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

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

AN AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF POLAND ON SOCIAL SECURITY, WITH A PRINCIPAL AGREEMENT AND AN ADMINISTRATIVE ARRANGEMENT, BOTH SIGNED IN WARSAW ON APRIL 2, 2008, PURSUANT TO 42 U.S.C. 433(e)(1)

JULY 17, 2008.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

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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)), I transmit herewith the Agreement Between the United States of America and Poland on Social Security, which consists of two separate instruments: a principal agreement and an administrative arrangement. The agreement was signed in Warsaw on April 2, 2008.

The United States-Poland Agreement is similar in objective to the social security agreements already in force with Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. 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-Poland Agreement contains all provisions mandated by section 233 and other provisions that I deem appropriate to carry out the purposes of section 233, pursuant to section 233(c)(4).

I also transmit for the information of the Congress a report prepared by the Social Security Administration explaining the key points of the Agreement, along with a paragraph-by-paragraph explanation of the provisions of the principal agreement and the related administrative arrangement. Attached to this report is the report required by section 233(e)(1) of the Social Security Act, a report on the effect of the Agreement on income and expenditures of the U.S. Social Security program and the number of individuals affected by the Agreement. The Department of State and the Social Security Administration have recommended the Agreement and related documents to me.

I commend to the Congress the United States-Poland Social Security Agreement and related documents.

GEORGE W. BUSH.

THE WHITE HOUSE, *July 16, 2008.*

PRINCIPAL AGREEMENT

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

The Republic of Poland and

the United States of America,

(hereinafter "the Parties"),

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:

   1) "national" means,

      as regards the Republic of Poland,

      a national of the Republic of Poland, and

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The document is described as an "Agreement" with the understanding that it will enter into force for the Republic of Poland as a formal treaty subject to ratification by the Polish Parliament and for the United States as an international agreement under authority of Section 233 of the Social Security Act. Upon entry into force, the Agreement will have the effect of law in both countries and will be binding on both countries.

Article 1 defines key terms used in the Agreement.

A Polish national is any person accorded nationality by the Republic of Poland, including, but not limited to, a person carrying a valid Polish passport or other valid identity document designating the person as a Polish national.

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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;	Under section 101(a)(22) of the Immigration and Nationality Act, "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.
2) "laws" means the laws and regulations specified in Article 2 of this Agreement;	The term "laws," as used in the Agreement, refers to the social security laws and regulations of each country as set forth in Article 2.
3) "competent authority" means, as regards the Republic of Poland, the minister responsible for social security, and as regards the United States, the Commissioner of Social Security;	"Competent authority," as used throughout this Agreement refers to the government official in each country with ultimate responsibility for administering the social security program, including the provisions of the Agreement.
4) "competent institution" means, as regards the Republic of Poland, the institution authorized for implementing the laws specified in Article 2 of this Agreement, and	"Competent institution," as used in the Agreement, refers to the administrative body in each country responsible for taking and processing claims and making coverage determinations under each country's social security laws.

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as regards the United States, the Social Security Administration;	The Social Security Administration (SSA) is the competent institution for the United States. However, the U.S. Internal Revenue Service's (IRS) responsibility for determining Social Security tax liability in light of SSA coverage determinations under the Agreement is not affected. For the Republic of Poland, the competent institutions are the Social Insurance Institution (Zakład Ubezpieczeń Społecznych—ZUS), with respect to application of the provisions of the law that concern social security, except for the social insurance of farmers; and, the Agricultural Social Insurance Fund (Kasa Rolniczego Ubezpieczenia Społecznego—KRUS), with respect to the application of the provisions of the law that concern the social security of farmers.
5) "liaison institution" means the institution responsible for ensuring the coordination and exchange of information between the institutions of both Parties, participating in the application of this Agreement, as well as informing interested persons about rights and responsibilities arising there from;	Article 2 of the Administrative Arrangement designates the institutions in each country that will have primary responsibility for coordinating implementation and administration of the coverage and benefit provisions of the Agreement. SSA is the designated liaison institution for the United States. The counterpart liaison institutions for the Republic of Poland are the Social Insurance Institution—headquarters in Warsaw (Zakład Ubezpieczeń Społecznych– Centrala w Warszawie) with respect to the application of the provisions of the law that concern social security, except for the social security of farmers; and, the Agricultural Social Insurance Fund – headquarters in Warsaw (Kasa Rolniczego Ubezpieczenia Społecznego – Centrala w Warszawie) with respect to the application of the provisions of the law that concern the social security of farmers.

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6) "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; and	"Period of coverage" means any period which is credited under the social security laws of either country for purposes of determining benefit eligibility, including periods of covered employment and self-employment.
7) "benefit" means any benefit provided for in the laws specified in Article 2 of this Agreement.	For the United States, "benefit" refers to old-age, survivors, and disability benefits. The term also includes the lump-sum death payment under section 202(i) of the Social Security Act, but excludes special age-72 payments provided for certain uninsured persons under section 228 of the Social Security Act. For the Republic of Poland, "benefit" refers to social security and to social security for farmers, with respect to old-age, disability and survivors benefits, one-time indemnity payments and benefits awarded as a result of work accidents and occupational diseases, and funeral grants.
2. Any term not defined in this Article shall have the meaning assigned to it in the applicable laws.	Each country will assign to any undefined terms used in the Agreement the same meaning as they are given under its national laws.
Article 2 Material Scope	
1. This Agreement shall apply:	Article 2.1 specifies the laws to which the Agreement applies.
1) with respect to the Republic of Poland, to the laws concerning the following benefits under social insurance and social insurance for farmers:	In Poland, a general social security program covers most employed and self-employed workers in the private and public sectors, and a farmers program covers self-employed farmers.

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a. old-age, disability and survivors' pensions, b. one-time indemnity payments and pensions awarded as a result of work accidents and occupational diseases, and c. funeral grants;	These programs provide benefits in the event of old-age, death, sickness and maternity, disability, unemployment, work accidents and occupational diseases. They also provide health insurance. A separate program, not part of this Agreement, covers uniformed government employees, judges and prosecutors. The Agreement applies to Polish old-age, survivors and disability benefits, one-time indemnity payments and benefits awarded as a result of work accidents and occupational diseases, and funeral grants under the general and farmers social security programs. A worker who is subject exclusively to U.S. laws under Part II of the Agreement will be exempt, together with his or her employer, from contributions for Polish OASDI, one-time indemnity payments and benefits awarded as a result of work accidents and occupational diseases, and funeral grants. Although the Agreement does not apply to Medicare benefits, a worker who is subject only to Polish laws under Part II of the Agreement will be exempt not only from U.S. old-age, survivors and disability insurance contributions but also from health insurance contributions under the Federal Insurance Contributions Act (FICA) and the Self-Employment Contributions Act (SECA).
2) with respect to the United States, to the laws governing the Federal old-age, survivors and disability insurance program: a. 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, and b. Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters.	For the United States, the Agreement applies to title II of the U.S. Social Security Act and the corresponding FICA and SECA tax laws, and to any regulations pertaining to those laws. The Agreement does not apply to Medicare provisions (sections 226 and 226A of the Social Security Act) or provisions for special payments to uninsured persons age 72 or over under section 228 of the Social Security Act. Persons to whom the Agreement applies who qualify independently for Medicare hospital insurance or age-72 payments will be entitled to receive such benefits.

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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 either Party and a third State, or laws or regulations promulgated for their specific implementation.

The laws to which the Agreement applies do not include treaties and other international agreements – for example, either country's bilateral social security agreements with third countries or multilateral agreements. The purpose of this provision is to ensure that in cases where a person has periods of coverage in the United States and the Republic of Poland and periods of coverage in a third country with which the United States or the Republic of Poland has a social security agreement, periods from all three countries may not be combined to meet U.S. or Polish benefit eligibility requirements. (See Part III.)

3. Except as provided in the following sentence, this Agreement shall also apply to legislation which amends or supplements the laws specified in paragraph 1 of this Article. This Agreement shall apply to future legislation of a Party which creates new categories of beneficiaries or new benefits under the laws of that Party unless the competent authority of that Party notifies the competent authority of the other Party 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 2.3 provides that the Agreement will automatically apply to any future U.S. or Polish legislation which creates new categories of beneficiaries or new benefits unless the country enacting the legislation excludes 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 to:

1) persons who are or who have been subject to the laws of one or both Parties;

Article 3 specifies the categories of persons to whom the Agreement applies. These include persons currently covered under U.S. or Polish laws, as well as persons who have been credited with periods of coverage under either country's laws in the past. The Agreement also applies to the dependents and

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2) other persons with respect to the rights they derive from the persons described in subparagraph 1 of this Article.

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survivors of such persons when the dependents or survivors derive rights under the laws of one or both of the countries based on a relationship to such persons.

Article 4

Equality of Treatment

A person described in Article 3 of this Agreement who resides in the territory of a Party shall receive equal treatment with nationals of the other Party in the application of the laws of the other Party regarding entitlement to or payment of benefits.

Article 4 provides that persons to whom the Agreement applies who reside in the United States or the Republic of Poland will be accorded the same treatment regarding benefit rights under that country's social security laws as that country accords its own nationals. This provision is intended to eliminate discrimination that is based strictly on a person's nationality. It would not affect restrictions that a country imposes on benefit eligibility or payment because the person is not lawfully present in that country or was not authorized to work in that country. The provision also does not affect the coverage provisions of either country's laws, since these are dealt with specifically in Part II of the Agreement.

