This certificate shall be proof that the employee or self-employed person is exempt from the laws on compulsory coverage of the other Contracting State.

Under Article 3.1, the agency of the country whose social security coverage laws will continue to apply to a person in accordance with the rules in Part II of the Agreement will issue a certificate to that effect when an employer and employee or a self-employed person requests one. Employers and self-employed persons should request certificates before work begins in the other country, whenever possible. The certificate will serve as proof of the exemption of the person from the coverage laws of the other country when provided to the agency of the other country.

**ADMINISTRATIVE ARRANGEMENT**

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2. The certificate referred to in paragraph 1 of this Article shall be issued:
  - (a) in the United States, by the Social Security Administration; and
  - (b) in the Slovak Republic, by the Social Insurance Agency.
3. Exceptions according to paragraph 7 of Article 5 of the Agreement will be granted:
  - (a) in the United States, by the Social Security Administration; and
  - (b) in the Slovak Republic, by the Ministry of Labour, Social Affairs and Family of the Slovak Republic.
4. The agency of a Contracting State which issues a certificate referred to in paragraph 1 of this Article shall furnish a copy of the certificate or agreed upon information from the certificate to the agency of the other Contracting State as needed by the agency of the other Contracting State.

The Social Security Administration (United States) and the Social Insurance Agency (Slovak Republic) will issue coverage certificates.

Article 3.3 lists those bodies that may grant exceptions to the coverage rules described in Article 5 of the Agreement. The Slovak Social Insurance Agency operates under the auspices of the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

Article 3.4 provides that the agency issuing a coverage certificate will furnish a copy of the certificate or information from the certificate to the agency in the other country when needed.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

CHAPTER III

Provisions on Benefits

Article 4

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the agencies of the two Contracting States.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 14 of the Agreement shall provide the agency of the other Contracting State with such evidence and other information in its possession as may be required to complete action on the claim.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the agency of the other Contracting State with such evidence and other available information in its possession as may be required for it to complete action on the claim.

The U.S. and Slovak Republic agencies will agree on special application forms that individuals who wish to file for benefits based on the Agreement will use.

Articles 4.2 and 4.3 outline the procedures both countries will follow for the exchange of evidence and information they need to process claims filed under the Agreement.

ADMINISTRATIVE ARRANGEMENT

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ANNOTATIONS AND COMMENTS

4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's dependents and survivors. The types of information to be verified shall be agreed upon by the agencies of both Contracting States.
  
5. The agencies of the Contracting States shall pay benefits under the Agreement directly to the beneficiary or his or her designee.

Article 4.4 deals with the verification of claims information. Both U.S. and Slovak Republic laws require verification of certain information about individuals claiming benefits (e.g., age and family relationship to the worker) before either country can approve the claim. Article 4.4 provides that when a person files a claim for benefits under the Agreement in one country, the agency of that country will verify the relevant information and inform the agency of the other country of its findings. The agencies will agree upon the specific types of information requiring verification.

This provision expedites the claims process by avoiding duplicate verification of the same information. An agency may still request additional evidence to support the finding of the other agency.

The Slovak Republic requested the inclusion of this provision. Article 4.5 provides that both countries will only pay benefits under the Agreement to either the beneficiary or a legally appointed designee of the beneficiary.

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CHAPTER IV

Miscellaneous Provisions

Article 5

1. In accordance with measures to be agreed upon pursuant to paragraph 2 of Article 2 of this Administrative Arrangement, the agency of one Contracting State shall, upon request of the agency of the other Contracting State, furnish available information relating to the claim of any specified individual for the purpose of administering the Agreement.

Article 5.1 provides that the agency of one country will, upon request, furnish claims-related information to the agency of the other country in accordance with agreed upon procedures. Such procedures will be agreed upon by the agencies and will be consistent with the governing statutes of both countries.

ADMINISTRATIVE ARRANGEMENT

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2. To facilitate the implementation of the Agreement and this Administrative Arrangement, the agencies may agree on measures for the provision and transmission of the electronic exchange of data.

Article 6

The agencies of the two Contracting States shall exchange statistics annually on the payments made to beneficiaries under the Agreement for the calendar year ending on December 31. These statistics shall include the number of beneficiaries and the total amount of benefits under this Agreement, sorted into types of benefits.

