

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 000 Operational expenses

Subhead 180 Social security allowance scheme

Members are invited to approve –

- (a) a total supplementary provision of \$3,088.9 million in 2012-13 under Head 170 Social Welfare Department, with \$3,081.5 million under Subhead 180 Social security allowance scheme and \$7.4 million under Subhead 000 Operational expenses, for introducing the Old Age Living Allowance; and
- (b) an increase in the ceiling placed on the total notional annual mid-point salary value of all non-directorate posts in the permanent establishment of Social Welfare Department in 2012-13 from \$1,982,675,000 by \$23,264,040 to \$2,005,939,040 to create 90 non-directorate civil service posts for implementing the Old Age Living Allowance in paragraph (a) above.

PROBLEM

We need to enhance the financial support for needy elders in Hong Kong (HK).

PROPOSAL

2. The Secretary for Labour and Welfare (SLW) plans to introduce the Old Age Living Allowance (OALA) under the Social Security Allowance (SSA) Scheme in 2012-13 as an additional form of financial assistance for HK elders

aged 65 or above who are in need of financial support. The Director of Social Welfare (DSW), with the support of SLW, proposes to –

- (a) seek a supplementary provision of \$3,088.9 million in 2012-13 to cover the allowance payment and cost of implementing OALA; and
- (b) increase the ceiling placed on the total notional annual mid-point salary (NAMS) value of all non-directorate posts in the permanent establishment of the Social Welfare Department (SWD) in 2012-13 by \$23,264,040 to enable the creation of a total of 90 non-directorate civil service posts for the implementation of OALA.

JUSTIFICATION

Background

3. At present, elderly people in Hong Kong (HK) receive recurrent financial support from the Government under two social security schemes, namely the Comprehensive Social Security Assistance (CSSA) Scheme which helps families in financial hardship to meet basic needs, and the SSA Scheme which helps recipients of SSA (including Old Age Allowance (OAA) and Disability Allowance (DA)) to meet special needs arising from old age or severe disabilities, and enables them to have some financial independence. Details of the schemes are at **Enclosure 1**.

4. In his election manifesto, the Chief Executive (CE) pledged to “*build on the existing Old Age Allowance scheme and introduce a special allowance for the elderly who are in need so that they can receive about double the amount of the allowance (\$2,200) every month after a simple declaration of income and assets*”. CE subsequently announced, at the Legislative Council Question and Answer session on 16 July 2012, that the Government would introduce OALA as an additional form of financial assistance for HK elders aged 65 or above who were in need of financial support, and that OALA would be pitched at \$2,200 per month (the announcement is at **Enclosure 2**).

The positioning of OALA

5. OALA is a poverty alleviation measure. However, it is to be distinguished from CSSA because it seeks to supplement the recipients’ living expenses, not to be entirely relied upon for subsistence. Although by nature it is an allowance to meet special needs and is therefore placed under the SSA Scheme, it is different from DA which targets persons with disabilities irrespective of age and means; and from OAA, the non-means-tested form of which (i.e. Higher OAA) will continue to be provided to elders aged 70 or above.

6. In introducing any new initiative, we should have due regard to its policy objectives, long-term implications and sustainability. Since OALA aims at

alleviating poverty of the elderly population, it should only be provided to applicants with proven needs according to prescribed income and asset requirements. We also need to be mindful that population ageing will put increasing pressure on our recurrent expenditure on welfare and medical services. According to the latest projection figures released by the Census & Statistics Department, while the labour force is expected to shrink after around 2020 which may result in a declining number of taxpayers, the number of elders aged 65 or above will surge, from 980 000 at present¹ to 2.16 million in 2031, and to 2.56 million in 2041, representing around 30% of the population at that time. This would give rise to a drastic increase in elderly dependency ratio and economic dependency ratio², reducing our economic growth potentials and posing immense challenges to our fiscal sustainability in future. The estimated increase in additional recurrent expenditure on OALA may also crowd out other government expenditures, including other welfare-related expenditures required to cope with an ageing population. It is therefore prudent and necessary that a proper means test with prescribed income and asset requirements be put in place under OALA so that our limited public resources can be directed to those who are most in need of the financial assistance.