Article 5

Portability of Benefits

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

Article 5.1 provides that where the laws of either country require that a person be resident or present in that country in order to qualify for or receive social security benefits, the person may also qualify for and receive those benefits during periods of residence in the other country. U.S. law already permits payment of benefits to U.S. and Polish nationals who resid in either country. Article 5.1 would also permit the Unit d States to

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	pay certain third country nationals who would otherwise be subject to the alien nonpayment provisions of section 202(t) of the Social Security Act during periods of residence in the Republic of Poland. In addition to the U.S. benefit portability guarantee provided for Polish residents in Article 5.1, the entry into force of the Agreement will also liberalize a restriction on exportation of U.S. dependents and survivors benefits that now applies to certain Polish citizens and residents. Under U.S. law, social security dependents and survivors benefits may not be paid to aliens who first become eligible after 1984 and who are outside the United States for more than 6 months unless they satisfy certain U.S. residency requirements or they are citizens or residents of a country with which the United States has an international social security agreement in force. Once the Agreement enters into force, Polish citizens and residents will be exempt from this payment restriction.
2. The provisions of paragraph 1 of this Article shall not apply in the Republic of Poland to benefits granted under a special procedure or under exceptional circumstances.	Under Polish social security laws, the Prime Minister and the President of ZUS are authorized to award benefits on terms and conditions and in amounts other than those expressly provided for in the laws. By statute, such exceptional benefits are paid from the government budget, and are subject to parliamentary oversight. The provisions of Article 5.1 do not apply to such benefits.
PART II Provisions Concerning Applicable Laws	Part II is intended to eliminate dual social security coverage, the situation that occurs when a worker is covered under the laws of both countries with respect to the same services. In so doing, the existing coverage provisions of the laws of both countries are preserved to the greatest extent possible. The provisions in this

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Part are intended to eliminate dual coverage by continuing the worker's Social Security coverage and taxation under the system of the country to whose economy he or she has the more direct connection and exempting the worker from coverage and taxation under the other country's system.

Article 6

Coverage Provisions

Article 6.1 establishes a general rule for eliminating dual social security coverage and contributions for persons employed in either the United States or Poland. Articles 6.2 and 6.3 contain exceptions to the general rule for employees which apply in the case of persons sent by an employer in one country to work temporarily in the other country. Articles 6.4 and 6.5 provide for the elimination of dual coverage in the case of self-employed persons. Article 6.6 precludes dual coverage that might otherwise occur for employees in air transportation. Articles 6.7, 6.8 and 6.9 establish rules applicable to persons employed in U.S. or Polish government service. Article 6.10 specifies that Agreement countries may jointly grant exceptions to the Agreement's coverage provisions for persons or groups, provided those excepted remain subject to the laws of one of the countries.

1. Except as otherwise provided in this Article, a person employed within the territory of one of the Parties shall, with respect to that employment, be subject to the laws of only that Party.

Article 6.1 establishes a basic territoriality rule which stipulates that ordinarily, a person's employment in one country will be compulsorily covered by only that country. Thus, employment that would otherwise be covered under the laws of both countries will remain covered under the system of the country where the worker is employed, and will be exempt from coverage under the system of the other country.

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2. Where a person who is normally employed in the territory of one Party by an employer in that territory is sent by that employer to the territory of the other Party for a temporary period, the person shall be subject to the laws of only the first Party as if the person were employed in the territory of the first Party, provided that the period of employment in the territory of the other Party 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 one Party by an employer in that territory to the territory of the other Party, that employer and an affiliated company of the employer shall be considered one and the same, provided that the employment in the territory of the other Party is covered under the laws of the Party from which the person was sent.	Under Article 6.2, an employee who normally works for an employer located in the United States or in the Republic of Poland who is temporarily transferred to work in the other country for the same employer will continue to be covered by the social security system of the country from which the mployee has been transferred. This rule will apply only if the transfer is expected to last 5 years or less. Article 6.2 also applies in the case of certain employees who are sent by an employer in the United States to work for a subsidiary or other affiliate of that employer in the Republic of Poland. U.S. law permits 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 employed by the foreign affiliate. Under Article 6.2, U.S. citizens or resident aliens who are sent by an American employer to work for an affiliated Polish company for 5 years or less will continue to be covered by the United States and exempt from Polish coverage and contributions, provided the affiliate is covered by an IRS agreement. For purposes of measuring the length of a transfer for workers who were sent from one country to the other before the Agreement entered in to force, any period of work before the Agreement's entry into force will be disregarded. (See Article 22.3.)
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 Party to the territory of a third State, and who is compulsorily covered under the laws of that Party while employed in the	Under Article 6.3, the provisions of Article 6.2 will apply even if an employee has not been sent directly from one country to the other but is first assigned to work in a third country.

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territory of the third State, is subsequently sent by that employer from the territory of the third State to the territory of the other Party.	
4. A self-employed person who resides within the territory of a Party shall be subject to the laws of only that Party.	Article 6.4 eliminates dual coverage and contributions with respect to self-employment. It provides that self-employed residents of Poland will be covered only under Polish laws and that self-employed U.S. residents will be covered only under U.S. laws.
5. Where the same activity is considered to be self-employment under the laws of one Party and employment under the laws of the other Party, that activity shall be subject to the laws of only the first Party if the person resides in the territory of that Party and to the laws of only the other Party in any other case.	Article 6.5 eliminates dual coverage in cases where a person's work activity is considered to be self-employment under the laws of one country and employment under the laws of the other and is compulsorily covered by both countries. Under Article 6.5, a person who is a resident of the country which considers the work to be self-employment will be subject only to the social security laws of that country. A person who is not a resident of the country which considers the work to be self-employment will be subject to the laws of the other country.
6. Traveling employees of an air transportation company who perform work in the territories of both Parties and who would otherwise be covered under the laws of both Parties shall, with respect to that work, be subject to the laws of only the Party in the territory of which the company has its headquarters. However, if such employees reside in the territory of the other Party, they shall be subject to the laws of only that Party.	Under Article 6.6, a member of the flight crew of an aircraft operating between the United States and the Republic of Poland who would otherwise be covered under the laws of both countries will be covered only by the country in which the company employing the person is headquartered. However, if the employee resides in the other country, he or she will be subject to the laws of that country.

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7. The present Agreement does not affect the provisions regarding social security of the Vienna Convention on Diplomatic Relations dated 18 April 1961 and the Vienna Convention on Consular Relations dated 24 April 1963.

8. Where a person employed in the government service of one of the Parties is covered under the laws of both Parties in respect of that employment, the following rules shall apply:

   1) a person employed in government service for a Party who is sent to work in the territory of the other Party shall, in respect of that employment, be subject only to the laws of the first Party, and

   2) except as provided in paragraph 7 and paragraph 8, subparagraph 1 of this Article, a person who resides in the territory of a Party and who is employed therein in government service for the other Party shall, in respect of that employment, be subject only to the laws of the other Party.

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Article 6.7 is included to specify that, in general, the categories of persons mentioned in the Vienna Conventions on diplomatic and consular relations will not be affected by the coverage provisions of the Agreement. The Conventions, to which both the United States and the Republic of Poland are parties, apply to members of the staff of a diplomatic or consular mission, including 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 employed by the members of such missions.

Generally, the Vienna Conventions exempt such persons from social security coverage and contributions under the laws of the host country unless specific arrangements have been made to waive their immunity from taxation. Persons whose immunity has been waived would be subject to the laws of the host country, including the coverage provisions of this Agreement.

Article 6.8 provides that if a U.S. or Polish national is employed by his or her government in the other country but is not exempt from host country coverage by virtue of the Vienna Conventions (for example, because the person is not employed in a diplomatic or consular mission), the person will be subject only to the laws of his or her own country.

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9. For the purpose of this Article, "government service" means employment by the government of a Party or by an instrumentality thereof.	Article 6.9 states that the phrase "government service" in Article 6 refers not only to U.S. and Polish gov rnment employees, but also to persons working for a U.S. or Polish government instrumentality.
10. The competent authorities of the two Parties, or institutions designated by them, 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 Parties.	Under Article 6.10, either country may grant an exception to the coverage rules of the Agreement, provided that the other country agrees and the person involved remains subject to the coverage laws of one of the countries. Such an exception may be granted on behalf of an individual worker or on behalf of all workers employed under similar circumstances, e.g., in the same profession or for the same employer. This provision is designed to permit the competent authorities or their designated institutions to correct anomalous coverage situations that may arise to the disadvantage of workers or to eliminate dual coverage in unforeseen circumstances.
Part III Provisions on Benefits	Part III establishes the basic rules for determining social security benefit entitlement when a person has worked in both the United States and the Republic of Poland, and the rules for determining benefit amounts when entitlement is based on combined work credits. Article 7 has provisions dealing with the systems of both countries, Article 8 applies to the U.S. system, and Article 9 contains rules specifically applicable to the Polish system.
Article 7 Mutual Provisions	Article 7 sets forth benefits provisions applying to both countries.
1. Subject to other provisions of this Agreement, if the laws of one Party make eligibility for benefits conditional on having accrued periods of coverage, the competent institution of	Article 7.1 provides that where the social security laws of one of the countries require that periods of coverage be accrued in order to establish eligibility, that country shall take into account

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that Party shall take into account periods of coverage accumulated under the laws of the other Party, unless such periods of coverage overlap.	any periods of coverage credited under the other country's laws insofar as these periods do not coincide with periods of coverage already credited under the first country's laws. This precept is explained further in the subsequent provisions of Part III.
2. Events that affect entitlement, reduction, suspension or benefit amount which occur in the territory of one Party shall be taken into account as if they had taken place in the territory of the other Party.	Article 7.2 provides that if an event affecting benefit entitlement, reduction, suspension or amount occurs in one country, it will be considered as having taken place, and will have the same effect, as if it had occurred in the other country. Thus, under Article 7.2, events which occur in the United States and which have effect on benefit entitlement, reduction, suspension or amount will be considered as if they had occurred in the Republic of Poland, and vice versa.
3. To award a disability benefit, the competent institution of each Party will determine disability, and, as regards the Republic of Poland, the degree of disability, according to the laws administered by that competent institution.	Under Article 7.3, each country will establish disability under its own regulations. Thus, for example, though both the U.S. and Polish social security programs award monthly disability benefits, Polish disability benefits, (but not U.S. disability benefits), may be based on partial disability.
Article 8 Benefits of the United States	
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 competent institution of the United States shall take into	Article 8 contains rules for determining U.S. benefit eligibility and amounts in the case of people who have periods of social security coverage in the Republic of Poland and at least six quarters of coverage in the United States, but who do not have enough U.S. coverage to qualify for U.S. benefits, SSA will take

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account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under the laws of the Republic of Poland and which do not coincide with periods of coverage already credited under United States laws.	into account any periods of coverage credited under Polish laws insofar as these periods do not coincide with quarters of coverage already credited under U.S. laws.
2) In determining eligibility for benefits under paragraph 1 of this Article, the competent institution of the United States shall credit one quarter of coverage for every 3 months of coverage certified by the competent institution of the Republic of Poland; 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. However, the competent institution 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.	Article 8.2 establishes the procedure that SSA will follow in converting periods of coverage under the Polish system into equivalent periods under the U.S. system. Periods of coverage under the U.S. system are measured in calendar quarters. Under the Polish system, ZUS credits a month of coverage for each 30-day covered period. For February, it credits a month's coverage. KRUS measures coverage in quarters, but counts days to credit quarters as necessary. Beginning in 1978, U.S. quarters of coverage are based on the amount of a person's annual earnings (e.g., for 2007, $1,000 in earnings equals one quarter of coverage). Under Article 8.2, SSA will credit one quarter of coverage in a calendar year for every 3 months of coverage certified for that year by the Polish agency. SSA will not credit months of coverage under Polish laws which fall within a calendar quarter which has already been credited as a U.S. quarter of coverage. In addition, SSA will not credit more than 4 quarters of coverage for any calendar year, nor will SSA consider periods of Polish coverage credited prior to 1937, the earliest date for which periods of coverage may be credited under U.S. law.
3) Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1 of this Article, the competent institution of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on:	Article 8.3 describes the method of computing U.S. benefit amounts when entitlement is established by totalizing (i.e., combining) U.S. and Polish coverage.

