

AGREEMENT WITH CHILE ON SOCIAL SECURITY

MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

AN AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF CHILE ON SOCIAL SECURITY, WHICH CONSISTS OF TWO SEPARATE INSTRUMENTS—A PRINCIPAL AGREEMENT AND AN ADMINISTRATIVE AGREEMENT, PURSUANT TO 42 U.S.C. 433(e)(1).



MAY 23, 2000.—Message and accompanying papers referred to the Committee on Ways and Means and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE



*To the Congress of the United States:*

Pursuant to section 233(e)(1) of the Social Security Act, as amended by the Social Security Amendments of 1977 (Public Law 95-216, 42 U.S.C. 433(e)(1)) (the "Act"), I transmit herewith the Agreement Between the United States of America and the Republic of Chile on Social Security, which consists of two separate instruments: a principal agreement and an administrative arrangement. The Agreement was signed at Santiago on February 16, 2000.

The United States-Chilean Agreement is similar in objective to the social security agreements already in force between the United States and Austria, Belgium, Canada, Finland, France, Germany, Greece, Ireland, Italy, 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 loss of benefit protection that can occur when workers divide their careers between two countries. The United States-Chilean 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) of the Act.

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. Annexed 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.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *May 22, 2000.*



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

The Government of the United States of America and

the Government of the Republic of Chile.

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 I**

1. For the purpose of the present Agreement, the expressions and terms indicated below shall have the following meanings:

(a) "Territory" means,

as regards the United States, the States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands, and

as regards Chile, the territorial scope of the Political Constitution of the Republic of Chile;

(b) "National" means,

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

as regards Chile, a Chilean national as specified by the Political Constitution of the Republic of Chile:

(c) "Laws" means the laws and regulations specified in Article 2, excluding treaties or other international agreements on Social Security that may be concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation;

(d) "Competent Authority" means,

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

as regards Chile, the Ministry of Labor and Social Welfare;

(e) "Agency" means,

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

as regards Chile, the institution responsible for administering the laws referred to in Article 2, paragraph 1(b) of this Agreement, in a particular case;

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

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

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

#### Article 2

1. This Agreement shall apply:

(a) As regards the United States, to the laws governing the Federal old-age, survivors, and disability insurance program;

- 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.
- Chapters 2 and 21 of the Internal Revenue Code of 1986 and regulations pertaining to those chapters:

(b) As regards Chile.

- to the laws on the New Pension System on Old-age, Invalidity and Survivors' Pensions based on individual capitalization and
- to the laws on the Old-age, Invalidity and Survivors' Pension systems administered by the Instituto de Normalización Previsional.

2. This Agreement shall also apply to future laws which amend or supplement the laws specified in paragraph 1 of this Article.
3. This Agreement shall also apply to legislation of a Contracting State which extends the laws referred to in paragraph 1 to new categories of beneficiaries, unless that Contracting State notifies the other Contracting State in writing within 3 months of the date of the official publication of the new legislation that it is not to be included in the scope of the Agreement.

**Article 3**

This Agreement shall apply to:

- (a) persons who are or have been subject to the laws of one or both Contracting States;
- (b) other persons with respect to the rights they derive from the persons mentioned in subparagraph (a).

Article 4

1. Persons who are or have been subject to the laws of one Contracting State and persons deriving benefit rights from such persons, who reside within the territory of the other Contracting State, shall receive equal treatment with nationals of that other Contracting State in the application of the laws regarding the eligibility for and the payment of benefits.
2. Unless otherwise provided in this Agreement, any provision of the laws of a Contracting State which restricts entitlement to or payment of benefits solely because the person resides outside or is absent from the territory of that Contracting State shall not be applicable to the persons who reside in the territory of the other Contracting State.
3. Without prejudice to the provision in the preceding paragraph, invalidity, old-age and survivors pensions payable to United States nationals in accordance with Chilean laws shall not be subject to reduction, modification, suspension or retention based on the fact that the beneficiary is located or resides in the territory of a third State.

## PART II

## PROVISIONS ON COVERAGE

Article 5

1. Except as otherwise provided in this Article, a person employed within the territory of one of the Contracting States shall, with respect to that employment, be subject to the laws of only that Contracting State, irrespective of the location of the person's place of residence or domicile or the employer's place of business.
2. A self-employed person who resides in the territory of a Contracting State shall be subject to the laws of only that State.
3. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is temporarily sent by that employer to the territory of the other Contracting State, the person shall be subject to the laws of only the first Contracting State as if he were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed 5 years. For purposes of applying this paragraph in the case of an employee who



is sent from the territory of the United States by an employer in that territory to the territory of Chile, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.

4. The preceding paragraph shall apply where a person who has been sent by his employer from the territory of a Contracting State to the territory of a third State is subsequently sent by that employer from the territory of the third State to the territory of the other Contracting State.
5. Where the same activity is considered to be self-employment under the laws of one Contracting State and employment under the laws of the other Contracting State, that activity shall be subject to the laws of only the first Contracting State if the person is a resident of that State and to the laws of only the other Contracting State in any other case.
6. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.  
  
(b) Traveling employees of air transportation companies who perform work in the territories of both Contracting States and who would otherwise be covered under the laws of both Contracting States shall, with respect to that work, be subject to the laws of only the Contracting State in the territory of which the firm has its home office. However, if such employees reside in the territory of the other Contracting State, they shall be subject to the laws of only that State.
7. (a) This Agreement shall not affect the provisions of the Vienna Convention on Diplomatic Relations of April 18, 1961, or of the Vienna Convention on Consular Relations of April 24, 1963.  
  
(b) Nationals of one of the Contracting States who are employed by the Government of that Contracting State in the territory of the other Contracting State but who are not exempt from the laws of the other Contracting State by virtue of the Conventions

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

8. The Competent Authorities of the two Contracting States, or the liaison agencies 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 Contracting States.
9. A worker who is subject to United States laws in accordance with the preceding paragraphs of this Article shall be exempt from paying contributions under the Chilean pension and health programs. In addition, an employer will be exempt from paying contributions for work accident and occupational illness insurance with respect to such workers.

### PART III

#### PROVISIONS ON BENEFITS

##### Article 6

The following provisions shall apply to the United States:

1. Where a person has completed at least 6 quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Chilean laws and which do not coincide with periods of coverage already credited under United States laws.
2. When it is not possible to determine the time when specific periods of coverage were completed under Chilean laws, it shall be presumed that such periods do not coincide with periods of coverage completed under United States laws.
3. In determining eligibility for benefits under paragraph 1 of this Article, the agency of the United States shall credit 1 quarter of coverage for every 3 months of coverage certified by the agency of Chile. If the conversion described in the preceding sentence results in a fractional remainder, the remainder shall be considered an additional quarter of coverage.

No quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws, nor shall the total number of quarters of coverage to be credited for a year exceed four.

4. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.
5. Entitlement to a benefit from the United States which results from paragraph 1 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.

#### Article 7

The following provisions shall apply to Chile:

1. When Chilean laws require the completion of certain periods of coverage for acquiring, maintaining or recovering entitlement to old-age, survivors or disability benefits, periods of coverage completed under United States laws shall be added, when necessary, to the periods of coverage completed under Chilean laws, provided that they do not coincide. In determining entitlement to benefits in accordance with this paragraph, the Chilean agency shall credit 3 months of coverage for every quarter of coverage certified by the United States agency.
2. When it is not possible to determine the time when specific periods of coverage were completed under United States laws, it shall be presumed that such periods do not coincide with periods of coverage completed under Chilean laws.
3. Members of a Pension Fund Administrator shall finance their pensions under Chilean laws with the balance accumulated in their individual capitalization accounts. In case such balance is insufficient to finance a pension equal to the minimum pension amount guaranteed by the State, members shall have the right to Totalization of periods of

coverage in accordance with paragraph 1, in order to determine entitlement to the minimum old-age or invalidity pension. Survivors pension beneficiaries shall have the same right.

4. For purposes of determining whether the requirements of Chilean laws for an early old-age pension under the New Pension System have been fulfilled, members who have obtained a pension under United States laws shall be considered as pensioners under the pension systems administered by the Instituto de Normalización Previsional.
5. Members of the New Pension System in Chile who reside in the territory of the United States and who are subject to United States laws in accordance with this Agreement may also pay contributions to that System on a voluntary basis as if they were self-employed workers. Members who choose to pay voluntary contributions under this paragraph shall not be required to pay contributions for financing health care benefits under Chilean laws.
6. Contributors to the pension systems administered by the Instituto de Normalización Previsional shall also have the right to Totalization of periods of coverage in accordance with paragraph 1 in order to establish entitlement to pension benefits under the laws applicable to those systems.
7. When entitlement to a benefit under Chilean law is established in accordance with paragraph 3 or 6 of this Article, the agency of Chile shall determine a theoretical benefit amount as if all the periods of coverage completed under the laws of both Contracting States had been completed under the laws it administers, and shall calculate the benefit it must pay as the proportion of the periods of coverage completed exclusively under the laws it administers to the total periods of coverage completed under the laws of both Contracting States.  
  
When the total periods of coverage under the laws of both Contracting States exceed the period established under Chilean laws for entitlement to a full pension or a minimum pension, the excess years shall be disregarded for purposes of this calculation.
8. Persons who are paying contributions or receiving benefits in accordance with United States laws shall be considered as currently covered by the corresponding insurance system of Chile for purposes of qualifying for benefits according to the laws that regulate the insurance systems administered by the Instituto de Normalización Previsional.

For purposes of this paragraph, a person shall be considered to be paying contributions in accordance with United States laws if the person has credit for at least 1 quarter of coverage under such laws during the 8 calendar quarters immediately preceding the calendar quarter in which the insured event occurs according to Chilean laws.

9. Persons who receive a pension according to United States laws and who reside in the territory of Chile shall have the right to enroll in the Chilean health benefits system under the same conditions as persons receiving similar pensions according to Chilean laws.
10. Medical examinations performed in Chile for the purpose of determining eligibility for invalidity benefits under Chilean laws shall be made available to the United States agency at its request and without charge.

On the other hand, if the Chilean agency deems it necessary that medical examinations intended for its sole use be performed in the United States, they shall be financed in accordance with Chilean laws. When the examinations relate to workers affiliated with the New Pension System, the Chilean agency shall reimburse the full cost of the examinations to the United States agency and shall charge the interested person for the percentage for which he or she is responsible. Nevertheless, the Chilean agency may deduct the cost for which the interested person is responsible from any pensions owed, or from the balance in the person's individual capitalization account.