Key features of OALA

(A) No double benefits

7. It is the Government's established policy that a person may only apply for either CSSA, OAA or DA even if he satisfies the eligibility criteria for more than one of them. This is to avoid paying double benefits to an individual at the same time, and would help ensure the sustainability of the social security system. As OALA is a new form of financial assistance that works in parallel with existing ones for different beneficiaries, the "no double benefits" rule should also apply. In other words, OALA recipients cannot at the same time receive CSSA, OAA or DA.

(B) Same eligibility criteria as Normal OAA

8. The Government is committed to enhancing the support for needy elders. Given the public's wish for a set of liberal and simple eligibility criteria, we have come to the conscious decision to adopt the eligibility criteria of Normal OAA, which are familiar to elders and well established. In other words, OALA applicants must –

¹ Provisional figures for mid-2012.

² HK will see a sharp increase in the elderly dependency ratio (i.e. the number of persons aged 65 or above per 1 000 persons aged between 15 and 64), from 183 in 2012 to 497 in 2041. In terms of economic dependency ratio (which measures the burden on the labour force in taking care of the population, defined as the ratio of the economically inactive population to per 1 000 economically active persons), there will also be a drastic increase of 31% between 2012 (871) and 2029 (1 140), mainly as a result of our ageing population. (Sources: Hong Kong Population Projections, 2012-2041; and Hong Kong Labour Force Projections, 2010-2029)

- (a) be aged 65 or above;
- (b) have been a HK resident for at least seven years, and have resided in HK continuously for at least one year (with a grace period of 56 days) immediately before the date of application (i.e. the one-year continuous residence rule, or the “OYCR”); and
- (c) meet income and asset requirements. As stated in CE’s announcement at **Enclosure 2**, the thresholds of Normal OAA will be adopted.

(C) Same residence requirements during receipt of payment as OAA and DA

9. The residence requirements for SSA allow considerable freedom for the recipients (in particular OAA beneficiaries), who have very diverse backgrounds and travelling needs, to be away from HK for various reasons. In 2011, we further relaxed the absence limit such that SSA recipients could receive full-year payment if he had stayed in HK for at least 60 days in a payment year. These requirements should also apply to OALA.

(D) Annually adjusted payment rates and income and asset limits

10. The initial rate of OALA is set at \$2,200 per month, as indicated in CE’s election manifesto. To maintain the purchasing power of OALA, the payment rate will be adjusted annually according to the Social Security Assistance Index of Prices (SSAIP), i.e. following the established rate adjustment mechanism for OAA, DA and the standard rates of CSSA. Besides, the income and asset limits for OALA will be adjusted annually in line with the established mechanism for Normal OAA (see paragraph 20 below).

(E) Simple application procedures

11. In view of the large volume of potential applications at the initial stage of implementation and to save elders the trouble of having to queue up at social security field units of SWD, we have devised a set of simplified application procedures for different types of elders. The details are set out in paragraph 14 below.

12. Recipients of CSSA, OAA and DA in HK may, by application, switch between their existing benefits and OALA based on their need and eligibility. Participants of the Guangdong (GD) Scheme (as described in **Enclosure 1**) who have benefited from the special one-off arrangement (which waives the OYCR for applicants during the first year of the scheme) can only switch to OALA one year after they first receive OAA under the GD Scheme, or they would have to meet the OYCR. This arrangement applies also to GD Scheme participants who wish to switch to OAA or DA in HK.

Implementation

13. Subject to the funding approval by Finance Committee (FC) in October 2012, SWD plans to formally launch OALA and start receiving applications in March 2013. This is a highly compressed implementation plan which allows needy elders to enjoy OALA benefits as soon as possible. In the event that the funding approval by FC could only be sought after October 2012, SWD would not be able to launch OALA in March 2013 as originally planned, but would seek to implement the new allowance as early as practicable. While striving for efficiency and simplicity, we also need to be prudent in administration, in particular on the use of public funds. Highlighted below are the special arrangements designed for this purpose.