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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.

Article 9

Benefits of the Republic of Poland

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Under the procedure outlined in Article 8.3, the amount of the worker's benefit depends on both the level of his or her earnings and the duration of his or her coverage under U.S. Social Security. This computation procedure is described in detail in SSA regulations (20 CFR 404.1918 as revised July 24, 1984).The first step in the procedure is to compute a theoretical Primary Insurance Amount (PIA) as though the worker had spent a full coverage lifetime (i.e., 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. The theoretical PIA is then prorated to reflect the proportion of a coverage lifetime completed under the U.S. program. A coverage lifetime is defined in the regulations as the number of the work r's benefit computation years, i.e., the years which must be used in determining a worker's average earnings under the regular U.S. national computation method.

Article 8.4 stipulates that persons who qualify for U.S. benefits based solely on their U.S. coverage are not eligible for U.S. totalization benefits. Thus, when a worker who is entitled to a pro rata (totalization) benefit from the United States acquires additional U.S. coverage which enables the person to qualify for an equal or higher benefit based solely on his or her U.S. coverage, SSA will pay the regular national law benefit rather than the totalization benefit.

Benefits under the Polish social security system are paid to persons who meet the applicable eligibility requirements, including minimum length-of-coverage and recency-of-work requirements. The Polish social security system, subject to any minimum coverage rules established in Article 9, is obliged under Article 7.1 to combine Polish and U.S. periods of coverage for purposes of computing pro rata benefits. Thus, the Republic of Poland will add a person's U.S. Social Security coverage to

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periods of Polish coverage, if necessary, to meet benefits qualification requirements. The Republic of Poland will then pay benefits proportional to the amount of coverage credited under the Polish system.

The benefit provisions in Article 9 apply to Polish old-age, disability and survivors benefits; to one-time indemnity payments and benefits awarded as a result of work accidents and occupational diseases; and to funeral grants.

POLISH SOCIAL SECURITY BENEFITS

With some exceptions, the Republic of Poland's social security system is universal and mandatory. Non-agricultural workers are covered under the general system, called ZUS, and farmers are covered under a separate system, called KRUS. Effective January 1999, Poland implemented a new old-age benefits system with a pay-as-you-go (PAYG), notional defined contribution first tier and a fully funded, privately managed individual account defined contribution second tier for persons covered by ZUS. Under this system, workers born after 1948 must contribute to the new first tier and workers born 1949-1968 had the option of contributing to the second tier, but they had to exercise this option before 2000. Workers born after 1968 must contribute to both tiers. Workers born before 1949 remain subject to pre-1999 system rules, which govern essentially a defined benefits system. The self-employed are compulsorily covered under either old or new system rules, depending on year of birth. However, self-employed persons subject to the new system may choose whether to make voluntary health insurance and sickness-maternity contributions. KRUS has its own health insurance contribution rules and rates distinct from those of ZUS.

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OLD-AGE BENEFITS

For workers covered by ZUS born before January 1, 1949, the old system method of calculating old-age benefits remains in effect, and the normal retirement age for Polish old-age benefits is 65 for males with 25 years of coverage or 60 for females with 20 years of coverage. Workers who meet the length of coverage requirements at normal retirement age are eligible for guaranteed minimum benefits. Reduced benefits are available to workers who do not meet length of coverage requirements at normal retirement age. Under this system, early full old-age benefits are available for workers in designated occupational categories, for disabled workers and for females with 30 years of coverage. There is no provision for increased old-age benefits based on delayed retirement.

For workers born before January 1, 1949, old-age benefits are calculated under the terms of the system in effect prior to January 1999 and are expressed as:
a designated percentage of the current national average annual wage, plus a designated percentage of the worker's 10-year average annual indexed earnings amount (called the 'basis of assessment') multiplied by the number of contribution years, plus a designated percentage of the worker's basis of assessment multiplied by a specified number of non-contribution years.

For workers born after 1948, the new social security system provides that old-age benefits are payable at age 65 (males) or age 60 (females). There is no minimum coverage period for these workers.

Under this new system, early retirement based on occupational category is not available, and there is no provision for increased old-age benefits based on delayed retirement.

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ANNOTATIONS AND COMMENTS

Guaranteed minimum old-age benefits are available for males with 25 years of coverage and for females with 20 years of coverage.

For workers born after 1948, the new first tier PAYG notional defined contribution formula in effect from January 1, 1999 is applied together with the new second tier fully funded individual account system to calculate old-age benefits as life annuities yielding monthly benefits, and is expressed as:

the sum of collected and indexed contributions, taking into account any contributions prior to January 1, 1999, divided by the average life expectancy at an age equal to the retirement age, expressed in months.

This formula may be applied in modified fashion to certain workers who were born in the period 1949 through 1953, and who had the option of choosing whether to contribute to the post-1998 system's fully funded second tier. Under a sliding scale based on the year of filing the benefits application, workers who chose not to contribute to the second tier receive old-age benefits calculated partly under the pre-1999 formula, and partly under the post-1998 first tier formula.

Benefits payments for males first receiving them at age 65 or after and for females first receiving them at age 60 or after are not terminated, suspended or decreased as a result of post-entitlement work or earnings.

KRUS system funding and benefits are based on contributions and general revenue subsidies, and are distinct from those of ZUS. Qualifying factors for old-age benefits are also distinct from those of ZUS.

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DISABILITY, WORK ACCIDENT AND OCCUPATIONAL DISEASE BENEFITS

Disability benefits under ZUS are payable if the worker is either completely disabled (that is, cannot do any work) or partially disabled (that is, cannot do work for which the worker is qualified). Generally, the worker must meet minimum and recent coverage requirements. Benefits for a person partially disabled are 75 percent of what they would be if the worker were completely disabled. ZUS physicians make Polish system disability decisions. From January 1, 2006, decisions certifying disability are issued for a period not longer than 5 years, or for a longer period if there is no prognosis of restoration of earning capacity within 5 years. The benefits are payable during the certified period of disability. Disability benefits are calculated and expressed as:

a designated percentage of the worker's basis of assessment, plus a smaller percentage of the basis of assessment for each contribution year, plus a designated percentage of the basis of assessment for each non-contribution year, plus a designated percentage of the basis of assessment for the number of years between the worker's filing date and age 60, subject to a limit.

Work accident and occupational disease cases, referred to in the United States as "worker's compensation" cases, can result in the award of disability benefits.

Disability benefits based on work accident or occupational disease are awarded without regard to the duration of the coverage period or the date of occurrence of incapacity for work.

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Disability benefits for a person completely disabled due to a work accident may not be less than 80 percent of the worker's basis of assessment, and those for a person partially disabled due to a work accident may not be less than 60 percent of the basis of assessment.

Subject to a means test, a training allowance is paid for the first 6 months following disability onset to a worker unable to return to his or her previous work. The training allowance is equal to 75 percent of the worker's 10-year average indexed monthly earnings. The allowance may be paid at the rate of 100 percent of the worker's 10-year average indexed monthly earnings if the worker is disabled as a result of a work accident or occupational disease.

KRUS physicians make KRUS system disability decisions, which are generally valid for the period certified by the physician. Qualifying factors, including recent coverage requirements, are distinct from those of ZUS. Funding and benefits are based on contributions and general revenue subsidies, and are also distinct from those of ZUS.

ONE-TIME INDEMNITY PAYMENTS

Lump sum compensation under ZUS is payable to a covered worker at a designated percentage of average earnings according to the designated percentage of medical impairment assessed by a ZUS physician. The impairment must be the result of a work accident or occupational illness, and must be either permanent or protracted (exceeding 6 months, but promising recovery). KRUS determines the amount of lump sum compensation for persons covered under the agricultural system. KRUS lump sum qualification rul s are distinct from those of ZUS.

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SURVIVORS BENEFITS

ZUS survivors benefits are awarded to surviving spouses (including divorced spouses), children, siblings, parents and grandparents meeting eligibility and dependency requirements.

Survivors benefits are calculated as a percentage of the benefits the deceased worker would have been entitled to receive in the month of death. When a worker dies prior to being entitled to benefits, this amount equals the amount the deceased worker would have received if he or she had been completely disabled (including disabled due to work accident or occupational disease), in the month of death.

All entitled family members acquire the right to one joint survivors benefit. One beneficiary receives 85 percent of the amount that would have been payable to the deceased worker; two receive 90 percent; and, three or more receive 95 percent.

Minimum survivors benefits are generally the same as minimum old-age benefits, but those based on work accident insurance (including benefits for the survivors of workers partially disabled prior to death) are 120 percent of the old-age guaranteed minimum. KRUS survivors benefits are calculated and paid under rules similar, but not identical, to those which govern calculation and payment of ZUS survivors benefits.

FUNERAL GRANTS

The ZUS funeral grant is intended to cover the fun ral costs of the insured person, beneficiary, or his or her family members and other eligible persons who on the date of death have not established entitlement to benefits but have met the

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

requirements to qualify. It is payable at the rate of 200 percent of the average national salary in effect on the date of death of the decedent. KRUS funeral grants are generally paid under conditions similar, but not identical, to those which govern the payment of ZUS funeral grants.

The following provisions shall apply to the Republic of Poland:

Under the Polish system rules in effect for persons born before 1949, early old-age benefits are available to some categories of Polish workers, such as miners; state inspectors; customs inspectors; creative/artistic workers; newspaper, magazine, radio/television and photojournalists subject to collective labor agreements; teachers; state uniformed services systems employees and firemen. Article 9.1 specifies that, when making benefit determinations, the Polish system will consider for the purpose of totalization of coverage those periods of U.S. coverage earned through work activity in such occupations.