If the examinations are requested in connection with an appeal filed against a disability decision issued in Chile, the cost of these examinations shall be financed in the manner described in the preceding paragraph; however, if the appeal has been filed by a Chilean agency or insurance company such costs shall be financed by the appellant.

#### PART IV

#### MISCELLANEOUS PROVISIONS

##### Article 8

The Competent Authorities of the two Contracting States shall:

- (a) Make all necessary administrative arrangements for the implementation of this Agreement:

- (b) Designate their respective liaison agencies, which shall be responsible for the coordination of the agencies involved in the application of this Agreement and whose responsibilities shall be specified in an administrative arrangement;
- (c) Communicate to each other information concerning the measures taken for the application of this Agreement; and
- (d) Communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

#### Article 9

1. The Competent Authorities, agencies and liaison agencies of the Contracting States, within the scope of their respective authorities, shall assist each other in implementing this Agreement. This assistance shall be free of charge, subject to exceptions to be agreed upon in an administrative arrangement.
2. The Competent Authorities, agencies and liaison agencies of the Contracting States may correspond directly with each other and with any person wherever the person may reside whenever it is necessary for the administration of this Agreement. The correspondence may be in the official language of either Contracting State.
3. An application or document may not be rejected by a Competent Authority, agency or liaison agency of a Contracting State because it is in the official language of the other Contracting State.

#### Article 10

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

3. Copies of documents which are certified as true and exact copies by a liaison agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency or liaison agency of each Contracting State shall determine in accordance with its laws the sufficiency of the evidence submitted to it from whatever source.

Article 11

1. A written application for benefits filed with an agency of one Contracting State shall protect the rights of the claimants under the laws of the other Contracting State if the applicant requests that it be considered an application under the laws of the other Contracting State.
2. If an applicant has filed a written application for benefits with an agency of one Contracting State and has not explicitly requested that the application be restricted to benefits under the laws of that Contracting State, the application shall also protect the rights of the claimants under the laws of the other Contracting State if the applicant provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.
3. The provisions of Part III shall apply only to benefits for which an application is filed on or after the date this Agreement enters into force.
4. A written appeal of a determination made by an agency of one Contracting State may be validly filed with an agency of either Contracting State. The appeal shall be dealt with according to the procedure and laws of the Contracting State whose decision is being appealed.
5. Any claim, notice or written appeal which, under the laws of one Contracting State, must have been filed within a prescribed period with an agency of that Contracting State, but which is instead filed within the same period with an agency of the other Contracting State, shall be considered to have been filed on time.

**Article 12**

In any case to which the provisions of Article 11 apply, the agency to which the claim, notice or written appeal has been submitted shall indicate the date of receipt on the document or on a form agreed upon for this purpose pursuant to Article 8(a) and transmit it without delay to the liaison agency of the other Contracting State.

**Article 13**

1. Payments under this Agreement may be made in the currency of either Contracting State.
2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Governments of both Contracting States shall agree without delay on measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

**Article 14**

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

**Article 15**

1. Any disagreement regarding the interpretation or application of this Agreement shall be resolved by consultation between the Competent Authorities.
2. If a disagreement cannot be resolved through negotiation, the Contracting States will endeavor to settle the issue through arbitration, mediation, or other mutually agreed procedure.

**Article 16**

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. Such agreements may be given retroactive effect if they so specify.



## PART V

## TRANSITIONAL AND FINAL PROVISIONS

Article 17

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of the entry into force of the Agreement, or to a lump-sum death benefit if the person died before the entry into force of the Agreement.
2. In determining the right to benefits under this Agreement, consideration shall be given to periods of coverage completed under the laws of either Contracting State and other events which occurred before the entry into force of this Agreement, except that the United States shall not take into account periods of coverage which occurred prior to 1937.
3. In applying paragraph 3 of Article 5 in the case of persons who were sent to the territory of a Contracting State 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.
4. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.
5. Any benefit which was denied or suspended in accordance with the domestic laws of a Contracting State on account of the nationality of the person concerned or of his residence in the territory of the other Contracting State but which is payable by virtue of this Agreement shall, at the request of the person concerned, be awarded or resumed effective with the date on which this Agreement enters into force.
6. Benefit rights which persons may have acquired before the entry into force of this Agreement shall be reviewed at their request or ex officio, taking into account the provisions of this Agreement. In no circumstances shall this Agreement result in a reduction of any cash benefit to which entitlement existed prior to its entry into force.
7. Provisions of Chilean laws limiting retroactivity of the right to benefits shall not apply to rights arising as a result of the entry into force of this Agreement, provided that the claimant submits an application for benefits within two years after the date of entry into force of this Agreement.

Article 18


1. This Agreement shall remain in force and effect until the expiration of one calendar year following the year in which written notice of its termination is given by one of the Contracting States to the other Contracting State.
  
2. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired based on periods of coverage completed before the date the Agreement is terminated.

Article 19

The Governments of both Contracting States shall notify each other in writing of the completion of their 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 fourth month following the date of the last notification.

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

DONE at Santiago, Chile on 16 February 2011 in duplicate in the English and Spanish languages, each text being equally authentic.

  
 FOR THE GOVERNMENT OF THE  
 UNITED STATES OF AMERICA:

  
 FOR THE GOVERNMENT OF  
 THE REPUBLIC OF CHILE:

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

In conformity with Article 8(a) of the Agreement on Social Security between the United States of America and the Republic of Chile of this date, hereinafter referred to as the "Agreement", the Competent Authorities of the two Contracting States have agreed as follows:

**PART I**

**GENERAL PROVISIONS**

**Article 1**

The terms defined in Article 1 of the Agreement shall have the same meaning in this Administrative Arrangement

**Article 2**

1. The liaison agencies referred to in Article 8(b) of the Agreement shall be:
  - (a) for Chile,
    - the Superintendency of Pension Fund Administrators (Superintendencia de Administradoras de Fondos de Pensiones) for persons covered under the New Pension System;
    - the Superintendency of Social Security (Superintendencia de Seguridad Social) for persons covered under the systems managed by the Institute of Social Security Standardization (Instituto de Normalización Previsional).
  - (b) for the United States, the Social Security Administration.

2. The liaison agencies designated in the preceding paragraph shall by mutual consent establish the joint procedures and forms necessary for the application of the Agreement and this Administrative Arrangement.
3. The Competent Authorities of each Contracting State may, by mutual agreement, name other liaison agencies.

### Article 3

The following Agencies are designated for the application of the Agreement:

1. For Chile:

(a) As regards old-age, disability and survivors benefits:

- The Pension Fund Administrators for persons covered under the New Pension System, and
- The Institute of Social Security Standardization for contributors to the old Social Security systems.

(b) As regards the determination of disability:

- The Medical Committees of the Superintendency of Pension Fund Administrators for persons covered under the New Pension System;
- The Preventive Medicine and Disability Committees of the Health Service corresponding to the place of residence for contributors to the Institute of Social Security Standardization who reside in Chile and for those who have no periods of coverage under Chilean laws; and
- The Preventive Medicine and Disability Committee of the Central Metropolitan Health Service for contributors to the Institute of Social Security Standardization who do not reside in Chile.

(c) As regards the payment of contributions to the health benefits system for purposes of Article 7, paragraph 9, of the Agreement:

- The Health Insurance Institutions (Instituciones de Salud Previsional); and
- The National Health Fund (Fondo Nacional de Salud)

2. For the United States of America:

- The Social Security Administration.

**PART II**

**PROVISIONS ON COVERAGE**

**Article 4**

1. Where the laws of a Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the liaison agency of that Contracting State, upon request of the person concerned, 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 named worker is exempt from the laws on compulsory coverage of the other Contracting State.

In order to determine residence as referred to in Article 5, paragraph 2, of the Agreement, at the request of the concerned person, the Chilean liaison agency shall procure the necessary information according to its laws and issue the certificate referred to above

2. The liaison agency of a Contracting State which issues a certificate referred to in paragraph 1 shall furnish a copy of the certificate to the liaison agency of the other Contracting State as needed by the latter agency.
3. The certificate referred to in paragraph 1 shall be issued:
  - (a) in Chile.
    - By the Superintendency of Pension Fund Administrators for persons covered under the New Pension System, and

- By the Superintendency of Social Security for contributors to the old Social Security systems.

(b) in the United States of America, by the Social Security Administration.

**PART III**

**SPECIAL PROVISIONS ON BENEFITS**

**Article 5**

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the liaison agencies of the two Contracting States.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 11 of the Agreement shall provide the liaison agency of the other Contracting State with such evidence and other information as may be required to complete action on the claim.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the liaison agency of that Contracting State with such evidence and other available information as may be required for it to complete action on the claim.
4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and his family members. The types of information to be verified shall be agreed upon by the liaison agencies of both Contracting States.

**Article 6**

In situations referred to in Article 7, paragraphs 4 and 9 of the Agreement, and at the request of a Chilean liaison agency, a person's status as a pensioner shall be confirmed by means of a certificate issued by the United States agency that awarded the benefit. Such certificate shall indicate the date the benefit was awarded and the amount as of the date the certificate was issued.

## PART IV

## MISCELLANEOUS PROVISIONS

## Article 7

The liaison agencies of the two Contracting States shall exchange statistics annually on the number of certificates issued under Article 4 of this Administrative Arrangement. They shall also exchange statistics on the number of benefits paid in the other Contracting State, as well as the amount of the benefits.

## Article 8

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

## Article 9

1. Where the agency or liaison agency of a Contracting State requests from the agency or liaison agency of the other Contracting State administrative assistance that would not be free of charge under Article 9 of the Agreement, the agency of the other Contracting State shall first inform the agency of the first Contracting State that the assistance requested shall not be free of charge and shall only be required to provide such assistance if both liaison agencies agree upon the time and manner of reimbursing the costs.
2. Upon request, the liaison agency of either Contracting State shall furnish without cost to the liaison agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.
3. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination may be requested from the liaison agency of the other Contracting State, in which case it shall be arranged in accordance with the rules of the agency arranging the examination. The expenses shall be reimbursed by the agency which requests the medical examination.

4. The liaison agency or agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 3 of this Article upon presentation of a statement of expenses by the agency or liaison agency of the other Contracting State.

**Article 10**

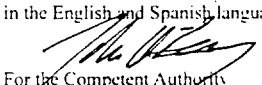
Benefits which, according to the laws of a Contracting State, are payable to beneficiaries who are staying or residing in the territory of the other Contracting State shall be paid to them directly.