(A) Simplified application procedures

14. Different types of elders will undergo different procedures –
- (a) “auto-conversion”: as mentioned above, OALA and Normal OAA have identical eligibility criteria. Therefore, except those who take the initiative to report to SWD that they have exceeded the relevant income and asset limits and/or opt not to switch to OALA (see paragraph 15(a) below), 290 000 existing OAA recipients, including about 80 000 Normal OAA recipients and 210 000 former Normal OAA recipients who are receiving Higher OAA, will be deemed to be eligible for OALA. SWD will credit OALA payments to their bank accounts direct in March 2013 at the earliest without requiring them to make fresh applications;
 - (b) “postal submission”: for the remaining existing Higher OAA recipients who have not received Normal OAA before and existing Normal DA recipients aged 65 or above, SWD will issue letters to them in late February 2013, inviting them to opt for OALA by postal submission. For prudent planning purpose, SWD estimates that the total number of OALA recipients from this pool of existing Higher OAA and Normal DA recipients will be about 190 000 (comprising 150 000 Higher OAA and 40 000 Normal DA recipients respectively) out of the total of 290 000; and
 - (c) new application: new applicants (i.e. those not currently on OAA or Normal DA) will have to make their applications directly to SWD’s social security field units by fax, by e-mail, by post, through referral or in person after the OALA scheme is formally launched in March 2013 at the earliest (as mentioned in paragraph 13 above). SWD will then make appointment with the applicant to process the application.

15. We consider the simplified application procedures mentioned in paragraph 14 above, in particular the “auto-conversion” arrangement, appropriate for OALA because of its unique circumstances: that there is a large-scale migration of participants from another existing scheme who have passed basically the same means declaration procedures in the past; and that the participants concerned are all elders whose income and asset levels are unlikely to increase and render them ineligible over time. SWD will build in safeguards at various stages to screen out ineligible participants –

- (a) before auto-conversion takes place, SWD will first announce the simplified procedures through a press release, and SWD plans to issue a standard notification letter in January 2013 at the earliest to all prospective recipients of the auto-conversion arrangement, informing them of the arrangement and advising them to report promptly to SWD if their income and/or assets have exceeded the prescribed limits or if they opt not to switch to OALA (on the understanding that the provision of Normal OAA to them will be discontinued after OALA is launched in March 2013, in case of existing Normal OAA recipients). In both cases, SWD will not include the elders concerned in the auto-conversion;
- (b) in the second year after the OALA scheme is launched (i.e. between March 2014 and February 2015), postal reviews will be conducted for all auto-conversion cases, meaning that the recipients will have to declare afresh their income and assets. Those exceeding the limits will be screened out by September 2014 and will become ineligible upon expiry of the grace period (see paragraph 15(c) below);
- (c) drawing reference to the existing rule for Normal OAA³, all OALA recipients will be given a grace period. For auto-conversion cases, postal submission cases and new applications received within 2013, the grace period will be the 24 months counting from the “effective date” (see paragraph 16 below). For new applications received after 2013, the grace period will be 12 months from the date of application. SWD will assume that there is no change in the financial circumstances of the OALA recipients - and will not claw back any overpayment - during the grace period, even if it comes to know of any changes in income and/or asset level that should have rendered the recipient ineligible. However, this rule does not apply

³ For Normal OAA, all new successful applications will be given the benefit of presumption of “no change in status” for one year immediately after being awarded Normal OAA. Any subsequent changes within the said grace period which affect the applicant's financial eligibility due to excess income and/or assets will be disregarded. However, the said rule does not apply if incorrect declaration of income and/or assets was made at the time of application. Where the applicant is found to have made incorrect declaration of income and/or assets at the time of application, which renders him eligible for Normal OAA, any allowance thus paid should be taken as overpayment and should be duly recovered.

if incorrect declaration of income and/or asset is made at the time of postal submission, postal review or application. For these cases, all OALA payment already made after declaration of income and asset will be regarded as overpayment and will be duly recovered; and

- (d) from the third year of implementation (i.e. March 2015) onwards, OALA recipients will be subject to review.

(B) Effective date

16. We now propose to set the effective date for OALA payment on the first day of the month of FC's approval. In other words, for eligible elders, the first OALA payment will include a lump sum payment in arrears counting from that effective date, as well as the first regular monthly payment. However, the Government will not entertain any estate claims for OALA for any elders who could have benefited from the auto-conversion arrangement but have passed away before OALA is launched (in March 2013 at the earliest), and for any others who have passed away without having made a postal submission or new application.