1) If the laws of the Republic of Poland make eligibility for benefit conditional on periods of coverage in an occupation or particular employment insured under a special system, then periods of coverage accumulated in the same occupation or particular employment in the United States shall be considered by the competent institution of the Republic of Poland in the determination of benefits.

2) If a period of coverage under the laws of the Republic of Poland is shorter than 12 months and based on that period of coverage there will be no eligibility for benefits, the competent institution of the Republic of Poland shall not be under obligation to award a benefit.

Under Article 9.2, the Polish system will not take U.S. periods of coverage into account under the Agreement if the worker has fewer than 12 months of Polish coverage and cannot establish entitlement to Polish benefits based on Polish coverage alone. (In limited circumstances, it is possible to qualify for Polish disability benefits with less than one year of coverage.) Like the similar 6 quarters of coverage requirement for totalization by the United States under Article 8.1, this provision is intended to avoid the considerable administrative burden that would result from processing claims for very small benefits based on minimal periods of coverage.

3) If, according to the laws of the Republic of Poland, the right to benefits arises without consideration of periods of coverage under the laws of the United States, then the competent institution will grant a benefit and determine its amount based only on the periods of coverage accumulated

A Polish national law benefit based solely on Polish coverage will be payable to an eligible person unless, as Article 9.3 specifies, a person's totalized benefit as calculated under Article 9.4 is higher. In such a case, the totalized benefit will be payable.

PRINCIPAL AGREEMENT

according to the laws of the Republic of Poland, unless the amount of the benefit determined according to subparagraph 4 of this Article will be more favorable.

4) If, according to the laws of the Republic of Poland, the insured person obtains a right to a benefit after totalization of periods of coverage credited under the laws of both Parties, then the competent institution:

   a. shall determine the theoretical amount of the benefit which would be awarded if all periods of coverage were obtained under the laws of the Republic of Poland, and

   b. based on the theoretical amount of the benefit, as discussed under letter a of this subparagraph, shall determine the actual amount of the benefit based on the ratio of periods of coverage accumulated under the laws of the Republic of Poland to the sum of all periods of coverage under the laws of both Parties.

5) When determining the basis for calculating the benefit, the competent institution of the Republic of Poland shall consider exclusively its own periods of coverage.

6) Entitlement to benefits for work accidents and occupational diseases under the laws of the Republic of Poland shall be established only when the insured person was subject to the laws of the Republic of Poland at the time of the work accident or at the time of the onset of the occupational disease.

ANNOTATIONS AND COMMENTS

As Article 9.4 describes, the Polish agency will perform two separate benefit calculations. Initially, it will combine periods of coverage in the Republic of Poland and in the United States. If the combined total coverage meets length of coverage requirements under Polish system rules, under Article 9.4.a, the Polish agency will first compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Polish law. Second, under 9.4.b, it will determine a pro rata benefit amount by multiplying the theoretical amount by the ratio of the periods of coverage completed under Polish laws to the total periods in both countries. Finally, it will compare the resulting benefit amount with the amount of any regular national law benefit for which the person qualifies, as described in Article 9.3, to determine whether the totalized or national law benefit is higher. Only the higher of the two benefit amounts will be paid.

Article 9.5 provides that a pro rata benefit amount resulting from the calculation described in Article 9.4 will always be based solely on periods of coverage and earnings under the Polish system.

While U.S. periods of coverage may be consid red in the calculation of Polish work accident or occupational disease benefits, Article 9.5 provides that in order to become entitled to such benefits, a worker must have been subject to Polish system rules when the work accident occurred, or at the time of the onset of the occupational disease.

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PART IV

Miscellaneous Provisions

Article 10

Administrative Arrangements

1. The competent authorities of the Parties are authorized to enter into administrative arrangements necessary for the application of this Agreement.

2. The competent authorities of the Parties shall:

   1) designate liaison institutions;

   2) communicate to each other information concerning the measures taken for the application of this Agreement; and

   3) 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 10 outlines various duties of the competent authorities under the Agreement. Paragraph 1 authorizes the competent authorities to make any administrative arrangements that may be necessary to implement the Agreement. Paragraph 2 requires the competent authorities to designate liaison institutions, to notify each other of measures they have taken unilaterally to implement the Agreement, and to notify each other of any changes in their respective social security laws that may affect the application of the Agreement.

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Article 11

Mutual Assistance

The competent authorities, liaison institutions and the competent institutions of the Parties, 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 11 provides authority for the two countries to furnish each other non-reimbursable assistance in administering the Agreement. Such assistance may include the taking of ben fit applications and the gathering and exchanging of information relevant to claims filed under the Agreement. Although Article 11 establishes a general principle that mutual administrative assistance shall be free of charge, the provision authorizes the two sides to agree to exceptions, such as the exception regarding medical examinations under Article 14. (See also Article 9 of the Administrative Arrangement.)

Article 12

Protection of Personal Data

Unless otherwise required by the national statutes of a Party, information about an individual which is transmitted in accordance with this Agreement to that Party by the other Party shall be used exclusively for purposes of implementing this Agreement. Such information received by a Party shall be governed by the national statutes of that Party for the protection of privacy and confidentiality of personal data.

Both the United States and the Republic of Poland have statutes and regulations that govern disclosure and provide strict safeguards for maintaining the confidentiality of information pertaining to persons which is 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 Social Security Act and other related statutes. Article 12 provides that personal information pertaining to a person which one country furnishes to the other under the Agreement will be protected in accordance with the applicable provisions of the other country's privacy and confidentiality laws.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

Article 13

Exemption from Fees and Authentication of Documents

1. Exemption from registration, filing, consular and other similar fees, as provided by the laws of each of the Parties, shall apply to certificates and documents issued by institutions of the other Party used for application of this Agreement.

Article 13.1 provides that if the laws of a country exempt documents submitted in connection with a social security claim from registration, filing, consular and other fees or charges, that exemption shall also apply if such documents are sent to the other country on behalf of a claimant or beneficiary.

2. Documents and certificates which are presented for purposes of this Agreement shall not require authentication by diplomatic or consular authorities.

Some countries require that the authenticity of documents submitted to their social security authorities by or on behalf of persons in another country be certified by a diplomatic, consular or other official representative in the other country. (The United States has no such requirements.) Under Article 13.2, neither the United States nor the Republic of Poland will require such authentication of documents submitted under the Agreement.

3. Copies of documents which are certified as true and exact copies by a competent institution of one Party shall be accepted as true and exact copies by a competent institution of the other Party, without further certification. The competent institution of each Party shall be the final judge of the probative value of the evidence submitted to it from whatever source.

If the competent institution of one country certifies that a copy of a document it furnishes to the competent institution of the other country is a true and exact copy of an original document, the receiving competent institution will accept this certification. Nevertheless, each country's competent institution will remain the final judge of the probative value of any documents submitted to it.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

Article 14

Medical Examinations

Medical examinations of persons in the territory of one of the Parties, which are required under the laws of the other Party, shall be arranged by the competent institution of the first Party, upon the request and at the expense of the requesting institution. The costs of medical examinations shall not be refunded if they are performed for the institutions of both Parties.

Article 14 provides that where a medical examination is required under a country's social security laws, and the claimant or beneficiary is located in the other country, the agency of the other country will, upon request, arrange for the examination at the expense of the agency requesting it. The costs of medical examinations performed for the social security institutions of both countries will not be reimbursed.

Article 15

Languages

1. For the application of this Agreement, the competent authorities, liaison institutions and competent institutions of the Parties may correspond in either Polish or English.

2. An application or a document cannot be dismissed solely because it is written in the language of the other Party.

Article 15.1 authorizes correspondence in Polish or English between the competent authorities and social security institutions of the two countries.

Under Article 15.2, a country cannot reject an application or document because it is in the language of the other country. SSA already accepts applications and documents without regard to the language in which they are written.

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Article 16

Applications

written application for benefits filed with a competent stitution of one Party shall protect the rights of the aimants under the laws of the other Party if the applicant quests that it be considered an application under the laws the other Party.

an applicant has filed a written application for benefits with competent institution of one Party and has not explicitly quested that the application be restricted to benefits under e laws of that Party, the application shall also protect the hts of the claimants under the laws of the other Party if e applicant provides information at the time of filing dicating that the person on whose record benefits are aimed has completed periods of coverage under the laws the other Party.

ie provisions of Part III shall apply only to benefits for nich an application is filed on or after the date this greement enters into force.

ANNOTATIONS AND COMMENTS

Under Article 16.1, a written application submitted to a competent institution of one country will protect a claimant's right to benefits under the laws of the other country as if the application had been presented in the other country, provided the applicant expresses an intent to file for benefits in the other country when the application is filed.

An applicant who files an application with the competent institution of one country may not always be fully aware of his or her benefit rights in the other country. Thus, Article 16.2 provides that, absent an expression of intent to file for benefits under the laws of only that country, an application will also protect the applicant's rights under the other country's laws if the applicant indicates, at the time of filing, that the person on whos record benefits are claimed has been covered under the social security system of the other country.

Article 16.3 requires that a person claiming benefits under the Agreement file an application either on or after the date th Agreement enters into force.

PRINCIPAL AGREEMENT

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Article 17

Appeals and Time Limits

1. A written appeal of a determination made by a competent institution of one Party may be validly filed with a competent institution of either Party. The appeal shall be decided according to the procedure and laws of the Party whose determination is being appealed.

Both the United States and the Republic of Poland have formal procedures for appealing adverse determinations of their competent institutions. Under Article 17, a written app al of a determination by a competent institution of one country may be filed with the competent institution of either country. In either case, the competent institution of the country whose decision is being appealed shall consider the appeal based on its own laws and procedure.

2. Any application, written appeal or other document which, according to the laws of one Party, must have been filed within a specified period of time with the competent institution of that Party, but which is instead filed within the same period with the competent institution of the other Party, shall be considered to have been filed on time.

Article 17.2 provides that a claim, notice or written appeal which must be filed within a prescribed time limit with a competent institution of one country will be considered to have been filed on time if it is filed with the competent institution of the other country within that prescribed time limit.

Article 18

Transmittal of Applications, Written Appeals, and Other Documents

In any case to which the provisions of Article 17 of this Agreement apply, the competent institution to which the application, written appeal or other document has been submitted shall indicate the date of receipt on the document and transmit it without delay to the competent institution of the other Party.