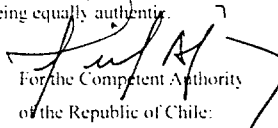
Notwithstanding the previous sentence, the liaison agencies may agree upon other procedures for the payment of such benefits.

**Article 11**

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

DONE at Santiago, Chile on 16 February 2000 in duplicate in the English and Spanish languages, each text being equally authentic.

  
For the Competent Authority  
of the United States of America

  
For the Competent Authority  
of the Republic of Chile.



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

I. INTRODUCTION

The Social Security agreement between the United States and the Republic of Chile is intended to provide limited coordination of the old age, survivors, and disability insurance (OASDI) programs of the two countries. The agreement is similar in content and objective to Social Security agreements already in force between the United States and 17 other countries, including Canada 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.-Chilean agreement has two main purposes. First, it would eliminate dual Social Security coverage and taxation, 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 will be possible for workers and their family members who would not otherwise qualify for benefits to qualify for partial U.S. or Chilean benefits based on combined work credits from both countries.

The U.S.-Chilean agreement consists of two separate instruments: (1) a principal agreement setting forth the basic rules for coordinating the two countries' Social Security systems; and (2) an administrative arrangement establishing policies and procedures to implement the principal agreement. These two documents, which were signed by representatives of the U.S. and Chilean governments on February 16, 2000, are now being transmitted to Congress for review 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 income and expenditures of the U.S. Social Security program and the number of individuals 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 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 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.-Chilean 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 Chilean Social Security systems.

### A. Rules Governing Employees

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

Special rules would apply, however, for employees who are temporarily transferred by their employer in one country to work in the other country for a period of five years or less. In this situation, an employee who was covered in one country before his or her transfer would continue to be covered under that country's system 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 Chile would only be covered under and pay contributions to the U.S. program, and the employer and employee would be relieved of the additional burden of paying Social Security contributions to the Chilean program.

Other rules set forth in this Part would apply to persons employed by the governments of the two countries and to persons employed in international air and ship 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. Under these rules, a self-employed resident of Chile will be subject only to Chilean laws, while a U.S. resident will be subject only to U.S. laws.

IV. BENEFIT PROVISIONS

Part III of the principal agreement establishes the basic rules for determining entitlement to and the amount of U.S. and Chilean 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 to qualify for a retirement, survivors or disability benefit, the worker's coverage credits from both the United States and Chile could be totalized (i.e., combined) to permit him or her to qualify for a partial U.S. benefit. Since periods of coverage under the Chilean Social Security system are measured in terms of months, the United States would credit one quarter of coverage for every three months of Chilean coverage in a calendar year. The United States would not, however, credit months of coverage under Chilean law

if they coincide with quarters of coverage already credited 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 benefit amount 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 benefit 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 method.

## B. Provisions Applicable to Chile

### 1. Chilean Benefits

Until 1981, Chile had a traditional social insurance program administered by the government and financed by employer and employee contributions. It paid old age, survivors, and disability insurance (OASDI) benefits based on a worker's average earnings and length of coverage. Legislation effective in 1981 established a new "privatized" system that is State-regulated but administered by the private sector. Under the new system, employers withhold contributions from employees' wages and pay them to individual capitalization accounts managed by private investment companies. Benefit amounts depend on the investment yield of a worker's account.

While the great majority of active workers are now covered by the new system, both systems will continue to operate side-by-side until the old system is eventually phased out. The benefit provisions of the agreement apply to OASDI benefits under both the old and the new systems.

## 2. Totalization of Periods of Coverage

In order to qualify for Chilean benefits under the old system, a worker must meet certain eligibility standards including minimum length-of-coverage and recency-of-work requirements. Under the agreement, a person who has not worked long enough or recently enough to qualify for benefits will be able to have his or her U.S. and Chilean coverage credits combined in order to meet the applicable eligibility requirements.

Under the new Chilean system, a worker's benefit is based on the balance in his or her individual capitalization account, including investment return. Because workers are immediately vested in the new system, i.e., there is no minimum coverage requirement, Chile will not need to count U.S. periods of coverage in determining entitlement to OASDI benefits. However, workers whose benefits would be less than the minimum amount guaranteed by the Government must satisfy a minimum coverage requirement to receive the guaranteed amount (e.g., 20 years of contributions for old age benefits). The agreement provides that Chile will count a worker's U.S. periods of coverage in determining if he or she meets the coverage requirements for the guaranteed minimum benefit.

Where entitlement to a Chilean benefit is established based on combined U.S. and Chilean credits, Chile will compute a theoretical benefit amount as if the worker's U.S. periods of coverage had been completed under Chilean law. To determine the benefit amount actually payable, the theoretical amount will be prorated by multiplying it by the ratio of the periods of coverage credited under Chilean law to the total periods credited in both countries.

C. Benefit Portability

Section 233(c)(2) of the Social Security Act permits agreements to contain provisions 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.

Chilean nationals outside the United States, including those residing in Chile, are already exempt from the nonpayment provisions of section 202(t)(1) in accordance with section 202(t)(2). However, citizens of certain other countries who reside in Chile may not be exempt from the nonpayment provisions of the Social Security Act. The agreement, therefore, would provide an exemption from the nonpayment provisions of section 202(t)(1) for insured persons and their dependents or survivors, regardless of their citizenship, if they reside in Chile.

Under section 202(t)(11), benefits generally may not be paid to nonresident aliens who first become eligible for title II dependent or survivor benefits after 1984, unless they satisfy certain U.S. residency requirements. Citizens or residents of a country with which the United States has an agreement in force pursuant to section 233 of the Social Security Act are exempt from the residence requirements. Once the U.S.-Chilean Social Security agreement enters into force, citizens or residents of Chile will no longer be subject to this nonpayment provision.

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 Chile to render free or reimbursable assistance to the other country in implementing the agreement.

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

**ANNOTATIONS AND COMMENTS**

The Government of the United States of America and  
the Government of the Republic of Chile,

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

The document is described as an "Agreement" with the understanding  
that it will enter into force for Chile as a formal treaty subject to  
ratification by the Chilean Congress and for the United States as an  
executive 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.

PART I

GENERAL PROVISIONS

Article 1

1. For the purpose of the present Agreement, the expressions and terms  
indicated below shall have the following meanings:

(a) "Territory" means,

as regards the United States, the States, the District of  
Columbia, the Commonwealth of Puerto Rico, the  
United States Virgin Islands, Guam, American Samoa and the  
Commonwealth of the Northern Mariana Islands, and

Article 1.1(a) defines the territory of the United States and Chile for  
purposes of applying the Agreement.

The definition of United States "territory" is identical to the definition of  
the United States in section 210(i) of the Social Security Act with the  
addition of the Northern Mariana Islands (NMI), to which the U.S.  
Social Security program also applies in accordance with the covenant  
establishing the NMI Commonwealth in political union with the  
United States.

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as regards Chile, the territorial scope of the Political Constitution of the Republic of Chile;

(b) "National" means,

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

as regards Chile, a Chilean national as specified by the Political Constitution of the Republic of Chile;

(c) "Laws" means the laws and regulations specified in Article 2, excluding treaties or other international agreements on Social Security that may be concluded between one Contracting State and a third State, or laws or regulations promulgated for their specific implementation;

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

as regards Chile, the Ministry of Labor and Social Welfare;

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With respect to Chile, "territory" means Chilean national territory.

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.

A Chilean national means any person who is accorded nationality by Chile, including, but not limited to, a person who carries a valid Chilean passport or other valid identity document designating the person as a Chilean national.

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. However, the term excludes treaties or other international agreements or laws to implement them--for example, either country's Social Security agreements with third countries. This provision makes clear that in cases where a person has periods of coverage in the United States and Chile and periods of coverage in a third country with which the United States or Chile has a Social Security agreement, neither the United States nor Chile will be obligated to combine periods from all three countries to determine entitlement to its benefits. (See Part III).

"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.



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(e) "Agency" means, as regards the United States, the Social Security Administration, and as regards Chile, the institution responsible for administering the laws referred to in Article 2, paragraph 1(b) of this Agreement, in a particular case;

"Agency" 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. The Social Security Administration is the agency for the United States. However, the U.S. Internal Revenue Service's responsibility for determining Social Security tax liability in light of SSA coverage determinations under the Agreement is not affected.

as regards Chile, the institution responsible for administering the laws referred to in Article 2, paragraph 1(b) of this Agreement, in a particular case;

In Chile, a number of separate offices are responsible for administering the benefit and coverage provisions of Chilean Social Security laws. These offices include private investment companies, known as "Pension Fund Administrators" (AFP's) – see annotation to Article 7. Any one of these offices may be the "agency" for purposes of the Agreement in a particular case. However, the Superintendency of Pension Fund Administrators, which is the governmental body that oversees the AFP's, and the Superintendency of Social Security are the Chilean Government's liaison agencies (see the annotation to Article 2.1 of the Administrative Arrangement) and will be the Social Security Administration's principal contacts for purposes of implementing and administering the Agreement.

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

The term "period of coverage" means any period which is credited under the laws of either country for purposes of determining benefit eligibility, including periods of covered employment and self-employment.

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

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

Article 2

1. This Agreement shall apply:

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

-- 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,

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

**ANNOTATIONS AND COMMENTS**

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

Each country will assign to any undefined terms used in the Agreement the same meaning as they are given under its national laws.

Article 2.1 specifies the laws to which the Agreement applies.

For the United States, the Agreement applies to title II of the U.S. Social Security Act and the corresponding tax laws (the Federal Insurance Contributions Act and the Self-Employment Contributions Act of 1954) and any regulations pertaining to those laws. However, the Agreement does not apply to Medicare provisions (section 226 and 226A of the Social Security Act) or provisions for special payments to uninsured individuals 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.

Although the Agreement does not apply to Medicare, a worker who is subject only to Chilean laws by virtue of Part II of the Agreement will be exempt not only from U.S. retirement, 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).

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- (b) As regards Chile,
  - to the laws on the New Pension System on Old-age, Invalidity and Survivors' Pensions based on individual capitalization and
  - to the laws on the Old-age, Invalidity and Survivors' Pension systems administered by the Instituto de Normalización Provisional.

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Until 1981, Chile had a traditional social insurance program that paid old-age, survivors and disability insurance (OASDI) benefits based on contributions from employers and employees. Legislation effective in 1981 established a new "privatized" system that is State-regulated but administered by the private sector. Under the new system, employers withhold contributions from employees' wages and pay them to individual capitalization accounts managed by private investment companies. While the great majority of active workers are now covered by the new system, both systems will continue to operate side-by-side until the old system is eventually phased out.