Under Article 5.2, the agencies of both countries may agree to implement electronic data exchanges to facilitate administration of the Agreement and this Administrative Arrangement. Such exchanges must comply with the laws of each country governing the protection of privacy and confidentiality of personal data.

Article 6 provides for an exchange of statistics concerning benefit payments made by both countries under the Agreement. This information will include the total number of beneficiaries paid under the Agreement and total payments to these beneficiaries.

Article 7

1. Where administrative assistance is requested under Article 9 of the Agreement, expenses other than regular personnel and operating costs of the agency providing the assistance shall be reimbursed, except as may be agreed to by the Competent Authorities or agencies of the Contracting States.
2. Upon request, the agency of either Contracting State shall furnish without cost to the agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.

In accordance with Article 9 of the Agreement, the agencies of the two countries will provide each other with administrative assistance required to implement the Agreement. Under Article 7.1, the requesting agency will pay expenses the other agency incurs in responding to requests for administrative assistance that require it to go outside its own organization unless the two countries agree on a different arrangement. This includes hiring interpreters, conducting special field investigations, or arranging medical examinations. The agencies will not reimburse expenses for regular personnel and operating costs.

When the agency in one country requests medical information from the agency in the other country, the other agency will provide the requesting agency with any pertinent medical records it has in its possession free of charge.

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ADMINISTRATIVE ARRANGEMENT

3. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination, if requested by that agency, shall be arranged by the agency of the other Contracting State in accordance with the rules of the agency making the arrangements and at the expense of the agency which requests the examination.
4. The agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 3 of this Article upon presentation of a statement of expenses by the agency of the other Contracting State.

Article 8

This Administrative Arrangement shall enter into force on the date of entry into force of the Agreement and shall have the same period of validity.

DONE at Bratislava on December 10, 2012, in duplicate in the English and Slovak languages, the two texts being equally authentic.

For the Competent Authority of  
the United States of America:

Theodore Sedgwick

For the Competent Authority of the  
Slovak Republic:

Ján Richter

ANNOTATIONS AND COMMENTS

Article 7.3 provides that where a medical examination is necessary to establish eligibility for or continuing entitlement to a country's benefits that are payable under the Agreement, and the claimant or beneficiary is in the other country, the agency of the other country, upon request, will arrange for the examination at the expense of the agency requesting the examination.

In order to receive reimbursement for the cost of administrative assistance, the agency that provides the assistance must provide the requesting agency with a detailed statement of expenses.

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The Administrative Arrangement will enter into force on the same date as the Agreement and will remain in effect for the same period as the Agreement.

The U.S. Ambassador to the Slovak Republic, Theodore Sedgwick, and the Slovak Minister of Labour, Social Affairs and Family, Ján Richter, signed the Administrative Arrangement on December 10, 2012 in Bratislava.

REPORT TO CONGRESS  
TO ACCOMPANY THE SOCIAL SECURITY AGREEMENT  
BETWEEN  
THE UNITED STATES OF AMERICA AND THE SLOVAK REPUBLIC

I. INTRODUCTION

The social security agreement between the United States and the Slovak Republic is intended to provide limited coordination of the social insurance systems of the two countries for old-age, survivors, disability, and other benefits. The agreement is similar in content and objective to social security agreements already in force between the United States and 24 other countries, including most European Union countries, Australia, Canada, Chile, Japan, Norway, South Korea, and Switzerland. Section 233 of the Social Security Act provides the authority to negotiate U.S. social security agreements.

Like earlier U.S. agreements, the U.S.-Slovak agreement has two main purposes. First, it would eliminate dual coverage and taxation of the same work, the situation that occurs when a person from one country works in the other country and is required to pay social security taxes to both countries on the same earnings. The agreement includes rules that assign a worker's social security coverage and tax liability to just one country. Second, the agreement helps fill gaps in social security benefit protection for workers who divide their careers between the two countries. Under the agreement, it would be possible for workers and their family members who would not otherwise qualify for benefits to qualify for partial U.S. or Slovak benefits based on combined work credits from both countries.