The competent institution with which a claim, notice or written appeal is filed under Article 16 or 17 of the Agreement shall transmit it without delay to the competent institution of the other country, indicating the date on which the document was received by the sending country's competent institution.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

Article 19

Currency

Payments under this Agreement may be made in the currency of the Party making the payments, or in any other freely convertible currency.

Benefits payable under this Agreement may be paid in the currency of either country. The normal U.S. practice is to pay benefits in U.S. dollars. Polish benefits may be paid abroad in U.S. dollars or in Polish zloty. Either country may pay benefits in any other freely convertible currency (e.g., euros, should the Republic of Poland adopt the euro as its currency).

Article 20

Resolution of Disagreements

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

Article 20 obligates the competent authorities to resolve any dispute between them regarding the Agreement through direct consultation or negotiation.

Article 21

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 21 provides that the Agreement may be amended by future supplementary agreements. After a supplementary agreement becomes effective, it shall be considered an integral part of the Agreement.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

PART V

Transitional and Final Provisions

Article 22

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, or to a lump-sum death benefit if the person died before the entry into force of this Agreement.

Benefits payable based on the Agreement will be paid for periods beginning no earlier than the date that the Agreement enters into force (effective date). Any lump-sum death payments provided by section 202(i) of the U.S. Social Security Act will be paid under the Agreement only if the death occurs on or after the Agreement's effective date.

2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage under the laws of either Party and other events which occurred before the entry into force of this Agreement.

In determining benefit eligibility and amounts under the Agreement, Article 22.2 provides that periods of coverage occurring before the Agreement enters into force will be taken into account. In addition, events material to the determination of benefit rights, such as marriage, death, disability or attainment of a certain age, that occurred prior to the effective date of the Agreement, will be considered in applying the Agreement. However, the United States will not consider periods of Polish coverage credited prior to 1937, the earliest date for which periods of coverage may be credited under U.S. law. (See Article 8.)

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

In applying paragraph 2 of Article 6 of this Agreement, in the case of persons who were sent to the territory of a Party prior to the date of entry into force of this Agreement, the period of employment referred to in that paragraph shall be considered to begin on that date.

Under Article 6.2, if an employee is transferred by his or her employer from one country to work in the other country, that employee will continue to be covered under the social security system of the first country and will be exempt from coverage under the laws of the host country provided the period of the transfer is for 5 years or less. Article 22.3 provides that the 5-year period will measured beginning no earlier than the date the Agreement enters into force. Thus, for purposes of measuring the length of a transfer for employees to whom Article 6.2 applies, who were sent from one country to the other before the Agreement entered into force, any period of work before the Agreement's entry into force will be disregarded with respect to the 5-year limit.

Article 23

Retention of Benefit Entitlement

Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.

A decision to award or deny a claim which was rendered prior to the effective date of the Agreement will not prevent a person from filing a new application for additional benefits that may be payable as a result of the Agreement.

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 23.2 guarantees that benefits which are already being paid at the time the Agreement becomes effective will not be reduced as a result of its entry into force.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

Article 24

Duration and Termination

1. This Agreement shall remain in force for an unlimited period of time. It may be terminated at any time by either Party giving 12 months' notice in writing to the other Party.

Article 24.1 provides for the Agreement to remain in effect indefinitely. However, either country may terminate the Agreement with 12 months' notice. Thus, Article 24.1 provides for the Agreement to remain in effect until the expiration of 12 months after written notice of termination is given to one of the countries by the other.

2. In the event of the termination of this Agreement, entitlement to or payment of benefits acquired by a person shall be maintained, and the competent authorities shall agree on the regulation of any rights then in course of acquisition under its provisions.

In the event the Agreement is terminated, a person will retain benefit rights acquired before termination; special arrangements would determine 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 which had not yet resulted in fully insured status.

Article 25

Entry into Force

The Parties shall notify each other in writing of the completion of th ir respective statutory and constitutional procedures required for the entry into force of this Agreement. This Agreement shall enter into force on the first day of the third month following the month during which the last notification occurs.

Each country will follow its own constitutional and statutory procedures for approval of the Agreement. Once each country has completed its internal approval process, the two Governments will exchange formal instruments of approval. The Agreement will enter into force on the first day of the third calendar month after the month in which the last notification of approval is received from the other Government.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

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

DONE at ___[city]_____ on __[date]___ in duplicate in the English and Polish languages, the two texts being equally authentic.

FOR THE UNITED STATES OF AMERICA:

FOR THE REPUBLIC OF POLAND:

ADMINISTRATIVE ARRANGEMENT

Administrative Arrangement
for the Implementation of the Agreement
on Social Security
between the United States of America
and the Republic of Poland

'he Competent Authority of the Republic of Poland and

ıe Competent Authority of the United States of America,

ı conformity with Article 10, paragraph 1 of the Agreement on ıocial Security between the Republic of Poland and the Inited States of America signed on ,
ereinafter referred to as the "Agreement", have agreed as ɔllows:

CHAPTER I

General Provisions

Article 1

Definitions

Vhere terms which appear in the Agreement are used in this ıdministrative Arrangement, they shall have the same meaning s they have in the Agreement.

ANNOTATIONS AND COMMENTS

Article 1 provides that the terms used in both the Agreement and this Administrative Arrangement, whether defined in the Agreement or not, will have the same meaning as they have in the Agreement.

ADMINISTRATIVE ARRANGEMENT

Article 2

Liaison Institutions

aison institutions referred to in Article 10, paragraph 2, ragraph 1, of the Agreement shall be:

1) for the Republic of Poland:

   a. the Social Insurance Institution – headquarters in Warsaw (Zakład Ubezpieczeń Społecznych – Centrala w Warszawie) with respect to application of the provisions of the law that concern social insurance, except for the social insurance of farmers, and

   b. the Agricultural Social Insurance Fund – headquarters in Warsaw (Kasa Rolniczego Ubezpieczenia Społecznego – Centrala w Warszawie) with respect to the application of the provisions of the law that concern the social insurance of farmers;

2) for the United States - the Social Security Administration (Administracja Zabezpieczenia Społecznego).

ANNOTATIONS AND COMMENTS

Article 2.1 designates the institutions in each country that will have primary responsibility for coordinating implementation and administration of the coverage and benefit provisions of the Agreement. The Social Security Administration (SSA) is the designated liaison institution for the United States.

Poland will have two liaison institutions: the Warsaw headquarters of the Agricultural Social Insurance Fund as regards the Polish social security scheme for farmers, and the Warsaw headquarters of the Social Insurance Institution with regard to all other matters.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Article 3

Competent Institutions

The competent institutions for the application of the Agreement shall be:

1) for the Republic of Poland:

   a. the Social Insurance Institution (Zakład Ubezpieczeń Społecznych) with respect to the application of the provisions of the law that concern social insurance, except for the social insurance of farmers, and

   b. the Agricultural Social Insurance Fund (Kasa Rolniczego Ubezpieczenia Społecznego) with respect to the application of the provisions of the law that concern the social insurance of farmers;

2) for the United States – the Social Security Administration (Administracja Zabezpieczenia Społecznego).

Article 3 designates the competent institutions authorized for implementing the laws specified in Article 2 of the Agreement.

The Republic of Poland will have two competent institutions, the Social Security Institution (ZUS) with respect to Polish laws on social security, excluding the social security program for farmers, and the Agricultural Social Security Fund (KRUS) with respect to the laws regarding the Polish social security program for farmers. The Social Security Administration is the designated competent institution for the United States.

Article 4

Provisions on Liaison Institutions

1. The competent authority of either Party may designate liaison institutions other than those referred to in Article 2 of this Administrative Arrangement. In such case, it shall be obligated to immediately notify the competent authority of the other Party.

Article 4.1, which was included at the request of the Polish negotiators, provides that the competent authoriti s may name different or additional liaison institutions, and this will not require the two sides to modify the Administrative Arrangement.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

3. The competent institution of a Party 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 competent institution of the other Party as needed by the competent institution of the other Party.

Article 5.3 provides that the competent institution issuing a coverage certificate will furnish a copy of the certificate, or information from the certificate, to the competent institution of the other country when needed.

4. The following shall be designated to apply Article 6, paragraph 10 of the Agreement:

   1) for the Republic of Poland – the Social Insurance Institution, headquarters in Warsaw (Zakład Ubezpieczeń Społecznych – Centrala w Warszawie), and

   2) for the United States - the Social Security Administration (Administracja Zabezpieczenia Społecznego).

Article 6, paragraph 10 of the Agreement provides that the competent authorities of the two Parties, or institutions designated by them, may mutually agree to grant exceptions to the normal coverage rules of the Agreement. Article 5.4 designates the institutions in each country responsible for making determinations on requests for exceptions. SSA will make these determinations on behalf of the United States. For Poland, ZUS will make these determinations, including cases involving the Agricultural Social Insurance Fund.

CHAPTER III

Provisions on Benefits

Article 6

Processing of Applications

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the liaison institutions of the two Parties.

Under Article 6.1 the U.S. and the Polish liaison institutions will agree on special application forms to be used by individuals who wish to file for benefits based on the Agreement.

ADMINISTRATIVE ARRANGEMENT

2. The liaison institutions designated in Article 2 of this Administrative Arrangement shall agree upon the joint procedures and forms necessary for the implementation of th Agreement and this Administrative Arrangement.

CHAPTER II

Provisions on Coverage

Article 5

Certificates of Coverage

1. Where the laws of one Party are applicable in accordance with any of the provisions of Part II of the Agreement, the competent institution of that Party, upon request of the employer or self-employed person, shall issue a certificate stating that the 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 Party.

2. The certificate referred to in paragraph 1 of this Article shall be issued by the competent institutions referred to in Article 3 of this Administrative Arrangement.

ANNOTATIONS AND COMMENTS

Article 4.2 authorizes and requires the liaison institutions of the United States and the Republic of Poland to agree upon those procedures and forms that must be prepared jointly for the implementation of the Agreement and Administrative Arrangement.

Under Article 5, the competent institution of the country whose social security coverage laws will continue to apply to a person in accordance with the various rules set forth in the provisions of Part II of the Agreement, will issue a certificate to that effect when requested to do so by the person's employer or a self-employed person. When presented to the appropriate institution of the other country, the certificate will establish the basis for the exemption of the person from the coverage laws of that country. Retroactive recovery of U.S. contributions paid with respect to services for which a coverage exemption has been in effect would be subject to the time limitations for refunds of taxes in the Internal Revenue Code.