As indicated in Article 2.1(b), Chilean OASDI benefits payable under both the old and the new pension systems are included within the scope of the agreement. Rules for determining entitlement to these benefits are found in Article 7 of the Agreement. Under Article 5.9, the provisions of the Agreement that eliminate dual Social Security coverage also extend to Chile's national health insurance and workers' compensation insurance programs. As a result, a worker who is subject to U.S. laws and exempt from Chilean laws in accordance with Part II of the Agreement will be exempt, together with his or her employer, from paying contributions to Chile's old-age, survivors and disability insurance programs, as well as national health insurance. In addition, employers of such workers will be exempt from contributing to the workers' compensation program.

- 2. This Agreement shall also apply to future laws which amend or supplement the laws specified in paragraph 1 of this Article.
- 3. This Agreement shall also apply to legislation of a Contracting State which extends the laws referred to in paragraph 1 to new categories of beneficiaries, unless that Contracting State notifies the other Contracting State in writing within 3 months of the date of the official publication of the new legislation that it is not to be included in the scope of the Agreement.

Article 2.2 makes clear that the Agreement will automatically apply to future laws that modify the Social Security laws listed in Article 2.1. However, Article 2.3 provides for a possible exception to this general principle. Under Article 2.3, if either country enacts legislation in the future that creates new categories of beneficiaries not included in the laws listed in Article 2.1 as of the Agreement's effective date, the country enacting the legislation may exclude it from the scope of the Agreement by giving written notice to the other country within 3 months of the legislation's official publication.

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This Agreement shall apply to:

- (a) persons who are or have been subject to the laws of one or both Contracting States;
- (b) other persons with respect to the rights they derive from the persons mentioned in subparagraph (a);

Article 3

Article 3 specifies the categories of persons to whom the Agreement applies. These include persons currently covered under U.S. or Chilean 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 survivors of such persons when the dependents or survivors derive rights under the laws of one or both countries based on a relationship to such persons.

Article 4

1. Persons who are or have been subject to the laws of one Contracting State and persons deriving benefit rights from such persons, who reside within the territory of the other Contracting State, shall receive equal treatment with nationals of that other Contracting State in the application of the laws regarding the eligibility for and the payment of benefits.

Article 4.1 provides that persons to whom the Agreement applies who reside in the United States or Chile 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 not intended to affect the coverage provisions of either country's laws, since these are dealt with specifically in Part II of the Agreement.

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

Article 4.2 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 or receive those benefits during periods of residence in the other country. U.S. law already permits payment of benefits to U.S. and Chilean nationals who reside in either country. Article 4.2 would also permit the United States to 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 Chile.

In addition to the U.S. benefit portability guarantee provided for Chilean residents in Article 4.2, the entry into force of the Agreement will also eliminate a restriction on the exportation of U.S. dependents and survivors benefits that now applies to certain Chilean citizens and residents. Under U.S. law, Social Security dependents and survivors

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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, citizens and residents of Chile will be exempt from this payment restriction.

3. Without prejudice to the provision in the preceding paragraph, invalidity, old-age and survivors pensions payable to United States nationals in accordance with Chilean laws shall not be subject to reduction, modification, suspension or retention based on the fact that the beneficiary is located or resides in the territory of a third State.

Article 4.3, which applies only to Chilean laws, extends the benefit portability guarantee in Article 4.2 to U.S. nationals entitled to Chilean benefits while they are in a country other than the United States or Chile. The provision is primarily intended to protect U.S. nationals receiving Chilean benefits outside of Chilean territory from incurring any fees or loss of benefits due to absence from Chile. Without this provision, the private APPs (see annotation to Article 1.1(e)) would be able to charge beneficiaries outside of Chile an administrative fee for paying a benefit abroad.

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**PART II**

**PROVISIONS ON COVERAGE**

Article 5

**ANNOTATIONS AND COMMENTS**

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 agreement preserves the existing coverage provisions of the laws of both countries to the greatest extent possible. The provisions in this 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 5.1 establishes a general rule for eliminating dual Social Security coverage and contributions for persons employed in either the United States or Chile. Article 5.2 provides for the elimination of dual coverage in the case of self-employed persons. Article 5.3 contains an exception to the general rule for employees which applies in the case of persons sent by an employer in one country to work temporarily in the other country. Article 5.6 precludes dual coverage that might otherwise occur for employees in international shipping and air transportation. Article 5.7 establishes rules applicable to persons employed in U.S. or Chilean Government service.

1. Except as otherwise provided in this Article, a person employed within the territory of one of the Contracting States shall, with respect to that employment, be subject to the laws of only that Contracting State, irrespective of the location of the person's place of residence or domicile or the employer's place of business.

2. A self-employed person who resides in the territory of a Contracting State shall be subject to the laws of only that State.

Article 5.1 establishes a general territoriality rule which stipulates that ordinarily a person's employment in one country will be compulsorily covered by only that country. Thus, a person working in employment that would otherwise be covered under the laws of both countries will remain covered under the system of the country where the employment takes place and will be exempt from coverage under the system of the other country.

Article 5.2 eliminates dual coverage and contributions with respect to self-employment. It provides that self-employed residents of Chile will be covered only under Chilean laws and that self-employed U.S. residents will be covered only under U.S. laws.

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3. Where a person who is normally employed in the territory of one Contracting State by an employer in that territory is temporarily sent by that employer to the territory of the other Contracting State, the person shall be subject to the laws of only the first Contracting State as if he were employed in the territory of the first Contracting State, provided that the period of employment in the territory of the other Contracting State is not expected to exceed 5 years. For purposes of applying this paragraph in the case of an employee who is sent from the territory of the United States by an employer in that territory to the territory of Chile, that employer and an affiliated company of the employer (as defined under the laws of the United States) shall be considered one and the same, provided that the employment would have been covered under United States laws absent this Agreement.
  
4. The preceding paragraph shall apply where a person who has been sent by his employer from the territory of a Contracting State to the territory of a third State is subsequently sent by that employer from the territory of the third State to the territory of the other Contracting State.

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Under Article 5.3, an employee who normally works for an employer located in the United States or Chile 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 employee has been transferred. This rule will apply only if the transfer is expected to last 5 years or less.

Article 5.3 also provides that this rule will apply 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 Chile. 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 Internal Revenue Service (IRS) to pay Social Security contributions on behalf of all U.S. citizens and residents employed by the foreign affiliate. Under Article 5.3, U.S. citizens or resident aliens who are sent by an American employer to work for an affiliated company in Chile for 5 years or less will continue to be covered by the United States and exempt from Chilean 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 into force, any period of work before the Agreement's entry into force will be disregarded. (See Article 17.3.)

Under Article 5.4, the provisions of Article 5.3 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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5. Where the same activity is considered to be self-employment under the laws of one Contracting State and employment under the laws of the other Contracting State, that activity shall be subject to the laws of only the first Contracting State if the person is a resident of that State and to the laws of only the other Contracting State in any other case.

Article 5.5 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 5.5, 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. (a) A person who is employed as an officer or member of a crew on a vessel which flies the flag of one Contracting State and who would be covered under the laws of both Contracting States shall be subject to the laws of only the Contracting State whose flag the vessel flies. For purposes of the preceding sentence, a vessel which flies the flag of the United States is one defined as an American vessel under the laws of the United States.

Under Article 5.6(a), a person employed on a U.S. or Chilean ship who is covered under the laws of both countries will be covered only under the laws of the country whose flag the ship flies. A ship is considered to fly the flag of the United States if it is an American vessel as defined in section 210(c) of the Social Security Act. Under that definition, an American vessel is one that is documented or numbered under U.S. law or one that is not documented or numbered under the laws of any country if its crew is employed solely by one or more U.S. citizens or residents or corporations organized under Federal or State law.

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

Under Article 5.6(b), a member of the flight crew of an aircraft operating between the United States and Chile 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.

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

Article 5.7 provides coverage rules applicable to employees of the U.S. and Chilean Governments. Article 5.7(a) is intended to make clear 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



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both the United States and Chile 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.

In general, 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.

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

8. The Competent Authorities of the two Contracting States, or the liaison agencies 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 Contracting States.

Article 5.7(b) provides that if a U.S. or Chilean 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. This provision applies not only to U.S. Government employees, but also to persons working for a U.S. Government instrumentality.

Under Article 5.8, 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 liaison agencies to correct anomalous coverage situations that may arise to the disadvantage of workers or to eliminate dual coverage in unforeseen circumstances.

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9. A worker who is subject to United States laws in accordance with the preceding paragraphs of this Article shall be exempt from paying contributions under the Chilean pension and health programs. In addition, an employer will be exempt from paying contributions for work accident and occupational illness insurance with respect to such workers.

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Article 5.9 is intended to make clear that workers who are exempt from Chilean coverage as a result of the Agreement are exempt from contributing to both the Chilean OASDI and health insurance programs. Furthermore, employers are relieved of the obligation to contribute to the Chilean work accident and occupational illness insurance programs on behalf of exempt workers. (Employers do not contribute to the Chilean OASDI or health insurance programs, and employees do not contribute to the work accident and occupational illness program.)

PRINCIPAL AGREEMENT

PART III

PROVISIONS ON BENEFITS

Article 6

The following provisions shall apply to the United States:

1. Where a person has completed at least 6 quarters of coverage under United States laws, but does not have sufficient periods of coverage to satisfy the requirements for entitlement to benefits under United States laws, the agency of the United States shall take into account, for the purpose of establishing entitlement to benefits under this Article, periods of coverage which are credited under Chilean laws and which do not coincide with periods of coverage already credited under United States laws.
2. When it is not possible to determine the time when specific periods of coverage were completed under Chilean laws, it shall be presumed that such periods do not coincide with periods of coverage completed under United States laws.

ANNOTATIONS AND COMMENTS

Part III establishes the basic rules for determining Social Security benefit entitlement when an individual has worked in both the United States and Chile and the rules for determining benefit amounts when entitlement is based on combined work credits. Article 6 deals with the U.S. system, and Article 7 contains rules specifically applicable to the Chilean system.

Article 6 contains rules for determining U.S. benefit eligibility and amounts in the case of people who have periods of Social Security coverage in Chile 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. In such cases, the Social Security Administration, in accordance with Article 6.1, will take into account any periods of coverage credited under Chilean laws insofar as these periods do not coincide with quarters of coverage already credited under U.S. laws.