The U.S.-Slovak agreement consists of two separate instruments: (1) a principal agreement setting forth the basic rules for coordinating the two countries' systems; and (2) an administrative arrangement establishing policies and procedures to implement the principal agreement. These two documents, which Ambassador Sedgwick and a Slovak counterpart signed on December 10, 2012, will now transmit to Congress in accordance with section 233(e) of the Social Security Act.

Accompanying this report are paragraph-by-paragraph explanations of the provisions of the principal agreement (Annex A) and related administrative arrangement (Annex B). Also included is a report required by section 233(e)(1) of the Social Security Act on the effect of the agreement on the estimated income and expenditures of the U.S. Social Security programs and the estimated number of individuals who the agreement will affect (Annex C).

**II. STATUTORY REQUIREMENTS**

Section 233(c)(1) of the Social Security Act requires that international agreements concluded pursuant to that section provide for the elimination of dual coverage of the same work under the social security systems of the United States and the other country party to the agreement, and for combining credits earned by a worker under the two systems for purposes of determining benefit entitlements and payment amounts. In addition, the law requires that when a person is entitled to U.S. Social Security benefits on the basis of such combined credits, the basis for the amount of the U.S. benefit payable must be the proportion of the worker's periods of coverage completed under title II of the Social Security Act. The U.S.-Slovak agreement includes these required provisions.

**III. COVERAGE PROVISIONS**

In conformity with section 233(c)(1)(B) of the Social Security Act, Part II of the principal agreement sets forth rules designed to eliminate dual coverage and taxation of the same work under the U.S. and Slovak systems.

**A. Rules Governing Employees**

The rules that apply to employed persons would generally eliminate dual social security coverage under the laws of the United States and the Slovak Republic by maintaining an employee's coverage under the laws of the country where the employee performs the work and exempting the employee from compulsory coverage under the laws of the other country.

Special rules would apply, however, for employees whose employers in one country transfer them to work in the other country for a temporary period. In this situation, an employee who had coverage under the system of one country before the transfer would continue to have coverage under that country's laws and would be exempt from coverage in the host country. Thus, a person working for a U.S. employer that temporarily transfers him or her to the Slovak Republic would only have coverage under and pay contributions to the U.S. Social Security program, and the employer and employee would be exempt from Slovak social security and health insurance contribution requirements.

Other rules set forth in the agreement would apply to persons employed by the governments of the two countries and to persons employed in international air transportation.

B. Rules Governing Self-Employed Persons

Part II also contains rules applicable to persons whose earnings from self-employment would be subject to compulsory coverage and contributions under the laws of both countries absent the agreement. Under these rules, a self-employed person may opt to transfer his or her own work activity to the other country for a temporary period, retaining coverage in the country from which he or she transferred his or her work.

IV. BENEFIT PROVISIONS

Part III of the principal agreement establishes the basic rules for determining entitlement to, and the amount of, U.S. and Slovak benefits for persons who have worked in both countries. These benefit provisions are included pursuant to sections 233(c)(1)(A) and (C) of the Social Security Act.

A. Provisions Applicable to the United States

1. Totalization of Periods of Coverage

Under the rules that apply to the United States, if a worker has credit for at least six quarters of coverage under the U.S. Social Security program but not enough credits for the worker or his or her survivors or dependents to qualify for benefits, the worker's coverage credits from both the United States and the Slovak Republic could be totaled (i.e., combined) to permit the applicant to qualify for a partial U.S. benefit. Since the Slovak social security system measures periods of coverage in terms of days, the United States would credit one quarter of coverage for every 90 days of coverage certified by the Slovak social security system in a calendar year. The United States would not, however, credit months of coverage under Slovak law if they fall within a calendar quarter in which a worker has already earned a U.S. quarter of coverage under the U.S. system.

2. Computation of U.S. Totalization Benefit Amounts

The amount of a U.S. benefit for which a person may qualify based on totalized periods of coverage depends on both the duration of the worker's coverage under the U.S. Social Security system and the level of his or her earnings. A detailed description of the totalization benefit computation procedure is contained in the regulations of the Social Security Administration (20 CFR 404.1918). Generally, the first step in the procedure is to compute a theoretical primary insurance amount (PIA). The Social Security Administration then determines the pro rata PIA from the theoretical PIA to reflect the proportion of the worker's coverage lifetime completed under the U.S. program. The definition of a coverage lifetime is the number of years used to calculate a worker's average monthly wage or average indexed monthly earnings under the regular U.S. national computation methods.