Article 5.2 designates the competent institutions responsible for issuing coverage certificates.

ADMINISTRATIVE ARRANGEMENT

2. The competent institution of the Party with which an application for benefits is first filed in accordance with Article 16 of the Agreement shall provide the competent institution of the other Party with such evidence and other information in its possession as may be required to complete action on the claim.

3. The competent institution of a Party which receives an application that was first filed with a competent institution of the other Party shall without delay provide the competent institution of the other Party with such evidence and other available information in its possession as may be required for it to complete action on the claim.

4. The competent institution of the Party with which an application for benefits has been filed shall verify the information pertaining to the applicant and the applicant's family members. The types of information to be verified shall be agreed upon by the liaison institutions of both Parties.

ANNOTATIONS AND COMMENTS

Articles 6.2 and 6.3 outline the procedures to be followed by both countries for the exchange of pertinent information needed to process claims filed under the Agreement.

Article 6.4 deals with the verification of claims information. Both U.S. and Polish laws require that certain information about individuals claiming benefits be verified (e.g., age and family relationship to the worker) before the claim can be approved. Article 6.4 provides that, when a claim for benefits under the Agreement is filed in one country, the competent institution of that country will verify the relevant information and inform the competent institution of the other country of its findings. The competent institutions will agree upon the specific types of information which must be verified.

The purpose of this provision is to expedite the claims process by avoiding the duplication of effort that would result if the competent institutions of both countries were required to verify the same information. Although a competent institution may accept the findings of the other competent institution concerning the accuracy of information, it may, at its discretion, request documentary evidence to support those findings.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

CHAPTER IV

Miscellaneous Provisions

Article 7

Administrative Cooperation

1. In accordance with the procedures and by means of the forms to be agreed upon pursuant to paragraph 2 of Article 4 of this Administrative Arrangement, the competent institution of one Party shall, upon request of the competent institution of the other Party, furnish available information relating to the claim of any specified individual for the purpose of administering the Agreement.

Article 7.1 provides that the competent institution of one country will, upon request, furnish claims-related information to the competent institution of the other country in accordance with agreed upon procedures. Such procedures will be agreed upon by the competent institutions and will be consistent with the governing statutes of both countries.

2. In order to verify the eligibility of beneficiaries who reside in the territory of a Party, the competent institution of that Party shall, in accordance with its laws and national statutes for the protection of privacy and confidentiality of personal data, furnish without delay the competent institution of the other Party with necessary information on any circumstances under which benefits may be disbursed improperly.

Under Article 7.2, the competent institutions of the two countries are responsible for notifying one another of circumstances that could lead to the improper payment of benefits, e.g., the beneficiary dies, the disabling condition improves, or the beneficiary's earnings exceed allowable amounts. However, the competent institutions will do so only when the transfer of such information is permitted under the laws it applies. For the United States, the transfer of such information is authorized only if the beneficiary has filed a claim for benefits from the other country, has provided SSA with written consent, or is deceased.

3. The competent authorities, liaison institutions and competent institutions of the Parties may correspond directly with each other and with any person wherever the person may reside whenever it is necessary for the administration of the Agreement.

Article 7.3 authorizes direct correspondence b tween the authorities and institutions of the two countries, and between these bodies and any persons, such as claimants and employers, with whom they may need to communicate.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Article 8

Transmission of Statistical Data

1. The liaison institutions of the Parties shall exchange statistics on the number of certificates issued under Article 5 of this Administrative Arrangement and on the payments made to beneficiaries under the Agreement. These data shall be furnished annually in a form to be agreed upon.

Article 8.1 provides for an exchange of statistics concerning the number of coverage certificates issued pursuant to Article 5.1 of this Administrative Arrangement and the payments made to beneficiaries in the other country.

2. For the purpose of facilitation of the implementation of the Agreement and this Administrative Arrangement, the liaison institutions may agree on measures for the provision and transmission of the electronic exchange of data.

Under Article 8.2, the liaison institutions of both countries may agree to implement electronic data exchanges to facilitate implementation of the Agreement, provided such exchanges are conducted in accordance with the laws of both countries governing the protection of privacy and confidentiality of personal data.

Article 9

Reimbursement of Expenses

1. Where administrative assistance is requested under Article 11 of the Agreement, expenses other than regular personnel and operating costs of the competent institution providing the assistance shall be reimbursed, except as may be agreed to by the liaison institutions of the Parties.

Under Article 11, expenses incurred in responding to requests for administrative assistance which require a competent institution to go outside its own organization--for example, to hire interpr ters, conduct special field investigations, or arrange medical examinations--will be paid by the requesting competent institution, unless the two countries agree on a different arrangement. Expenses for regular personnel and operating costs will not be reimbursed.

2. Upon request, the competent institution of either Party shall furnish without cost to the competent institution of the other Party any medical information and documentation in its poss ssion relevant to the disability of the claimant or

When the competent institution in one country requ sts medical information from the competent institution in the other country, the latter institution will furnish the requesting institution any pertinent medical records it has in its possession free of charge.

ADMINISTRATIVE ARRANGEMENT

beneficiary.

3. The competent institution of one Party shall reimburse amounts owed under paragraph 1 of this Article or Article 14 of the Agreement upon presentation of a statement of expenses by the competent institution of the other Party.

Article 10

Payment of Benefits

Benefits shall be paid directly to the beneficiaries, in accordance with the laws of a Party.

Article 11

Entry Into Force

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 [city] on [date] , in duplicate in the English and Polish languages, the two texts being equally authentic.

For the Competent Authority
of the United States of America:

For the Competent Authority
of the Republic of Poland:

ANNOTATIONS AND COMMENTS

In order to receive reimbursement for the cost of administrative assistance, the competent institution which provides the assistance must furnish the requesting institution with a detailed statement of expenses.

Article 10 was included at the request of the Polish authorities to make clear that benefits will be paid directly to beneficiaries rath r than via an intermediary, as is provided for in other Polish social security agreements.

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.

SOCIAL SECURITY

MEMORANDUM

Date: November 19, 2007 Refer To: TCC

To: Stephen C. Goss, Chief Actuary

From: Chris Chaplain, Actuary
Nettie Barrick, Actuary

Subject: Estimated Effects of a Potential Totalization Agreement with Poland—**INFORMATION**

This memorandum and the attached tables present estimates of the effects of implementing a potential totalization agreement with Poland assuming an effective date of April 1, 2009. Table 1 shows the increases in program costs to the Social Security systems of the United States and Poland that are estimated to occur under the potential agreement for fiscal years 2009 through 2016. In each case, these program costs arise under the respective systems due to: (1) benefit payments that become payable solely because of the agreement, and (2) tax contributions by temporary foreign workers that would be eliminated under the agreement.

Table 2 shows estimates of the number of persons who would be receiving "totalized" benefits from each system, as well as the number of temporary foreign workers in the respective countries who would become exempt from taxation by the local Social Security system. Under the agreement, U.S. workers working for a U.S. firm in Poland for a period expected to last 5 years or less would pay Social Security taxes only to the United States. Polish workers working for a Polish firm in the U.S. for a period expected to last 5 years or less would pay Social Security taxes only to the Polish system. Thus, taxes paid by these workers to the Social Security system of the other country would be eliminated under the agreement.

The estimates shown in the tables are based on the intermediate set of assumptions of the 2007 OASDI Trustees Report. The exchange rate used in these estimates was 2.66438 zlotys per U.S. dollar (1 zloty = $0.375322), the exchange rate as of October 2, 2007. The average exchange rate over the past 5 years is about 3.41 zlotys per U.S. dollar, with a low of about 2.63 zlotys per U.S. dollar and a high of about 4.22 zlotys per U.S. dollar.

It should be noted that these estimates are subject to considerable uncertainty. Many of the estimates are based on limited data for Poland and limited data relating to other countries for which totalization agreements already exist. For example, to estimate the numbers of totalized beneficiaries under the U.S. Social Security system that would result from an agreement with

Poland, we used regression analysis for 16 of the existing agreement countries[1] based on immigration data, emigration data, and numbers of nonimmigrant visas issued by U.S. foreign service posts in each country to persons traveling to the U.S. roughly 30 years ago. This analysis yielded an estimate of about 8,680 totalized beneficiaries under the U.S. Social Security system at the end of the 5th year of the potential agreement with Poland. For 9 of these existing-agreement countries, the predicted number of beneficiaries from the regression was higher than the actual number, by an average of about 36 percent of the predicted value. For 7 of these existing-agreement countries, the predicted number of beneficiaries from the regression was lower than the actual number, by an average of about 58 percent. Therefore, the actual number of OASDI beneficiaries for a Polish agreement would be about 5,570 at the end of the 5th year if it reflected the average relationship for countries with fewer beneficiaries than suggested by the regression analysis, and would be about 13,680 if it reflected the average relationship for countries with more beneficiaries than suggested by the regression.

Additional Discussion of Benefit Estimates

The totalized OASDI beneficiary estimates reflect an estimated number of alien dependents and survivors residing abroad who do not meet the prior 5-year U.S. residency requirement and would otherwise not receive Social Security benefits under current policy, but would begin receiving benefits under a totalization agreement.

Additional Discussion of Effects Related to Poland's Health Insurance, Sickness/Maternity, Work Injury, and Unemployment Programs

The principal financial effects of a totalization agreement apply to the Social Security programs of the countries involved. However, for the potential agreement between Poland and the United States, each country's health insurance system would also be affected. For the U.S. system, reductions in Medicare (HI) contributions would result from an agreement, because of the removal of double taxation for Polish workers working temporarily for a Polish firm in the U.S. Currently (prior to a totalization agreement), attainment of Medicare entitlement by these workers is very unlikely. Medicare (HI) eligibility is restricted to individuals who have either (1) attained age 65 and are eligible for U.S. Social Security benefits, or (2) been receiving U.S. Social Security disability benefits (as a disabled worker, disabled widow(er), or disabled adult child) for at least 24 months. However, Medicare services are generally provided only in the U.S. Because it is unlikely that temporary workers from Poland would (a) work enough to qualify for Medicare and (b) live in the U.S. to avail themselves of Medicare services, we believe that reductions in HI benefits from a totalization agreement between Poland and the United States would be very minimal.