Both paragraphs 1 and 3 of Article 6 stipulate that the United States will not count Chilean periods of coverage that coincide with coverage already credited by the U.S. However, it is not always possible to determine exactly when certain periods of coverage under the Chilean system were earned. The Chilean system grants non-contributory coverage credits to certain workers whose careers were interrupted due to exile or other hardship during the period of military rule in Chile from 1973-1990. Chilean law grants a maximum of 54 months of credit within this time period to this group of workers but does not assign the credits to specific months or years. Under Article 6.2, SSA will presume that periods of coverage certified by Chile do not overlap with periods of coverage under the U.S. system in those situations where the Chilean coverage credits cannot be assigned to specific periods of time. Article 7.2 contains a similar provision applicable to Chile.

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3. In determining eligibility for benefits under paragraph 1 of this Article, the agency of the United States shall credit 1 quarter of coverage for every 3 months of coverage certified by the agency of Chile. If the conversion described in the preceding sentence results in a fractional remainder, the remainder shall be considered an additional quarter of coverage. No quarter of coverage shall be credited for any calendar quarter already credited as a quarter of coverage under United States laws, nor shall the total number of quarters of coverage to be credited for a year exceed four.

4. Where entitlement to a benefit under United States laws is established according to the provisions of paragraph 1, the agency of the United States shall compute a pro rata Primary Insurance Amount in accordance with United States laws based on (a) the person's average earnings credited exclusively under United States laws and (b) the ratio of the duration of the person's periods of coverage completed under United States laws to the duration of a coverage lifetime as determined in accordance with United States laws. Benefits payable under United States laws shall be based on the pro rata Primary Insurance Amount.

**ANNOTATIONS AND COMMENTS**

Article 6.3 establishes the procedure that SSA will follow in converting periods of coverage under the Chilean system into equivalent periods under the U.S. system. Periods of coverage under the U.S. system are measured in terms of calendar quarters while Chilean periods of coverage are measured in months. Beginning in 1978, U.S. quarters of coverage are based on the amount of a person's annual earnings (e.g., for 2000, \$780 in earnings equals one quarter of coverage). Under Article 6.3, SSA will credit one quarter of coverage in a calendar year for every 3 months of coverage certified for that year by the Chilean agency. (Article 7.1 provides a corresponding rule for converting U.S. quarters of coverage into Chilean months of coverage when determining Chilean benefit eligibility.) However, SSA will not credit months of coverage under Chilean 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.

Article 6.4 describes the method of computing U.S. benefit amounts when entitlement is established by totalizing (i.e., combining) U.S. and Chilean coverage. As stipulated in Article 6.1, persons who qualify for U.S. benefits based solely on their U.S. coverage are not eligible for U.S. Totalization benefits.

Under the procedure outlined in Article 6.4, 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 benefit amount 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 benefit 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 worker's

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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.

5. Entitlement to a benefit from the United States which results from paragraph 1 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.

Article 6.5 provides that 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, the Social Security Administration will pay the regular national law benefit rather than the Totalization benefit.

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Article 7

Chilean Social Security benefits are paid to workers who meet the applicable eligibility standards, including minimum length-of-coverage and recency-of-work requirements. Under Article 7, if a person has not worked long enough or recently enough to meet the normal eligibility requirements, Chile will add the person's U.S. coverage credits to his or her Chilean credits. If the person meets the requirements based on combined U.S. and Chilean credits, Chile will pay a pro rata (i.e., partial) benefit that is proportional to the amount of coverage credited under the Chilean system.

CHILEAN SOCIAL SECURITY BENEFITS

Until 1981, Chile had a traditional government-administered social insurance program financed by employer and employee contributions that paid old-age, survivors and disability insurance (OASDI) benefits based on a worker's average earnings and length of coverage. Legislation effective in 1981 established a new "privatized" system that is State-regulated but administered by the private sector. Under the new system, employees pay contributions to individual capitalization accounts managed by private investment companies called Pension Fund Administrators. Benefit amounts depend on the investment yield of the accounts.

The new system became mandatory for all employees who entered the labor force after 1982. Workers who were covered under the old system at the time were given the option of remaining in the old system. While the great majority of active workers are now covered by the new system, both systems will continue to operate side-by-side until the old system is eventually phased out. The benefit provisions set forth in Article 7 apply to OASDI benefits under both the old and the new system.

OLD-AGE BENEFITS

New System

Under the new system, old-age benefits are payable to men at age 65 and to women at age 60. A worker may elect to receive benefits before normal retirement age if he or she will be entitled to a benefit that exceeds certain specified levels. There are no minimum coverage requirements for entitlement.

Benefit amounts are based on the worker's total contributions to an individual capitalization account plus accrued investment returns. The Government guarantees a minimum benefit amount for persons who have contributed to their accounts for at least 20 years. At retirement, a worker may choose to receive periodic withdrawals from his or her account, use the account balance to buy an annuity from a private insurance company or elect a combination of the two.

Old System

Old-age benefits under the old system are also payable at age 65 for men and 60 for women, but there is no provision for early retirement. Eligibility requirements and benefits amounts differ depending on whether the worker was classified as a wage earner or salaried employee.

Wage Earners: Men must have either 1,040 weeks (20 years) of contributions, or 800 weeks of contributions and contributions in one-half of the weeks since initial coverage. Women must have 520 weeks (10 years) of contributions. The amount of the old-age pension is earnings-related, i.e., it is based on the length of time the wage earner worked and the level of his or her earnings. A minimum pension is set by law.

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Salaried Persons: Both men and women must have at least 10 years of contributions. Benefit amounts are earnings-related but the computation formula is different than for wage earners.

DISABILITY BENEFITS

Chilean disability benefits are payable to persons who have not reached normal retirement age and who have suffered a loss of working capacity due to partial or total disability.

New System

Under the new system, a disability pension is payable to a contributor whose impairment reduces working capacity by at least 50 percent. For the first 3 years, the disability pension is financed by the AFP, not the worker's individual account. The benefit amount is based on a percentage of the worker's average earnings during the last 5 years.

After 3 years, if a second decision affirms the worker's disability, an amount necessary to finance the disability pension and future survivors benefits is determined, and paid by the AFP into the worker's account. The beneficiary then has the same payment options (periodic withdrawals, purchase of an annuity or a combination) as an old-age beneficiary. A minimum pension is guaranteed by the Government.

Old System

Wage Earners: To be eligible under the old system, a wage earner must have a minimum of 50 weeks of contributions, contributions in 40 percent of the weeks during the 5 years preceding disability onset, and contributions in 50 percent of the weeks since initial coverage. Women are exempt from the third requirement, and all wage earners with more than 400 weeks of contributions are exempt from both the second and third requirements. A wage earner's disability pension is earnings-related and varies according to the degree of disability.



Salaried Persons: Under the old system salaried employees must have a minimum of 3 years of contributions to be eligible for disability benefits. Benefit amounts are based on a percentage of the worker's average earnings during the last 5 years and are increased for each year of contributions beyond 20 years.

SURVIVORS BENEFITS

Survivors benefits are payable to widows, disabled widowers, mothers of deceased workers' children, surviving children and parents.

New System

Survivors are eligible for benefits if the worker was paying contributions or receiving an old-age or disability pension at the time of death. Benefit amounts equal a percentage of the deceased worker's old-age or disability pension.

Old System

Wage Earners: For a survivors benefit to be payable, the wage earner must have been receiving an old-age or disability pension at the time of death, or have met the coverage requirements for a disability pension.

Salaried Persons: Survivors are eligible if the deceased was receiving an old-age or disability pension at the time of death or had a minimum of 3 years of contributions.

Survivors of both wage earners and salaried persons receive a benefit equal to a percentage of the deceased worker's average earnings during the last 5 years, or a percentage of the deceased worker's pension.

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COST-OF-LIVING INCREASES

Benefits under the old system are adjusted annually in accordance with changes in the price index. Under the new system, if a contributor elects to purchase an annuity from an insurance company, the monthly payment remains constant in real terms. In addition, the minimum benefit amount guaranteed by the State is indexed to the cost of living.

The following provisions shall apply to Chile:

1. When Chilean laws require the completion of certain periods of coverage for acquiring, maintaining or recovering entitlement to old-age, survivors or disability benefits, periods of coverage completed under United States laws shall be added, when necessary, to the periods of coverage completed under Chilean laws, provided that they do not coincide. In determining entitlement to benefits in accordance with this paragraph, the Chilean agency shall credit 3 months of coverage for every quarter of coverage certified by the United States agency.

2. When it is not possible to determine the time when specific periods of coverage were completed under United States laws, it shall be presumed that such periods do not coincide with periods of coverage completed under Chilean laws.

Article 7.1 provides that the Chilean agency will add U.S. quarters of coverage to periods of Chilean coverage in determining whether a person meets the minimum coverage requirements for OASDI benefits under Chilean law (including the various recent coverage requirements). In determining benefit eligibility based on combined periods of coverage, the Chilean agency will credit 3 months of coverage for each quarter of coverage certified by the Social Security Administration. However, Chile will not credit additional months of coverage based on U.S. coverage if those months are already credited under Chilean laws.

Article 7.1 stipulates that Chile will not count U.S. periods of coverage that coincide with coverage already credited by Chile. However, it is not always possible to determine exactly when certain periods of coverage under the U.S. system were earned. Beginning in 1978, for example, the method of crediting quarters of coverage under the U.S. system changed from a quarterly to an annual method. Before 1978, a worker was credited with one quarter of coverage for every calendar quarter in which he or she was paid at least \$50 in covered wages, while now a worker earns up to 4 quarters of coverage in a year based on the amount of annual earnings. Thus, the U.S. earnings record indicates the total number of quarters of coverage earned in each year after 1977, but not the actual calendar quarters in which they were earned.

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3. Members of a Pension Fund Administrator shall finance their pensions under Chilean laws with the balance accumulated in their individual capitalization accounts. In case such balance is insufficient to finance a pension equal to the minimum pension amount guaranteed by the State, members shall have the right to Totalization of periods of coverage in accordance with paragraph 1, in order to determine entitlement to the minimum old-age or invalidity pension. Survivors pension beneficiaries shall have the same right.

Under Article 7.2, the Chilean agencies will presume that U.S. quarters of coverage in a calendar year do not overlap with months of Chilean coverage in the same year, although they will credit no more than 12 months of coverage in any one year. Article 6.2 contains a similar provision applicable to the United States.