B. Provisions Applicable to the Slovak Republic

1. Slovak Benefits

The Slovak Republic maintains a three tiered system of social insurance. The first tier of the Slovak social insurance system is a traditional pay-as-you-go (PAYG) defined benefit system, and is entirely State-administered. The Slovak Republic calculates first tier benefit amounts on the basis of a pension points system. The Slovak agency aggregates a worker's lifetime indexed contributions and divides the sum by the average earnings for all workers over the same period. The Slovak agency then multiplies this result by the total periods of coverage that a worker has under the Slovak system and an actuarial coefficient that ensures a constant replacement rate. The second tier is a system of individual fully-funded accounts that is State-regulated but administered by the private sector. Second tier benefit amounts depend on the investment yield of a worker's account. The third tier consists of a voluntary tax deductible savings scheme for employers and their employees. While the coverage rules apply to both the first and second tier, the benefit provisions of the agreement apply to first tier benefits only.

2. Totalization of Periods of Coverage

The totalization provisions of the agreement apply to the Slovak social security laws that govern the payment of retirement, survivors, disability, and other benefits. Under the agreement, if a worker had at least 12 months of Slovak coverage, (or less, provided the shorter period of coverage yielded Slovak benefit eligibility without consideration of U.S. coverage), the Slovak Republic would compute a theoretical benefit as if the worker's U.S. periods of coverage had been completed under Slovak law. Next, the Slovak agency would prorate the theoretical amount by multiplying it by the ratio of the periods of coverage credited under Slovak law to the total periods credited in both countries.

C. Benefit Portability

Section 233(c)(2) of the Social Security Act permits agreements to contain provisions precluding the application of the alien nonpayment provisions of the Social Security Act (section 202(t)) for persons residing in a foreign country with which the United States has an agreement in force. The U.S.-Slovak agreement would provide an exemption from these nonpayment provisions for insured persons and their dependents or survivors, regardless of their citizenship, if they reside in the Slovak Republic.

V. OTHER PROVISIONS

Section 233(c)(4) of the Social Security Act authorizes agreements to contain other provisions not inconsistent with title II of the Act which are appropriate to carry out the purposes of the agreements. In accordance with this provision, the principal agreement and administrative arrangement contain a number of articles designed to permit the United States and the Slovak Republic to render free or reimbursable assistance to the other country in implementing the agreement. Such assistance could include, for example, an electronic data exchange arrangement.



## SOCIAL SECURITY

### MEMORANDUM

Date: February 13, 2013 Refer To: TCC  
 To: Stephen C. Goss, Chief Actuary  
 From: Chris Chaplain, Actuary  
 Nettie Barrick, Actuary  
 Subject: Estimated Effects of a Potential Totalization Agreement between the Slovak Republic and the United States—INFORMATION

This memorandum and the attached tables present estimates of the effects of implementing a potential totalization agreement with the Slovak Republic, assuming an effective date of January 1, 2014.

Table 1 shows the estimated net additional program costs to the Social Security systems of the United States (OASDI) and the Slovak Republic under the potential agreement for fiscal years 2014 through 2021, the end of the short-range projection period under the 2012 Trustees Report. In each case, these net additional program costs arise under the respective systems due to: (1) benefits payable because of the agreement; and (2) tax contributions eliminated under the agreement for temporary foreign workers.

Table 2 shows estimates of the numbers (as of mid-year) of persons who would receive "totalized" benefits from each system, and the number of Slovakian citizens affected by removing the 5-year U.S. residency requirement for survivor or dependent benefits. The table also shows estimates of the numbers of temporary foreign workers in the respective countries exempt from taxation by the local Social Security system, under a totalization agreement. U.S. workers working for a U.S. firm in the Slovak Republic for a period expected to last 5 years or less would pay Social Security taxes only to the United States. Slovakian workers working for a Slovakian firm in the U.S. for a period expected to last 5 years or less would pay Social Security taxes only to the Slovakian system. For these temporary workers, the agreement eliminates taxes paid to the Social Security system of the country in which they temporarily work.