[1] We excluded 5 totalization agreement countries from the analysis—Australia and Japan because the agreements have not been in effect long enough to provide meaningful data, 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 Poland.

For the Polish system, under a totalization agreement, U.S. temporary workers in Poland (and their U.S. based employers) would no longer pay into Poland's national health insurance system. The reduction in contributions is estimated to increase from about $0.8 million in 2009 to about $2.1 million in 2016. These estimates assume a continuation of the current contribution rate of 9.00% to the Polish national health insurance system through this period. By eliminating contributions to the Polish national health insurance system for these temporary U.S. workers in Poland, a totalization agreement would result in these workers no longer being eligible for services under that system. These foregone health insurance services represent a *gain* to the Polish system.

The value of foregone national *health insurance* services for U.S. temporary workers in Poland is extremely difficult to estimate. It is very likely that U.S. temporary workers in Poland would be relatively healthy and would not need much in the way of health services. A totalization agreement would likely have a small effect on the amount of services provided by Poland's health insurance system. We very roughly estimate, due to the expected relative healthiness and relatively young average age of the U.S. temporary worker population and their propensity to use health providers outside the Polish system, that the value of benefits currently provided to U.S. workers by the Polish national health insurance system is about one-tenth of the amount of their contributions to that system. Table 1 shows the resulting estimates of net costs to the Polish health insurance system, which range from $0.7 million in 2009 to $1.9 million in 2016—about the same as the estimated net cost to the U.S. Medicare system for those years.

Similarly, the value of foregone benefits obtained under Poland's *sickness/maternity* and *work injury* programs would represent a gain to the Polish system. Our estimates assume no such benefit foregone under these systems. We believe that most U.S. employers would still continue to pay earnings to people incapacitated due to sickness or injury for such relatively short periods of time, such that no Polish sickness benefits would be paid to such workers. Under the Polish "maternity" program, cash benefits are paid for a period of 16 to 26 weeks if there is a loss of earnings during these periods. For the maternity program, we believe that this would apply very rarely for U.S. temporary workers in Poland, in part because many employers would likely pay earnings during the periods of cash benefits under the Polish system.

We assume that the value of foregone *unemployment* benefits under Poland's system is zero. Under the Polish unemployment program, benefits are paid for a period of 6 to 18 months if the person is registered with the employment bureau, is able and ready to work, is involuntarily unemployed and was employed for at least 365 days in the 18 month period before unemployment. However, since we are dealing with temporary U.S. workers in Poland affected by a potential totalization agreement, it would be unlikely the workers would be removed from their jobs, and even if they were, the workers would most likely move back to the United States and not look for other work in Poland.

Long-Range Financial Effects

In estimating the long-range financial effects on the OASDI program of a totalization agreement between the U.S. and Poland, we considered both totalized benefit payments under the OASDI program and reduction in OASDI tax contributions. Reductions in U.S. Social Security

contributions would arise predominantly from Polish temporary workers in the U.S. working for a firm based in Poland for a period of 5 years or less, who would no longer pay U.S. Social Security taxes under a totalization agreement.

Totalized OASDI beneficiaries would consist of three primary groups. The first group is Polish non-immigrants who work in the U.S. for a period of less than 10 years. These workers would be covered by the U.S. Social Security system (unless they are workers for a Polish firm sent to work 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 Poland is also considered. Second, legal immigrants (of a more permanent nature) from Poland to the U.S. form another group of potential U.S. totalized beneficiaries. A portion of these immigrants, especially those who immigrate later in their working careers and work in the U.S. for less than 10 years, may become eligible for U.S. totalized benefits. Emigrants from the U.S. to Poland (Polish-born or U.S. born) form the third group of individuals who could be eligible for totalized benefits, especially those who emigrate relatively early in their working careers and work in the U.S. for less than 10 years.

The combined effects of these groups of individuals on the OASDI program under the potential totalization agreement between the U.S. and Poland 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 2007 through 2081 on a "constant dollar" basis, i.e., indexing the amounts back to the year 2007 by projected changes in the 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, 2007 by projected interest rates earned by the OASDI Trust Funds on special-issue U.S. Government bonds.

As shown in Table 3, the total present value of the net additional cost to the OASDI system for the 75-year period (2007 through 2081) is projected at about $1.4 billion. This represents an increase of much less than the roughly $13 billion (total net cost in present-value terms over the 75 years) needed for the impact on the long-range OASDI actuarial balance to be non-negligible.

Chris Chaplain

Chris Chaplain

Nettie J. Barrick

Nettie Barrick

Attachments: 3

Table 1.--Estimated additional program costs for the U.S. and Polish Social Security (and other) systems under a potential totalization agreement between the two countries, fiscal years 2009-2016
(In millions)

	Fiscal year							
	2009	2010	2011	2012	2013	2014	2015	2016
Financial effects for the U.S. Social Security system:								
Increase in OASDI benefit payments	$2	$7	$11	$15	$20	$24	$27	$30
Reduction in OASDI tax contributions	3	6	6	6	6	7	7	7
Net additional OASDI cost	5	12	17	22	26	31	34	38
Net cost to the Medicare system	1	1	2	2	2	2	2	2
Additional net costs to the Social Security system of Poland:								
Increase in benefit payments	1	12	27	46	65	81	95	108
Reduction in RSDI tax contributions 1/	2	4	4	5	5	5	5	6
Total	3	16	32	51	70	86	101	113
Net cost to Polish national health insurance system 2/	1	1	2	2	2	2	2	2
Net cost for other Polish payroll tax contributions 3/	1	1	1	1	1	1	1	1

1/ This estimate excludes the effect of removal of individual account contributions of 7.3% of wages, because ownership of the account ultimately rests with the individual and not with the Social Security system of Poland.
2/ Includes health insurance payroll tax contributions that would be foregone under a totalization agreement with Poland.
3/ Includes sickness and maternity, unemployment, and work injury payroll tax contributions that would be foregone under a totalization agreement with Poland.

Notes:
1. Estimates assume an agreement effective date of April 1, 2009.
2. The estimates are based on the intermediate assumptions of the 2007 Trustees Report.
3. Totals may not equal the sums of the components due to rounding.
4. Estimates are in U.S. dollars. We assumed an approximate exchange rate of 2.66438 Polish zlotys per U.S. dollar.

Social Security Administration
Office of the Chief Actuary
November 19, 2007

Table 2.—Estimated number of persons who would be affected by a potential totalization agreement between the United States and Poland, fiscal years 2009-2016
(In thousands)

	Fiscal year							
	2009	2010	2011	2012	2013	2014	2015	2016
Number of persons receiving a totalized OASDI benefit based in part on employment in Poland under the potential agreement (in current-pay status at mid-year)	1/	1.5	3.3	5.3	7.2	8.6	9.7	10.6
Number of persons receiving a totalized Polish benefit based in part on employment in the United States under the potential agreement (in current-pay status at mid-year)	1/	4.2	9.4	15.3	20.6	24.7	28.0	30.5
Number of persons receiving both a totalized OASDI benefit and a totalized benefit from Poland (in current-pay status at mid-year)	1/	.3	.7	1.1	1.4	1.7	1.9	2.1
Number of residents of Poland, or Polish 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	1.2	1.2	1.2	1.3	1.3
Number of U.S. employees in Poland who, along with their employers, would no longer make tax contributions during the year to the Social Security system of Poland	.8	.8	.8	.8	.8	.8	.8	.9
Number of Polish employees in the U.S who, along with their employers, would no longer make tax contributions during the year to the OASDHI trust funds	.6	.7	.7	.7	.7	.7	.7	.7

1/ Fewer than 50.

Notes:
1. Estimates assume an agreement effective date of April 1, 2009.
2. The estimates are based on the intermediate assumptions of the 2007 Trustees Report.

Social Security Administration
Office of the Chief Actuary
November 19, 2007

Table 3--Projected Net OASDI Cost of Implementing Proposed Totalization Agreement Between U.S. and Poland

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/
	(Billions of Constant 2007$)			(Billions of $, Present Value as of 1-1-07)	
2007	0.000	0.000	0.000	0.000	0.00
2008	0.000	0.000	0.000	0.000	0.00
2009	0.003	-0.003	0.006	0.006	0.01
2010	0.007	-0.005	0.012	0.011	0.02
2011	0.011	-0.005	0.016	0.014	0.03
2012	0.014	-0.005	0.020	0.017	0.05
2013	0.016	-0.006	0.023	0.019	0.07
2014	0.021	-0.006	0.026	0.021	0.09
2015	0.023	-0.006	0.028	0.022	0.11
2016	0.024	-0.006	0.030	0.023	0.13
2017	0.026	-0.006	0.032	0.023	0.16
2018	0.027	-0.006	0.033	0.023	0.18
2019	0.028	-0.006	0.034	0.024	0.20
2020	0.029	-0.006	0.035	0.024	0.23
2021	0.030	-0.006	0.036	0.024	0.25
2022	0.031	-0.006	0.037	0.024	0.27
2023	0.032	-0.007	0.039	0.024	0.30
2024	0.033	-0.007	0.040	0.024	0.32
2025	0.034	-0.007	0.041	0.024	0.35
2026	0.035	-0.007	0.042	0.024	0.37
2027	0.036	-0.007	0.043	0.024	0.39
2028	0.037	-0.007	0.044	0.024	0.42
2029	0.038	-0.007	0.045	0.024	0.44
2030	0.039	-0.007	0.046	0.024	0.47
2031	0.040	-0.007	0.048	0.024	0.49
2032	0.041	-0.007	0.049	0.023	0.51
2033	0.042	-0.007	0.050	0.023	0.54
2034	0.043	-0.008	0.051	0.023	0.56
2035	0.044	-0.008	0.051	0.023	0.58
2036	0.044	-0.008	0.052	0.022	0.60
2037	0.045	-0.008	0.053	0.022	0.63
2038	0.046	-0.008	0.054	0.022	0.65
2039	0.047	-0.008	0.055	0.022	0.67
2040	0.047	-0.008	0.056	0.021	0.69
2041	0.048	-0.008	0.056	0.021	0.71
2042	0.049	-0.009	0.057	0.021	0.73
2043	0.049	-0.009	0.058	0.020	0.75
2044	0.050	-0.009	0.059	0.020	0.77
2045	0.051	-0.009	0.060	0.020	0.79
2046	0.051	-0.009	0.060	0.019	0.81
2047	0.052	-0.009	0.061	0.019	0.83
2048	0.053	-0.009	0.062	0.019	0.85
2049	0.054	-0.009	0.063	0.019	0.87
2050	0.054	-0.010	0.064	0.018	0.89
2051	0.055	-0.010	0.065	0.018	0.91
2052	0.056	-0.010	0.066	0.018	0.92
2053	0.057	-0.010	0.067	0.018	0.94
2054	0.058	-0.010	0.068	0.017	0.96
2055	0.059	-0.010	0.069	0.017	0.98
2056	0.060	-0.010	0.070	0.017	0.99
2057	0.061	-0.010	0.071	0.017	1.01
2058	0.062	-0.011	0.073	0.017	1.03
2059	0.063	-0.011	0.074	0.016	1.04
2060	0.064	-0.011	0.075	0.016	1.06
2061	0.065	-0.011	0.076	0.016	1.08
2062	0.066	-0.011	0.077	0.016	1.09
2063	0.067	-0.011	0.079	0.016	1.11
2064	0.068	-0.012	0.080	0.015	1.12
2065	0.069	-0.012	0.081	0.015	1.14
2066	0.070	-0.012	0.082	0.015	1.15
2067	0.072	-0.012	0.084	0.015	1.17
2068	0.073	-0.012	0.085	0.015	1.18
2069	0.074	-0.012	0.086	0.014	1.20
2070	0.075	-0.012	0.088	0.014	1.21
2071	0.076	-0.013	0.089	0.014	1.22
2072	0.078	-0.013	0.090	0.014	1.24
2073	0.079	-0.013	0.092	0.014	1.25
2074	0.080	-0.013	0.093	0.013	1.27
2075	0.081	-0.013	0.095	0.013	1.28
2076	0.083	-0.014	0.096	0.013	1.29
2077	0.084	-0.014	0.098	0.013	1.30
2078	0.085	-0.014	0.099	0.013	1.32
2079	0.087	-0.014	0.101	0.013	1.33
2080	0.088	-0.014	0.102	0.012	1.34
2081	0.089	-0.014	0.104	0.012	1.35