17. To ensure prudent management of public resources and to avoid pre-empting the FC, the Government would not normally allow funding proposals for new recurrent schemes to take retrospective effect. Our proposal to set the effective date of OALA payment on the first day of the month of FC's approval **before** SWD starts to receive applications is an exceptional arrangement primarily for the purpose of providing greater benefits to the needy elders upon the commencement of a new financial assistance scheme, and making up for the necessary lead time for SWD to put in place the application procedures without compromising on the validity of the means declaration. To preclude the possibility of an unduly long back payment period and to uphold the integrity of the means declaration, the effective date should only apply to applications received no later than 31 December 2013.

18. The effective date will also serve as the reference date for the OYCR (see paragraph 8(b) above) for applications received within 2013. SWD will assess whether such new OALA applicants have complied with this rule with reference to this date. Existing OAA and Normal DA recipients who migrate to OALA should have all satisfied the OYCR when they first joined SSA.

(C) Adjustment of payment rate and income and asset limits

19. As mentioned in paragraph 10 above, the OALA payment rate should normally be adjusted annually together with OAA, DA and CSSA standard rates according to SSAIP, but the initial rate of OALA will not be adjusted in February 2013 when OAA, DA and CSSA standard rates are adjusted. When the OALA rate is to be adjusted for the first time in February 2014, the adjustment will capture price changes since the effective date. The adjustment cycles of OAA, DA and CSSA standard rates will all be synchronised thereafter.

20. As regards the income and asset limits, the adjustment mechanism under Normal OAA will be adopted. The Secretary for Financial Services and the Treasury will adjust the income and asset limits of OALA in line with the adjustment mechanism adopted for Normal OAA⁴.

21. A flowchart showing the application procedures for the different types of elders is at **Enclosure 3**.

FINANCIAL IMPLICATIONS

22. As explained in paragraph 14(a) and (b), about 290 000 existing OAA recipients will be deemed to be eligible for OALA through auto-conversion, and we estimate that about 150 000 Higher OAA and 40 000 Normal DA recipients will succeed in their OALA applications through postal submission. Taking 1 October 2012 as the “effective date”, SWD estimates that in 2012-13 the additional expenditure on OALA payment for the above recipients will be around \$3.1 billion (the amount will be around \$6.2 billion if calculated in full-year terms). With reference to the 2012-13 Budget, an additional \$6.2 billion will result in a 14% increase in the estimated recurrent government expenditure on welfare or a 2.3% increase in the total estimated recurrent government expenditure in 2012-13, and represent 0.3% of Gross Domestic Product. Taking into account the effects of an ageing population, the financial implication of OALA is estimated to rise incrementally each year, to around \$6.4 billion in 2013-14, and further to some \$9.6 billion by 2022-23.

23. If all HK people aged 70 or above are to be eligible for OALA irrespective of their financial means, the additional expenditure in the first year (in full-year terms) is estimated to immediately soar from around \$6.2 billion by \$3.7 billion to almost \$10 billion. If this arrangement applies to all those aged 65 or above, the extra cost will rise to a staggering \$13.6 billion. With a fast growing elderly population, the extra financial cost will balloon in the future. The long-term financial implications of OALA based on the Government’s proposal, compared with the proposals of lifting the means declaration for elders aged 70 or above and for elders aged 65 or above, are at **Enclosure 4**.

24. Apart from allowance payment, SWD will need additional manpower to implement OALA. About 100 additional posts (including time-limited posts) will need to be created for the implementation of OALA at an annual additional expenditure of about \$32 million. For 2012-13, SWD will incur additional staff costs and other administrative expenses of \$7.4 million for the creation of 90 non-directorate civil service posts. These posts are for undertaking

⁴ Under Normal OAA, the asset limits are adjusted annually in accordance with the Social Security Assistance Index of Prices while the income limits are adjusted in accordance with the following formula –

$$\text{Income limit} = \text{CSSA standard rate for elderly} + \text{maximum rent allowance} + \text{maximum level of monthly disregarded earning}$$

FC has delegated to SFST the authority to revise the limits in accordance with the above mechanism on 5 March 1993 upon approval of the proposal in FCR (92-93)150.

preparatory work, and also for implementing OALA starting from March 2013. To enable the creation of the posts, DSW proposes to increase the ceiling placed on the total NAMS value of all non-directorate posts in the permanent establishment of SWD in 2012-13 from \$1,982,675,000 by \$23,264,040 to \$2,005,939,040.