We base estimates shown in the tables on the intermediate set of assumptions of the 2012 OASDI Trustees Report. The exchange rate used in these estimates is 0.76768 euros per U.S. dollar (1 euro = \$1.30263), the exchange rate as of December 13, 2012. The average exchange rate over the past 5 years is about 0.7300 euros per U.S. dollar, with a low of 0.6269 euros per U.S. dollar and a high of 0.8372 euros per U.S. dollar.

These estimates are subject to much uncertainty. Many of the estimates are based on limited data for the Slovak Republic and we assume that certain relationships, which apply on average for other countries where totalization agreements already exist, will apply for the Slovak Republic as well. For example, to estimate the numbers of totalized beneficiaries under the U.S. Social Security system resulting from an agreement with the Slovak Republic, we use two data sources for 18 of the existing agreement countries in a regression analysis<sup>1</sup>. One data source contains immigration data from Census Bureau files, which we use to estimate immigration and emigration for this analysis. The second data source contains numbers of nonimmigrant visas issued by U.S. foreign service posts in each country to persons traveling to the U.S., over a 5-year period, roughly 30 years ago when 2014-2021 retirees potentially receiving benefits under the totalization agreement were in their prime working years. This analysis yields an estimate of about 380 totalized beneficiaries under the U.S. Social Security system during the 5<sup>th</sup> year of the potential agreement with the Slovak Republic. For 8 of these existing-agreement countries, the estimated number of beneficiaries from the regression is higher than the actual number for the historical period, by a median value of about 28 percent of the historical value. For 10 of these existing-agreement countries, the estimated number of beneficiaries from the regression is lower than the actual historical number, by a median value of about 27 percent of the historical number. Therefore, the actual number of OASDI beneficiaries at the end of the 5<sup>th</sup> year of implementation would be: (1) about 290, if the median relationship for countries with fewer beneficiaries than suggested by the regression analysis applies to the Slovak Republic; and (2) about 520, if the median relationship for countries with more beneficiaries than suggested by the regression applies to the Slovak Republic.

Totalization agreements provide OASDI benefits mainly to three groups. The first group is Slovakian non-immigrants (temporary visa holders) who work in the U.S. for less than 10 years. These workers would have coverage under the U.S. Social Security system (unless they work for a Slovakian firm in the U.S. for 5 years or less after a totalization agreement becomes effective), and may be eligible for U.S. totalized benefits when their work in the Slovak Republic is also considered. The second group is legal immigrants (generally permanent) from the Slovak Republic to the U.S. who work in the U.S. for less than 10 years, frequently because they immigrate later in their working careers. The third group is emigrants from the U.S. to the Slovak Republic (Slovakian-born or U.S. born) who worked in the U.S. for less than 10 years, frequently because they emigrate relatively early in their careers.

A totalization agreement between the Slovak Republic and the United States precludes OASDI disability benefits for Slovakian workers employed by a Slovakian employer in the U.S. for 5 years or less who become disabled while working in the U.S. or shortly thereafter. However, temporary workers from the Slovak Republic are unlikely to work long enough to qualify for U.S. disability benefits (generally at least 5 years), and are expected to be relatively healthy at the time they come to the U.S. to work. Therefore, we believe that reductions in OASDI disability

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<sup>1</sup> We excluded 6 totalization agreement countries from the analysis—Denmark, Czech Republic, and Poland because the agreements have not been in effect long enough for us to have five full years of data available, South Korea because work before 1986 in South Korea would not be counted as coverage in determining eligibility for totalized benefits, Luxembourg because of lack of data, and Canada because it is a border country with emigrant and immigrant patterns that would likely vary widely from those of the Slovak Republic.

benefits due to eliminating double taxation as a result of a totalization agreement between the Slovak Republic and the United States would be minimal.