Under the new Chilean system, a worker's benefit is based on the balance in his or her individual capitalization account, including investment return. Because workers are immediately vested in the new system, i.e., there is no minimum coverage requirement, Chile will not need to count U.S. periods of coverage in determining entitlement to OASDI benefits. However, workers whose benefit amount would be less than the minimum guaranteed by the Government must satisfy a minimum coverage requirement to receive the guaranteed amount: 20 years for old-age benefits and either 10 years or 2 out of the last 5 years for disability or survivors benefits. Article 7.3 provides that the Chilean agency will count a worker's U.S. periods of coverage in determining if he or she meets the coverage requirements for the guaranteed minimum benefit.

4. For purposes of determining whether the requirements of Chilean laws for an early old-age pension under the New Pension System have been fulfilled, members who have obtained a pension under United States laws shall be considered as pensioners under the pension systems administered by the Instituto de Normalización Previsional.

Under the new system, a worker may elect to receive an early old-age pension provided the balance in his or her account is sufficient to yield a benefit equal to (1) at least 50 percent of the worker's average indexed wage over the last 10 years, and (2) at least 110 percent of the minimum old-age pension. Under Article 7.4, the Chilean agency will count the amount of the worker's U.S. benefit, as well as his or her Chilean benefit, in determining eligibility for an early old-age pension.

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5. Members of the New Pension System in Chile who reside in the territory of the United States and who are subject to United States laws in accordance with this Agreement may also pay contributions to that System on a voluntary basis as if they were self-employed workers. Members who choose to pay voluntary contributions under this paragraph shall not be required to pay contributions for financing health care benefits under Chilean laws.
6. Contributors to the pension systems administered by the Instituto de Normalización Previsional shall also have the right to Totalization of periods of coverage in accordance with paragraph 1 in order to establish entitlement to pension benefits under the laws applicable to those systems.
7. When entitlement to a benefit under Chilean law is established in accordance with paragraph 3 or 6 of this Article, the agency of Chile shall determine a theoretical benefit amount as if all the periods of coverage completed under the laws of both Contracting States had been completed under the laws it administers, and shall calculate the benefit it must pay as the proportion of the periods of coverage completed exclusively under the laws it administers to the total periods of coverage completed under the laws of both Contracting States.

When the total periods of coverage under the laws of both Contracting States exceed the period established under Chilean laws for entitlement to a full pension or a minimum pension, the excess years shall be disregarded for purposes of this calculation.

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Unlike employees, self-employed workers are covered under the Chilean system on a voluntary basis. Article 7.5 provides that workers who previously contributed to the new system may continue to do so on the same voluntary basis as self-employed workers during periods in which they reside in the United States and are subject to U.S. coverage as a result of the Agreement. Payment of voluntary contributions would not, however, require the worker to contribute to the Chilean health insurance program.

Article 7.6 merely confirms that Article 7.1 applies to workers covered by the old Chilean pension system. Thus, Chile will totalize (i.e., combine) a worker's U.S. and Chilean Social Security credits, when necessary, to establish his or her right to OASDI benefits under the old system.

Article 7.7 describes the method of computing Chilean benefit amounts when entitlement is established by totalizing (i.e., combining) U.S. and Chilean coverage. Where entitlement to a Chilean benefit is established based on totalized credits, the Chilean agencies will first compute a theoretical benefit amount treating the worker's U.S. coverage as if it had been completed under the Chilean Social Security system. The theoretical amount will then be prorated on the basis of the ratio of the periods of coverage completed under Chilean laws to the total periods of coverage completed in both countries. The resulting pro rata benefit will be the amount payable by Chile.

To avoid an excessive pro rata reduction for workers with many years of coverage under the U.S. and Chilean systems, the denominator of the pro rata fraction will be limited to the total period of coverage required to qualify for the benefit in question. This will result in a larger benefit than would otherwise be payable.

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8. Persons who are paying contributions or receiving benefits in accordance with United States laws shall be considered as currently covered by the corresponding insurance system of Chile for purposes of qualifying for benefits according to the laws that regulate the insurance systems administered by the Instituto de Normalización Previsional.

For purposes of this paragraph, a person shall be considered to be paying contributions in accordance with United States laws if the person has credit for at least 1 quarter of coverage under such laws during the 8 calendar quarters immediately preceding the calendar quarter in which the insured event occurs according to Chilean laws.

9. Persons who receive a pension according to United States laws and who reside in the territory of Chile shall have the right to enroll in the Chilean health benefits system under the same conditions as persons receiving similar pensions according to Chilean laws.

10. Medical examinations performed in Chile for the purpose of determining eligibility for invalidity benefits under Chilean laws shall be made available to the United States agency at its request and without charge.

On the other hand, if the Chilean agency deems it necessary that medical examinations intended for its sole use be performed in the United States, they shall be financed in accordance with Chilean laws. When the examinations relate to workers affiliated with the New Pension System, the Chilean agency shall reimburse the full cost of the examinations to the United States agency and shall charge the interested person for the percentage for which he or she is responsible.

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Under the old pension system, a worker must generally be covered or receiving a benefit at the time of disability onset or death in order for the worker or the worker's survivors to be eligible for disability or survivors benefits. Article 7.8 provides that a worker who was receiving a U.S. benefit or who had at least 1 U.S. quarter of coverage in the 8-quarter period immediately preceding disability onset or death will be deemed to meet the recency requirement of Chilean laws.

A person is covered under the Chilean national health insurance program if he or she works in covered employment or self-employment or receives a Chilean Social Security pension. Under Article 7.9, a recipient of U.S. Social Security benefits who resides in Chile will also be allowed to enroll in the Chilean national health insurance program.

Article 7.10 authorizes the Chilean agency to furnish reports of medical examinations performed in Chile to SSA. The reports will be provided without cost when requested by SSA in connection with a claim for U.S. disability benefits.

Article 7.10 also authorizes the Chilean agency to reimburse SSA for the cost of medical examinations that SSA arranges in the United States at the request of a Chilean agency in connection with a claim under the Chilean system. Under the new system, the claimant may be responsible for a portion of the cost, and the Chilean agency may deduct the appropriate amount from the claimant's benefit or from his or her individual capitalization account.

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Nevertheless, the Chilean agency may deduct the cost for which the interested person is responsible from any pensions owed, or from the balance in the person's individual capitalization account.

If the examinations are requested in connection with an appeal filed against a disability decision issued in Chile, the cost of these examinations shall be financed in the manner described in the preceding paragraph; however, if the appeal has been filed by a Chilean agency or insurance company such costs shall be financed by the appellant.

**ANNOTATIONS AND COMMENTS**

The same reimbursement procedure will apply when SSA arranges a medical examination for the Chilean agency in connection with an appeal against a Chilean disability determination, except that the claimant will not be liable for any cost if he or she did not file the appeal.

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PART IV

MISCELLANEOUS PROVISIONS

Article 8

The Competent Authorities of the two Contracting States shall:

- (a) Make all necessary administrative arrangements for the implementation of this Agreement;
- (b) Designate their respective liaison agencies, which shall be responsible for the coordination of the agencies involved in the application of this Agreement and whose responsibilities shall be specified in an administrative arrangement;
- (c) Communicate to each other information concerning the measures taken for the application of this Agreement; and
- (d) Communicate to each other, as soon as possible, information concerning all changes in their respective laws which may affect the application of this Agreement.

Article 9

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

Article 8 outlines various duties of the Competent Authorities under the Agreement. Paragraph (a) authorizes the Competent Authorities to make any administrative arrangements that may be necessary to implement and administer the Agreement. Paragraph (b) requires that they designate liaison agencies that will have primary responsibility for coordinating and administering the coverage and benefit provisions of the Agreement. (See Article 2.1 of the Administrative Arrangement for these designations.) Paragraph (c) requires the Competent Authorities to notify each other of measures they have taken unilaterally to implement the Agreement. Paragraph (d) obligates the Competent Authorities to notify each other of any changes in their respective Social Security laws that may affect the application of the Agreement.

Article 9.1 provides authority for the two countries to furnish each other nonreimbursable assistance in administering the Agreement. Such assistance may include the taking of benefit applications and the gathering and exchanging of information relevant to claims filed under the Agreement. Although Article 9.1 establishes a general principle that mutual administrative assistance will be free of charge, the provision authorizes the two sides to agree to exceptions, such as the exception regarding medical examinations in Article 7.10 and in Article 9.3 of the

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

Administrative Arrangement. Article 9.1 and 9.4 of the Administrative Arrangement provide additional procedures regarding reimbursement of exceptional expenses.

Article 9.2 authorizes direct correspondence between the Competent Authorities and agencies of the two countries and between these bodies and any person with whom they may need to communicate. The correspondence may be in either country's language.

The Competent Authorities and agencies of each country may not reject an application or document because it is in an official language of the other country. The United States already accepts applications and documents without regard to the language in which they are written.

Article 10

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

Article 10.1 provides that if the laws of one country exempt documents submitted in connection with a Social Security claim from fees or charges, that exemption shall also apply if such documents are sent to the other country by or on behalf of a claimant or beneficiary.

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 10.2, neither the United States nor Chile will require such authentication of documents submitted under the Agreement.



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3. Copies of documents which are certified as true and exact copies by a liaison agency of one Contracting State shall be accepted as true and exact copies by an agency of the other Contracting State, without further certification. The agency or liaison agency of each Contracting State shall determine in accordance with its laws the sufficiency of the evidence submitted to it from whatever source.

Article 11

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

2. If an applicant has filed a written application for benefits with an agency of one Contracting State and has not explicitly requested that the application be restricted to benefits under the laws of that Contracting State, the application shall also protect the rights of the claimants under the laws of the other Contracting State if the applicant provides information at the time of filing indicating that the person on whose record benefits are claimed has completed periods of coverage under the laws of the other Contracting State.

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

ANNOTATIONS AND COMMENTS

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

Under Article 11.1, a written application submitted to an agency 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.

Because an applicant may not be fully aware of his or her benefit rights in the other country, Article 11.2 provides that, in the absence of an expression of intent, the application will also protect the claimant's rights in the other country if the applicant indicates at the time of filing that the person on whose record benefits are claimed has been covered under Social Security in the other country.

Article 11.3 requires that a person claiming benefits under the Agreement file an application either on or after the date the Agreement enters into force.

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ANNOTATIONS AND COMMENTS

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

Article 12

In any case to which the provisions of Article 11 apply, the agency to which the claim, notice or written appeal has been submitted shall indicate the date of receipt on the document or on a form agreed upon for this purpose pursuant to Article 8(a) and transmit it without delay to the liaison agency of the other Contracting State.