MAIN PROVISIONS
OF THE UNITED STATES-POLISH SOCIAL SECURITY AGREEMENT

Introduction

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 (U.S.) and the other country which is a party to the agreement, and for combining credits earned by a worker under the two systems for benefit eligibility purposes. In addition, the law stipulates that when eligibility for U.S. Social Security benefits is established on the basis of combined credits, the amount of the U.S. benefit payable must be based on the proportion of the worker's periods of coverage completed under Title II of the Social Security Act. The U.S.-Polish agreement includes these required provisions.

Elimination of Dual Coverage

The agreement establishes rules to eliminate dual coverage and taxation, the situation that now exists when a person from one country works in the other country and, together with the person's employer, is required to pay social security taxes to both countries for the same work.

- Employees who are transferred by their employer in one country to work in the other country for a temporary period would be covered only in their home country. A temporary period is defined in the agreement as 5 years or fewer. In all other cases, the employee would be covered only in the country where the work is performed. Thus, a person working for a U.S. employer who is temporarily transferred by that employer to Poland would be covered under, and pay contributions to, the U.S. program exclusively. The employer and employee would be relieved of the additional burden of paying social security contributions to the Polish program.

- Other rules set forth in the agreement would apply to persons employed in international transportation or in the government service of either country.

- The agreement also contains rules applicable to persons whose earnings from self-employment would be subject to compulsory coverage under the laws of both countries. Under these rules, a self-employed person who resides in the U.S. will be covered only under U.S. laws, and a self-employed person residing in Poland will be covered only under Polish laws.

Totalization Benefit Provisions

In addition to eliminating dual coverage, the agreement will help prevent situations where workers suffer a loss of benefit rights because they have divided their careers between the U.S. and Poland.

- Under the rules that apply to the U.S., if a worker has credit for at least 6 quarters of coverage under the U.S. Social Security system but not enough credits for the worker or eligible dependents or survivors to qualify for Title II benefits, the worker's coverage credits from both the U.S. and Poland could be totalized (i.e., combined) to permit qualification for a partial U.S. benefit. The benefit amount payable to a person who qualifies based on totalized credits would be proportional to the amount of coverage completed in the U.S.

- Under the rules that apply to Poland, if a person has credit for at least 12 months of coverage, but not enough coverage to qualify for benefits under the Polish system, the person's coverage credits from both the U.S. and Poland could be totalized (i.e., combined) to permit an eligible applicant to qualify for a partial Polish benefit. A person could also qualify for a partial benefit based on combined U.S. and Polish coverage if he or she were eligible for a Polish benefit (based solely on Polish coverage) that was lower than his or her partial Polish benefit based on totalized coverage. The benefit amount payable to a person who qualifies based on totalized credits would be proportional to the amount of coverage completed in Poland.

U.S.-POLISH ADMINISTRATIVE ARRANGEMENT

Purpose

The administrative arrangement establishes a number of principles which would serve as the basis for developing operating procedures. In particular, it would authorize the designated liaison institutions of the two countries to develop procedures and forms necessary to implement the coverage and benefit provisions of the principal agreement. The liaison institution for the U.S. is the Social Security Administration (SSA). The liaison institutions for Poland are the Social Insurance Institution headquarters in Warsaw and the Agricultural Social Insurance Fund headquarters in Warsaw.

Elimination of Dual Coverage

The administrative arrangement sets forth rules for issuing the documentation necessary to exempt workers covered under one country's system from coverage under the other country's system. These rules would provide that the liaison institution of the country whose laws will continue to apply to a person will, when requested to do so, issue a certificate of coverage that will establish the person's exemption from the coverage laws of the other country.

Benefit Provisions

SSA and the appropriate Polish institution will exchange coverage records and other information required to process benefit claims filed under the principal agreement. The administrative arrangement sets forth procedures governing this exchange of claims-related information.

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

I. INTRODUCTION

The social security agreement between the United States and the Republic of Poland 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 21 other countries, including Australia, Canada, Chile, Japan, South Korea, and most of Western Europe. U.S. social security agreements are negotiated under authority of section 233 of the Social Security Act.

Like earlier U.S. agreements, the U.S.-Polish 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 Polish benefits based on combined work credits from both countries.

The U.S.-Polish 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 were signed by authorized representatives of the U.S. and Polish governments on April 2, 2008, are now being transmitted 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). 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 will be affected by the agreement is also included (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 entitlement for U.S. Social Security benefits is established on the basis of such combined credits, the amount of the U.S. benefit payable must be based on the proportion of the worker's periods of coverage completed under title II of the Social Security Act. The U.S.-Polish 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 Polish systems.

A. Rules Governing Employees

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

Special rules would apply, however, for employees who are transferred by their employer in one country to work in the other country for a temporary period. In this situation, an employee who was covered in one country before the transfer would continue to be covered under that country's laws and would be exempt from coverage in the host country. Thus, a person working for a U.S. employer who is

temporarily transferred by that employer to the Republic of Poland would only be covered under and pay contributions to the U.S. Social Security program, and the employer and employee would be exempt from Polish 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 would be subject only to the social security laws of his or her country of residence.

IV. BENEFIT PROVISIONS

Part III of the principal agreement establishes the basic rules for determining entitlement to, and the amount of, U.S. and Polish 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 Republic of Poland could be totalized (i.e., combined) to permit the applicant to qualify for a partial U.S. benefit. Since periods of coverage under the Polish social security system are measured in terms of months and years, the United States would credit one quarter of coverage for every three months of coverage certified by the Polish social security system in a calendar year. The United States would

not, however, credit months of coverage under Polish law if they fall within a calendar quarter which has already been credited as 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 regulations of the Social Security Administration (20 CFR 404.1918). The first step in the procedure is to compute a theoretical primary insurance amount (PIA) as though the worker had worked a full coverage lifetime (i.e., a full career) under U.S. Social Security at the same earnings level as during his or her actual periods of U.S. covered work. The theoretical PIA is then prorated to reflect the proportion of a coverage lifetime the worker completed under the U.S. program. A coverage lifetime is defined in the regulations as the number of the worker's benefit computation years; i.e., the years which must be used in determining a worker's average earnings under the regular U.S. national computation methods.

B. Provisions Applicable to the Republic of Poland

1. Polish Benefits

Until 1999, Poland had a traditional government-administered social insurance program financed by employer contributions that paid social security benefits based on the national average annual wage, a worker's average earnings, and length of coverage. Benefit calculation and eligibility rules for that system remain in effect for workers born before 1949. Legislation effective in 1999 established a new contributory regime for the system applicable to both employers and most active workers, and introduced to the system a second tier for workers born 1969 and after, and for workers born 1949-1968 who elected second tier coverage by the end of 1999. The first tier of the new system may be described as a pay-as-you-go notional defined contribution system, and is

entirely state-administered. First tier benefit amounts depend on indexed contributions, including those made under pre-1999 rules, and on life expectancy at retirement age. 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. Under both tiers, employers deliver employer and employee contributions to the national social security agency, where they are channeled into the notional defined contribution and individual accounts tiers. While most active workers are now covered by the new contributory system, benefits will be calculated and paid under both the pre-1999 and new system rules until the old rules are eventually phased out. Under the new rules, no coverage minimum is required to qualify for benefits. The benefit provisions of the agreement apply to social security benefits under both the old and the new system rules, and under the distinct rules in effect for agricultural workers. Coverage, financing, and benefits calculation and eligibility rules for agricultural workers are administered by an agency other than the national social insurance agency, and are different from those for workers under the general system.

2. Totalization of Periods of Coverage

The totalization provisions of the agreement apply to the Polish social security laws which govern the payment of retirement, survivors, disability, and other benefits. Under the agreement, if a worker had at least one year of Polish coverage (or less, provided the shorter period of coverage yielded Polish benefit eligibility without consideration of U.S. coverage), the Republic of Poland would compute a theoretical benefit as if the worker's U.S. periods of coverage had been completed under Polish law. Next, the theoretical amount would be prorated by multiplying it by the ratio of the periods of coverage credited under Polish law to the total periods credited in both countries. Finally, the prorated amount would be compared to the amount of any benefit payable under Polish law without consideration of the U.S. coverage, and the higher amount would be paid.

C. Benefit Portability

Section 233(c)(2) of the Social Security Act permits agreements to contain provisions suspending 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.-Polish 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 Republic of Poland.

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 Republic of Poland 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.

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