#### 5-Year Residency Requirement

In addition to estimates of the number of persons who would receive totalized OASDI benefits, we also estimate the number of alien dependents and survivors who do not meet the 5-year U.S. residency requirement for receipt of Social Security benefits. These individuals would receive OASDI benefits under a totalization agreement because this requirement does not apply to totalization countries.

#### Effects Related to Other U.S. Social Insurance Programs

The principal financial effects of a totalization agreement apply to the Social Security programs of the countries involved. Totalization agreements do not cover Medicare benefits. Thus, the U.S. cannot use credits for work in the Slovak Republic to establish entitlement under the Medicare Hospital Insurance program. However, under the potential agreement between the Slovak Republic and the United States, the U.S. Medicare program would be affected because of the removal of double taxation for Slovakian workers who temporarily work in the U.S. for a Slovakian firm. We do not, however, expect reduced Medicare outlays because attainment of Medicare entitlement by these workers is highly unlikely. Medicare (HI) eligibility is restricted to individuals who either: (1) are at least age 65 and eligible for U.S. Social Security benefits; or (2) were entitled to U.S. Social Security disability benefits (as a disabled worker, disabled widow(er), or disabled adult child) for at least 24 months. Furthermore, the U.S. generally restricts Medicare coverage to services provided in the U.S. Because it is unlikely that temporary workers from the Slovak Republic (a) work enough to qualify for Medicare and (b) live in the U.S. when they might avail themselves of Medicare services, we believe a totalization agreement between the Slovak Republic and the United States would reduce HI benefits very minimally.

By law, totalization agreements do not affect payroll taxes paid for work injury (workers' compensation) and unemployment programs administered by the United States. Therefore, the U.S. would still require Slovakian temporary workers employed by Slovakian firms in the U.S., and their employers, to pay any applicable workers' compensation and unemployment payroll taxes. These programs generally operate at the state, and not the federal, level.

#### Effects Related to Other Slovakian Social Insurance Programs

Under a totalization agreement, the Slovakian system would no longer require U.S. temporary workers in the Slovak Republic (and their U.S.-based employers) to pay into Slovakia's national health insurance system. The reduction in contributions increases from an estimated \$0.5 million in fiscal year (FY) 2014 to \$1.0 million in FY 2021. These estimates assume the current contribution rate of 14% (10% employer, 4% employee) to the Slovakian national health insurance system continues through this period. By eliminating contributions to the Slovakian

national health insurance system for these temporary U.S. workers in the Slovak Republic, a totalization agreement would result in these workers no longer being eligible for services under that system. These foregone health insurance services represent a savings to the Slovakian system.

The value of foregone national *health insurance* services for U.S. temporary workers in the Slovak Republic is extremely difficult to estimate, but is expected to be small. It is very likely that U.S. temporary workers in the Slovak Republic are relatively healthy and do not need much in the way of health services. Due to the assumed healthiness of the U.S. temporary worker population and the propensity to use health providers outside the Slovakian system, we estimate, very roughly, that the value of benefits currently provided to U.S. workers by the Slovakian national health insurance system is about one-tenth of the amount of their contributions to that system. Table 1 shows the estimates of net costs to the Slovakian health insurance system, which range from \$0.5 million in FY 2014 to \$0.9 million in FY 2021—about 1.7 times the estimated net cost to the U.S. Medicare system for those years.

Under a totalization agreement, the Slovakian system would lose work injury payroll tax contributions from the employers of affected workers, and would lose sickness/maternity contributions from the affected workers and their employers. Under a totalization agreement, U.S. employers and their U.S. employees working temporarily in the Slovak Republic would no longer contribute to these programs, and the Slovakian government would no longer pay benefits to these workers. We believe that most U.S. employers provide sickness/maternity benefits to their employees, such that these workers would rarely receive such benefits from the Slovakian system. Most U.S. employers also continue to pay the salaries of people incapacitated due to injury for relatively short periods, such that the Slovak Republic rarely pays work injury benefits to these workers. Therefore, we estimate that the value of Slovakian *sickness/maternity* and *work injury* benefits no longer paid to U.S. temporary workers affected by a potential totalization agreement would be very small.