Article 13

1. Payments under this Agreement may be made in the currency of either Contracting State.
2. In case provisions designed to restrict the exchange or exportation of currencies are introduced by either Contracting State, the Governments of both Contracting States shall agree without delay on measures necessary to ensure the transfer of sums owed by either Contracting State under this Agreement.

Both the United States and Chile have formal procedures for appealing adverse determinations of their agencies. Under Article 11.4, an appeal of a decision by an agency of one country may be filed with the agency of that country or with the agency of the other country. In either case, the appropriate agency of the country whose decision is being appealed would consider the appeal based on its own laws and procedure.

Article 11.5 provides that a claim, notice or written appeal which must be filed within a prescribed time limit with an agency of one country will be considered to have been filed on time if it is filed within such limit with an agency of the other country.

The agency with which a claim, notice or written appeal is filed under Article 11 of the Agreement shall transmit it without delay to the liaison agency of the other country, indicating the date the document was received.

Benefits that are 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. Chilean benefits may be paid abroad in U.S. dollars or in Chilean pesos.

Should either country impose restrictions on the exchange of its currency, steps shall be taken to assure the payment of amounts due under the Agreement.

**PRINCIPAL AGREEMENT**

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

Article 14

Both the United States and Chile have statutes and regulations that govern disclosure and provide safeguards for maintaining the confidentiality of information pertaining to individuals 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 14 provides that personal information pertaining to an individual 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.

**ANNOTATIONS AND COMMENTS**

Article 15

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

Article 15.1 obligates the Competent Authorities to attempt to resolve any dispute between them regarding the Agreement through direct consultation or negotiation.

Article 16

2. If a disagreement cannot be resolved through negotiation, the Contracting States will endeavor to settle the issue through arbitration, mediation, or other mutually agreed procedure.

In the unlikely event the Competent Authorities are unable to resolve any dispute through direct consultation, Article 15.2 stipulates that they will pursue a settlement through arbitration, mediation or other procedure to be agreed upon.

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. Such agreements may be given retroactive effect if they so specify.

Article 16 provides that the Agreement may be amended by future supplementary agreements and that such agreements may have retroactive effect. After a supplementary agreement becomes effective, it will be considered an integral part of the Agreement.

PRINCIPAL AGREEMENT

ANNOTATIONS AND COMMENTS

PART V

TRANSITIONAL AND FINAL PROVISIONS

Article 17

1. This Agreement shall not establish any claim to payment of a benefit for any period before the date of the entry into force of the Agreement, or to a lump-sum death benefit if the person died before the entry into force of the Agreement.

Benefits payable based on the Agreement will be paid for periods beginning no earlier than the effective date of the Agreement. Any lump-sum death payments provided by section 202(f) 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 completed under the laws of either Contracting State and other events which occurred before the entry into force of this Agreement, except that the United States shall not take into account periods of coverage which occurred prior to 1937.

In determining benefit eligibility and amounts under the Agreement, Article 17.2 provides that periods of coverage occurring before the Agreement enters into force will be taken into account. However, the United States will not consider periods of Chilean coverage credited prior to 1937, the earliest date for which periods of coverage may be credited under U.S. law. 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.

3. In applying paragraph 3 of Article 5 in the case of persons who were sent to the territory of a Contracting State 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 5.3, an employee who is transferred by his or her employer in one country to work in the other country for 5 years or less will continue to be covered under the Social Security system of the first country and will be exempt from coverage in the host country. Article 17.3 provides that the 5-year period will be measured beginning no earlier than the date the Agreement enters into force. Thus, for persons to whom Article 5.3 applies who were transferred to the other country before the effective date of the Agreement, that prior period will not be counted for purposes of the 5-year limit.

PRINCIPAL AGREEMENT

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- 4. Determinations concerning entitlement to benefits which were made before the entry into force of this Agreement shall not affect rights arising under it.
- 5. Any benefit which was denied or suspended in accordance with the domestic laws of a Contracting State on account of the nationality of the person concerned or of his residence in the territory of the other Contracting State but which is payable by virtue of this Agreement shall, at the request of the person concerned, be awarded or resumed effective with the date on which this Agreement enters into force.
- 6. Benefit rights which persons may have acquired before the entry into force of this Agreement shall be reviewed at their request or ex officio, taking into account the provisions of this Agreement. In no circumstances shall this Agreement result in a reduction of any cash benefit to which entitlement existed prior to its entry into force.
- 7. Provisions of Chilean laws limiting retroactivity of the right to benefits shall not apply to rights arising as a result of the entry into force of this Agreement, provided that the claimant submits an application for benefits within two years after the date of entry into force of this Agreement.

Article 18

- 1. This Agreement shall remain in force and effect until the expiration of one calendar year following the year in which written notice of its termination is given by one of the Contracting States to the other Contracting State.

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.

Under Article 17.5, each country will resume payment of benefits that have been suspended based on the beneficiary's citizenship or place of residence but which are payable as a result of this Agreement beginning with the effective date of the Agreement. Although Article 17.5 allows either country to condition the resumption of benefit payments in these cases on the filing of an application, the Social Security Administration does not plan to impose such a requirement.

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 benefits that may be payable as a result of the Agreement. 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.

Under Article 17.7, Chilean domestic provisions that require an application to be filed within a certain period following an insured event, such as disability onset or death, or that limit the period prior to the filing of an application for which benefits may be claimed will not apply to claims for benefits under the Agreement if the application is filed within two years from the date the Agreement enters into force.

Article 18.1 provides for the Agreement to remain in effect until the expiration of 1 calendar year after the year notice of termination is given by one of the countries.

**PRINCIPAL AGREEMENT**

2. If this Agreement is terminated, rights regarding entitlement to or payment of benefits acquired under it shall be retained. The Contracting States shall make arrangements dealing with rights in the process of being acquired based on periods of coverage completed before the date the Agreement is terminated.

Article 19

The Governments of both Contracting States shall notify each other in writing of the completion of their 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 fourth month following the date of the last notification.

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

DONE at Santiago, Chile on 16 February, 2000 in duplicate in the English and Spanish languages, each text being equally authentic.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

John O'Leary

FOR THE GOVERNMENT OF THE REPUBLIC OF CHILE:

Mariano Fernández

**ANNOTATIONS AND COMMENTS**

Article 18.2 provides that if 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.

Each country will follow its own constitutional procedures for approval of the Agreement and notify the other country when it is approved. The Agreement will enter into force on the first day of the fourth calendar month after each Government has received formal notification of approval from the other Government.

The Agreement was signed on February 16, 2000, in Santiago by the U.S. Ambassador to Chile, John O'Leary, and the Chilean Acting Minister of Foreign Affairs, Mariano Fernández.

ANNEX B

ADMINISTRATIVE ARRANGEMENT

ADMINISTRATIVE ARRANGEMENT

FOR THE IMPLEMENTATION OF THE AGREEMENT  
ON SOCIAL SECURITY  
BETWEEN

THE UNITED STATES OF AMERICA  
AND THE REPUBLIC OF CHILE

In conformity with Article 8(a) of the Agreement on Social Security between the United States of America and the Republic of Chile of this date, hereinafter referred to as the "Agreement", the Competent Authorities of the two Contracting States have agreed as follows:

PART I

GENERAL PROVISIONS

Article 1

The terms defined in Article 1 of the Agreement shall have the same meaning in this Administrative Arrangement.

The definitions set forth in Article 1 of the Agreement also apply to the Administrative Arrangement.

ADMINISTRATIVE ARRANGEMENT

Article 2

1. The liaison agencies referred to in Article 8(b) of the Agreement shall be:

- (a) for Chile,
  - the Superintendency of Pension Fund Administrators (Superintendencia de Administradoras de Fondos de Pensiones) for persons covered under the New Pension System;
  - the Superintendency of Social Security (Superintendencia de Seguridad Social) for persons covered under the systems managed by the Institute of Social Security Standardization (Instituto de Normalización Previsional).
- (b) for the United States, the Social Security Administration.

2. The liaison agencies designated in the preceding paragraph shall by mutual consent establish the joint procedures and forms necessary for the application of the Agreement and this Administrative Arrangement.

3. The Competent Authorities of each Contracting State may, by mutual agreement, name other liaison agencies.

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Article 2.1 designates the agencies 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 agency for the United States. The counterpart liaison agencies for Chile are the Superintendency of Pension Fund Administrators for persons covered by the new pension system, and the Superintendency of Social Security for persons covered by the old pension system.

Article 2.2 authorizes and requires the liaison agencies of the United States and Chile to agree upon those procedures and forms that must be prepared jointly for the implementation of the Agreement and Administrative Arrangement.

If it should become necessary to designate liaison agencies other than those mentioned in Article 2.1, the Competent Authorities may do so by mutual agreement.



ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Article 3

The following Agencies are designated for the application of the Agreement:

- 1. For Chile:
  - (a) As regards old-age, disability and survivors benefits:
    - The Pension Fund Administrators for persons covered under the New Pension System, and
    - The Institute of Social Security Standardization for contributors to the old Social Security systems.

Article 3 designates the specific agencies in each country that are responsible for the application of the Agreement. As indicated in Article 3.1, several Chilean agencies will be involved in administering specific provisions of the Agreement. However, the Chilean liaison agencies designated in Article 2.1 will coordinate the activities of these multiple agencies (see Article 8(b) of the Agreement) and also serve as SSA's principal contact for purposes of coordinating the application of the Agreement. In the United States, SSA has primary responsibility for implementing and administering the Agreement and will perform the functions of both the liaison agency and agency.

- (b) As regards the determination of disability:
  - The Medical Committees of the Superintendency of Pension Fund Administrators for persons covered under the New Pension System;
  - The Preventive Medicine and Disability Committees of the Health Service corresponding to the place of residence for contributors to the Institute of Social Security Standardization who reside in Chile and for those who have no periods of coverage under Chilean laws; and

ADMINISTRATIVE ARRANGEMENT

- The Preventive Medicine and Disability Committee of the Central Metropolitan Health Service for contributors to the Institute of Social Security Standardization who do not reside in Chile.

(c) As regards the payment of contributions to the health benefits system for purposes of Article 7, paragraph 9, of the Agreement:

- The Health Insurance Institutions (Instituciones de Salud Previsional); and
- The National Health Fund (Fondo Nacional de Salud).

2. For the United States of America:

- The Social Security Administration.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

PART II

PROVISIONS ON COVERAGE

Article 4

1. Where the laws of a Contracting State are applicable in accordance with any of the provisions of Article 5 of the Agreement, the liaison agency of that Contracting State, upon request of the person concerned, 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 named worker is exempt from the laws on compulsory coverage of the other Contracting State.