In addition, the Slovakian system would lose unemployment payroll tax contributions from workers and their employers affected under a totalization agreement. The Slovakian unemployment program pays benefits for a period of up to 6 months. However, we believe that very few temporary U.S. workers (working for U.S. employers) in the Slovak Republic lose their jobs, and the few that do lose their jobs most likely move back to the United States and do not look for other work in the Slovak Republic. Under a potential totalization agreement, U.S. temporary workers in the Slovak Republic would no longer be eligible for Slovakian unemployment benefits. Because payment of unemployment benefits to temporary U.S. workers in the Slovak Republic is unlikely, we expect the value of *unemployment* benefits no longer paid by the Slovak Republic's system, under a totalization agreement, to be very small.

#### Long-Range Financial Effects

Implementing the potential totalization agreement between the U.S. and the Slovak Republic would decrease the long-range (75-year) actuarial balance of the OASDI program by an amount that is estimated to be negligible (that is, by less than 0.005 percent of taxable payroll).

Table 3 displays the components of the estimated net cost to the OASDI Trust Funds for years 2012 through 2086 on a "CPI-indexed to 2012" basis, i.e., indexing the amounts back to the year 2012 by assumed changes in the consumer price index (CPI). In addition, the table displays total estimated OASDI net costs on an annual and cumulative present-value basis, i.e., indexing the amounts back to January 1, 2012 by projected interest rates earned by the OASDI Trust Funds on special-issue U.S. Government bonds.



Chris Chaplain



Nettie Barrick

Attachments: 3

Table 1.—Estimated program costs for the U.S. and Slovak Republic Social Security (and other) systems under a potential totalization agreement between the two countries, fiscal years 2014–2021  
(In millions)

	Fiscal year									Total, FY 2014-21
	2014	2015	2016	2017	2018	2019	2020	2021		
<b>Financial Effects for the U.S. Social Security system:</b>										
Increase in OASDI benefit payments .....	1/	1/	\$1	\$1	\$1	\$1	\$1	\$1	\$7	
Reduction in OASDI tax contributions .....	1	2	2	2	2	2	2	2	14	
Net OASDI cost .....	1	2	2	3	3	3	3	4	21	
Net cost to the Medicare system .....	1/	1/	1/	1/	1/	1	1	1	4	
<b>Net costs to the Social Security system of the Slovak Republic:</b>										
Increase in benefit payments .....	1/	1	1	2	3	3	4	4	17	
Reduction in OASDI tax contributions .....	1	2	2	2	2	2	2	2	16	
Total .....	1	2	3	4	5	5	6	6	33	
Net cost to the Slovakian national health insurance system 2/ .....	1/	1	1	1	1	1	1	1	6	
Net cost for other Slovakian payroll tax contributions 3/ .....	1/	1/	1/	1/	1/	1/	1/	1	3	

1/ Less than \$500,000.

2/ Includes health insurance payroll tax contributions that the totalization agreement with the Slovak Republic would eliminate.

3/ Includes sickness/maternity, work injury, and unemployment payroll tax contributions that the totalization agreement with the Slovak Republic would eliminate.

Notes:

1. The agreement is assumed to become effective on January 1, 2014.
2. The estimates are based on the intermediate assumptions of the 2012 Trustees Report.
3. Totals may not equal the sums of the components due to rounding.
4. Estimates are in U.S. dollars. The assumed exchange rate is 0.76768 euros per U.S. dollar.

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**Table 2.**—Estimated number of persons affected by a potential totalization agreement between the United States and the Slovak Republic, fiscal years 2014-2021  
(In thousands)

	Fiscal year							
	2014	2015	2016	2017	2018	2019	2020	2021
Number of persons receiving a totalized OASDI benefit based in part on employment in the Slovak Republic (in current-pay status at mid-year) .....	1/	0.1	0.2	0.3	0.3	0.4	0.4	0.5
Number of persons receiving a totalized Slovakian benefit based in part on employment in the United States (in current-pay status at mid-year) .....	.1	.3	.7	1.0	1.4	1.6	1.8	1.9
Number of persons receiving both a totalized OASDI benefit and a totalized benefit from the Slovak Republic (in current-pay status at mid-year) .....	1/	1/	1/	.1	.1	.1	.1	.1
Number of residents of the Slovak Republic, or Slovakian citizens living outside the U.S., who would now be able to receive OASDI dependent or survivor benefits because the 5-year residency requirement would no longer apply (in current-pay status at mid-year) .....	.1	.1	.1	.1	.1	.1	.1	.1
Number of U.S. employees in the Slovak Republic who, along with their employers, would no longer make tax contributions during the year to the Social Security system of the Slovak Republic .....	.2	.2	.2	.3	.3	.3	.3	.3
Number of Slovakian employees in the U.S. who, along with their employers, would no longer make tax contributions during the year to the OASDI trust funds ...	.2	.2	.2	.2	.2	.2	.2	.2

1/ Fewer than 50.

Notes:

1. The agreement is assumed to become effective on January 1, 2014.
2. The estimates are based on the intermediate assumptions of the 2012 Trustees Report.

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Table 3—Projected Net OASDI Cost of Implementing Proposed Totalization Agreement Between U.S. and Slovak Republic

Year	Additional OASDI Net Benefits For Year 1/	Change in OASDI Payroll Taxes For Year	Additional OASDI Net Cost For Year 2/	Additional OASDI Net Cost For Year 2/	Cumulative Additional OASDI Net Cost 2/
(Millions of CPI-Indexed 2012\$)					(Millions of \$, Present Value as of 1-1-12)
2012	0	0	0	0	0
2013	0	0	0	0	0
2014	0	-1	2	2	2
2015	0	-1	2	2	3
2016	1	-2	2	2	5
2017	1	-2	2	2	7
2018	1	-2	3	2	10
2019	1	-2	3	2	12
2020	1	-2	3	2	14
2021	1	-2	3	2	17
2022	1	-2	3	2	19
2023	1	-2	3	2	22
2024	1	-2	3	2	24
2025	1	-2	3	2	27
2026	1	-2	3	2	29
2027	1	-2	3	2	31
2028	1	-2	3	2	34
2029	2	-2	4	2	36
2030	2	-2	4	2	38
2031	2	-2	4	2	41
2032	2	-2	4	2	43
2033	2	-2	4	2	45
2034	2	-2	4	2	48
2035	2	-2	4	2	50
2036	2	-2	4	2	52
2037	2	-2	4	2	54
2038	2	-2	4	2	56
2039	2	-2	4	2	59
2040	2	-2	4	2	61
2041	2	-2	4	2	63
2042	2	-2	4	2	65
2043	2	-2	4	2	67
2044	2	-2	4	2	69
2045	2	-2	4	2	71
2046	2	-2	4	2	73
2047	2	-2	4	2	75
2048	2	-2	4	2	76
2049	2	-2	4	2	78
2050	2	-2	4	2	80
2051	2	-2	4	2	82
2052	2	-2	4	2	84
2053	2	-2	4	2	86
2054	2	-2	5	2	87
2055	2	-2	5	2	89
2056	2	-2	5	2	91
2057	2	-2	5	2	92
2058	2	-2	5	1	94
2059	2	-2	5	1	96
2060	2	-2	5	1	97
2061	2	-2	5	1	99
2062	2	-2	5	2	101
2063	2	-2	5	2	102
2064	2	-2	5	2	104
2065	2	-2	5	2	105
2066	2	-2	5	1	107
2067	2	-2	5	1	108
2068	2	-2	7	1	110
2069	2	-2	7	1	111
2070	3	-4	7	1	112
2071	3	-4	7	1	114
2072	3	-4	7	1	115
2073	3	-4	7	1	117
2074	3	-4	7	1	118
2075	3	-4	7	1	119
2076	3	-4	7	1	121
2077	3	-4	8	1	122
2078	3	-4	8	1	123
2079	3	-4	8	1	124
2080	4	-4	8	1	126
2081	4	-5	8	1	127
2082	4	-5	8	1	128
2083	4	-5	8	1	129
2084	4	-5	8	1	131
2085	4	-5	8	1	132
2086	4	-5	8	1	133

Based on Intermediate Assumptions of the 2012 Trustees Report.

1/ Additional benefits less revenue to OASDI from taxes on benefits.

2/ Additional net benefit payments minus change in payroll-tax revenue.

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