In order to determine residence as referred to in Article 5, paragraph 2, of the Agreement, at the request of the concerned person, the Chilean liaison agency shall procure the necessary information according to its laws and issue the certificate referred to above.

2. The liaison agency of a Contracting State which issues a certificate referred to in paragraph 1 shall furnish a copy of the certificate to the liaison agency of the other Contracting State as needed by the latter agency.

Under Article 4.1, the agency of the country whose Social Security coverage laws will continue to apply to a person in accordance with the various rules set forth in Article 5 of the Agreement will issue a certificate to that effect when requested to do so by the person concerned (i.e., the employee, employer or self-employed person). When presented to the appropriate agency 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 of the Agreement provides that a self-employed person will be subject only to the laws of the country in which the person resides. Since Chile's Ministry of the Interior is responsible for making residence determinations under Chilean law, the Chilean liaison agency will decide whether to issue a certificate of coverage to a self-employed person claiming Chilean residence based on the Interior Ministry's residence determinations.

Article 4.2 provides that the agency issuing a coverage certificate will furnish a copy of the certificate to the liaison agency in the other country when needed.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

3. The certificate referred to in paragraph 1 shall be issued:

(a) in Chile,

- By the Superintendency of Pension Fund Administrators for persons covered under the New Pension System, and

- By the Superintendency of Social Security for contributors to the old Social Security systems.

(b) in the United States of America, by the Social Security Administration.

Article 4.3 designates the agencies responsible for issuing coverage certificates.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

PART III

SPECIAL PROVISIONS ON BENEFITS

Article 5

1. Applications for benefits under the Agreement shall be submitted on forms to be agreed upon by the liaison agencies of the two Contracting States.
2. The agency of the Contracting State with which an application for benefits is first filed in accordance with Article 11 of the Agreement shall provide the liaison agency of the other Contracting State with such evidence and other information as may be required to complete action on the claim.
3. The agency of a Contracting State which receives an application that was first filed with an agency of the other Contracting State shall without delay provide the liaison agency of that Contracting State with such evidence and other available information as may be required for it to complete action on the claim.
4. The agency of the Contracting State with which an application for benefits has been filed shall verify the information pertaining to the applicant and his family members. The types of information to be verified shall be agreed upon by the liaison agencies of both Contracting States.

The U.S. and Chilean liaison agencies will agree on special application forms to be used by individuals who wish to file for benefits based on the Agreement.

Articles 5.2 and 5.3 outline the procedures to be followed by both countries for the exchange of pertinent information needed to process claims filed under the Agreement.

Article 5.4 deals with the verification of claims information. Both U.S. and Chilean 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 5.4 provides that when a claim for benefits under the Agreement is filed in one country, the agency of that country will verify the relevant information and inform the agency of the other country of its findings. The liaison agencies will agree upon the specific types of information which must be verified.

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ANNOTATIONS AND COMMENTS

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

Article 6

In situations referred to in Article 7, paragraphs 4 and 9 of the Agreement, and at the request of a Chilean liaison agency, a person's status as a pensioner shall be confirmed by means of a certificate issued by the United States agency that awarded the benefit. Such certificate shall indicate the date the benefit was awarded and the amount as of the date the certificate was issued.

Article 7.4 and 7.9 of the Agreement grant special rights under Chilean laws to certain people who receive U.S. Social Security benefits. Article 6 of the Administrative Arrangement provides that SSA will, upon request of the Chilean liaison agency, furnish information confirming a person's entitlement to U.S. benefits for the purpose of implementing these provisions.

ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

PART IV

MISCELLANEOUS PROVISIONS

Article 7

The liaison agencies of the two Contracting States shall exchange statistics annually on the number of certificates issued under Article 4 of this Administrative Arrangement. They shall also exchange statistics on the number of benefits paid in the other Contracting State, as well as the amount of the benefits.

Article 7 provides for an exchange of statistics concerning the number of coverage certificates issued pursuant to Article 4 of this Administrative Arrangement and the payments made by each country to beneficiaries in the other country.

Article 8

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

Article 8 provides that the liaison agency of one country may, upon request, furnish claims-related information to the liaison agency of the other country in accordance with agreed upon procedures. Such procedures will be agreed upon by the liaison agencies and will be consistent with the governing statutes of both countries.

Article 9

1. Where the agency or liaison agency of a Contracting State requests from the agency or liaison agency of the other Contracting State administrative assistance that would not be free of charge under Article 9 of the Agreement, the agency of the other Contracting State shall first inform the agency of the first Contracting State that the assistance requested shall not be free of charge and shall only be required to provide such assistance if both liaison agencies agree upon the time and manner of reimbursing the costs.

Article 9.1 establishes the procedure the agency or liaison agency of each country will follow whenever assistance requested by its counterpart involves an extraordinary expense that would not be free of charge under Article 9 of the Agreement. For example, Article 9.3 below makes clear that medical examinations obtained by one country at the request of the other country will be considered a reimbursable expense.

ADMINISTRATIVE ARRANGEMENT

2. Upon request, the liaison agency of either Contracting State shall furnish without cost to the liaison agency of the other Contracting State any medical information and documentation in its possession relevant to the disability of the claimant or beneficiary.
3. Where the agency of a Contracting State requires that a person in the territory of the other Contracting State who is receiving or applying for benefits under the Agreement submit to a medical examination, such examination may be requested from the liaison agency of the other Contracting State, in which case it shall be arranged in accordance with the rules of the agency arranging the examination. The expenses shall be reimbursed by the agency which requests the medical examination.
4. The liaison agency or agency of one Contracting State shall reimburse amounts owed under paragraph 1 or 3 of this Article upon presentation of a statement of expenses by the agency or liaison agency of the other Contracting State.

Article 10

Benefits which, according to the laws of a Contracting State, are payable to beneficiaries who are staying or residing in the territory of the other Contracting State shall be paid to them directly.

Notwithstanding the previous sentence, the liaison agencies may agree upon other procedures for the payment of such benefits.

ANNOTATIONS AND COMMENTS

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

Article 9.3 provides that where a medical examination is necessary to establish eligibility for or continuing entitlement to a country's benefits that are payable under the Agreement, and the claimant or beneficiary is located in the other country, the liaison agency of the other country will, upon request, arrange for the examination at the expense of the agency requesting the examination, pursuant to Article 9.1 above.

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

Article 10 was included at the request of Chile to authorize the private financial institutions involved in administering its new pension system to pay benefits directly to beneficiaries in the United States or in accordance with other procedures agreed upon by the liaison agencies.



ADMINISTRATIVE ARRANGEMENT

ANNOTATIONS AND COMMENTS

Article 11

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

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.

DONE at Santiago, Chile on 16 February, 2000 in duplicate in the English and Spanish languages, each text being equally authentic.

The Administrative Arrangement was signed in Santiago on February 16, 2000, by the U.S. Ambassador to Chile, John O'Leary, and the Chilean Acting Minister of Foreign Affairs, Mariano Fernández.

For the Competent Authority of the United States of America:

John O'Leary

For the Competent Authority of the Republic of Chile:

Mariano Fernández

## ANNEX C

REPORT TO CONGRESS  
ON THE FINANCIAL EFFECT  
OF THE U.S.-CHILEAN SOCIAL SECURITY AGREEMENT

The following tables present estimates on the effects of the proposed U.S.-Chilean Social Security agreement on the income and expenditures of both countries' Social Security programs and the number of people who will be affected by the agreement. The estimates were prepared based on the assumption that the agreement would become effective on October 1, 2000.

Table 1 shows the estimated additional costs that would accrue to each country's system as a result of the agreement. These costs would occur because (1) each country would pay additional benefits to certain people who have worked in both the United States and Chile but who could not qualify for benefits from one or both without the agreement, and (2) each country would lose Social Security tax income from workers who were previously required to contribute to both systems for the same work but who would contribute only to one system under the agreement.

Table 2 shows the number of people who would become eligible for a partial retirement, survivors, or disability benefit from the United States or Chile under the agreement. Also shown in Table 2 is the number of employees in each country who, along with their employers, would no longer be subject to dual Social Security coverage and taxation.

Table 1.--Estimated additional costs to the U.S. and Chilean Social Security systems under a proposed totalization agreement between the two countries, fiscal years 2001-2005

(In millions)

|   | Fiscal year |          |          |          |          |
|---|-------------|----------|----------|----------|----------|
|   | 2001        | 2002     | 2003     | 2004     | 2005     |
| <b>Additional costs to the U.S. Social Security system:</b>     |             |          |          |          |          |
| Increase in OASDI benefit payments.....                         | (1/)        | \$1      | \$1      | \$1      | \$1      |
| Reduction in OASDHI tax contributions.....                      | <u>\$2</u>  | <u>2</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Total.....  | 2           | 2        | 3        | 3        | 3        |
| <b>Additional costs to the Social Security system of Chile:</b> |             |          |          |          |          |
| Increase in benefit payments .....                              | 1           | 1        | 2        | 2        | 3        |
| Reduction in tax contributions.....                             | <u>1</u>    | <u>1</u> | <u>2</u> | <u>2</u> | <u>2</u> |
| Total.....  | 2           | 3        | 4        | 4        | 5        |

1/ Less than \$500,000.

Note: Totals may not equal the sums of the rounded components.

Table 2.--Estimated number of persons who would be affected by a proposed totalization agreement between the United States and Chile, fiscal years 2001-2005

(In thousands)

|  | Fiscal year |      |      |      |      |
|--|-------------|------|------|------|------|
|  | 2001        | 2002 | 2003 | 2004 | 2005 |
| Number of persons receiving a totalized OASDI benefit based in part on employment in Chile under the proposed agreement (in current-pay status at mid-year).....               | 0.2         | 0.3  | 0.3  | 0.4  | 0.4  |
| Number of persons receiving a totalized Chilean benefit based in part on employment in the United States under the proposed agreement (in current-pay status at mid-year)..... | 0.5         | 1.0  | 1.4  | 1.7  | 1.9  |
| Number of U.S. employees in Chile who, along with their employers, would no longer make tax contributions during the year to the Social Security system of Chile.....          | 0.4         | 0.4  | 0.4  | 0.4  | 0.4  |
| Number of Chilean employees in the United States who, along with their employers, would no longer make tax contributions to the OASDHI Trust Funds.....                        | 0.2         | 0.2  | 0.2  | 0.2  | 0.2  |

Social Security Administration  
Office of the Chief Actuary  
November 22, 1999