25. Subject to FC's approval, a supplementary provision of \$3,088.9 million will be included in Head 170 SWD in 2012-13, with \$3,081.5 million under Subhead 180 and \$7.4 million under Subhead 000. The estimated breakdown is as follows –

	(\$ million)
(a) OALA payment	3,081.5
(b) Staff cost and other administrative expenses	7.4
	<hr/>
Total :	<u>3,088.9</u>

26. The financial implications of OALA in 2013-14 and beyond will be reflected in the Estimates of the relevant years.

PUBLIC CONSULTATION

27. We issued a paper to the Panel on Welfare Services on 9 October 2012 to explain the proposal, and have requested a formal discussion at the Panel before we seek FC's approval. The Panel held the first meeting on 15 October and will be having further meetings on 22 and 25 October to discuss the proposal.

The Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme

The Comprehensive Social Security Assistance (CSSA) Scheme

The CSSA Scheme provides financial assistance to families which are unable to support themselves financially to help them meet basic needs. It is their safety net of last resort. The amount of assistance under the CSSA Scheme is determined by the monthly income and recognised needs of a household. The difference between the total assessable monthly income of a household and its total monthly needs as recognised under the CSSA Scheme in terms of various types of payment will be the amount of assistance payable.

2. Compared to able-bodied adults, elders enjoy more relaxed means test requirements and higher standard rates, special grants and supplements under the CSSA Scheme. The standard rates range from \$2,660 to \$4,810 per month, depending on the health condition of the elderly recipient. The average monthly CSSA payment for singleton elders is \$4,701 when special grants and supplements applicable to elders are taken into account.

Residence requirements

3. Among other requirements, a person must have been a Hong Kong (HK) resident for at least seven years to be eligible for assistance under the CSSA Scheme. Once a person is on CSSA, he has to meet certain residence requirements in order to receive the assistance. A CSSA recipient aged 60 or above, for instance, can receive full-year payment if his/her total number of days of absence from HK does not exceed 180 days in a year. Otherwise, he/she can only receive CSSA payment for the absence allowance of 180 days, plus a pro-rata payment for the number of days he/she has stayed in HK.

Receipt of CSSA outside HK

4. Elderly persons aged 60 or above who have been in receipt of CSSA continuously for not less than 12 months may join the Portable CSSA Scheme whereby they will continue to receive their monthly standard rates and annual long-term supplement should they choose to take up permanent residence in Guangdong (GD) or Fujian.

The Social Security Allowance (SSA) Scheme

5. The SSA Scheme comprises Old Age Allowance (OAA) and Disability Allowance (DA) which provide cash allowances to help HK residents aged 65 or above and residents with severe disability meet their special needs arising from old age or severe disability respectively. Four allowances are payable on a monthly basis under the SSA Scheme, as follows –

- (a) Normal OAA (\$1,090): for elderly persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels;
- (b) Higher OAA (\$1,090): for elderly persons aged 70 or above;
- (c) Normal DA (\$1,395): for severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity; and
- (d) Higher DA (\$2,790): for severely disabled persons who require constant attendance from others in their daily life, but are not receiving such care in a government or subvented residential institution or a medical residential institution under the Hospital Authority, or boarding in a special school under the Education Bureau.

6. Applicants for SSA are not subject to means test, except that the income and assets of Normal OAA applicants must not exceed the prescribed levels as set out below:

	Asset Limit (\$)	Monthly Income Limit (\$)
For a single person	186,000	6,660
For a married couple	281,000	10,520

Note:

- ◆ “Income” includes earnings from employment, monthly pensions/retirement benefits or net profits from letting or subletting, but contributions from family members, relatives or friends are excluded.
- ◆ “Asset” includes land, non-owner occupied properties, cash in hand, bank savings, investments in shares and stocks, gold bars and gold coins, etc., vehicle for investment (e.g. taxi and public light bus) and its business licence.
- ◆ The thresholds are subject to annual rate adjustment according to established mechanism.

Residence requirements

7. To be eligible for an allowance under the SSA Scheme, a person must have been a HK resident for at least seven years and have resided in HK continuously for one year (with a grace period of 56 days) immediately before the date of application. An SSA recipient will be entitled to a full year allowance if he/she resides in HK for at least 60 days in a payment year.

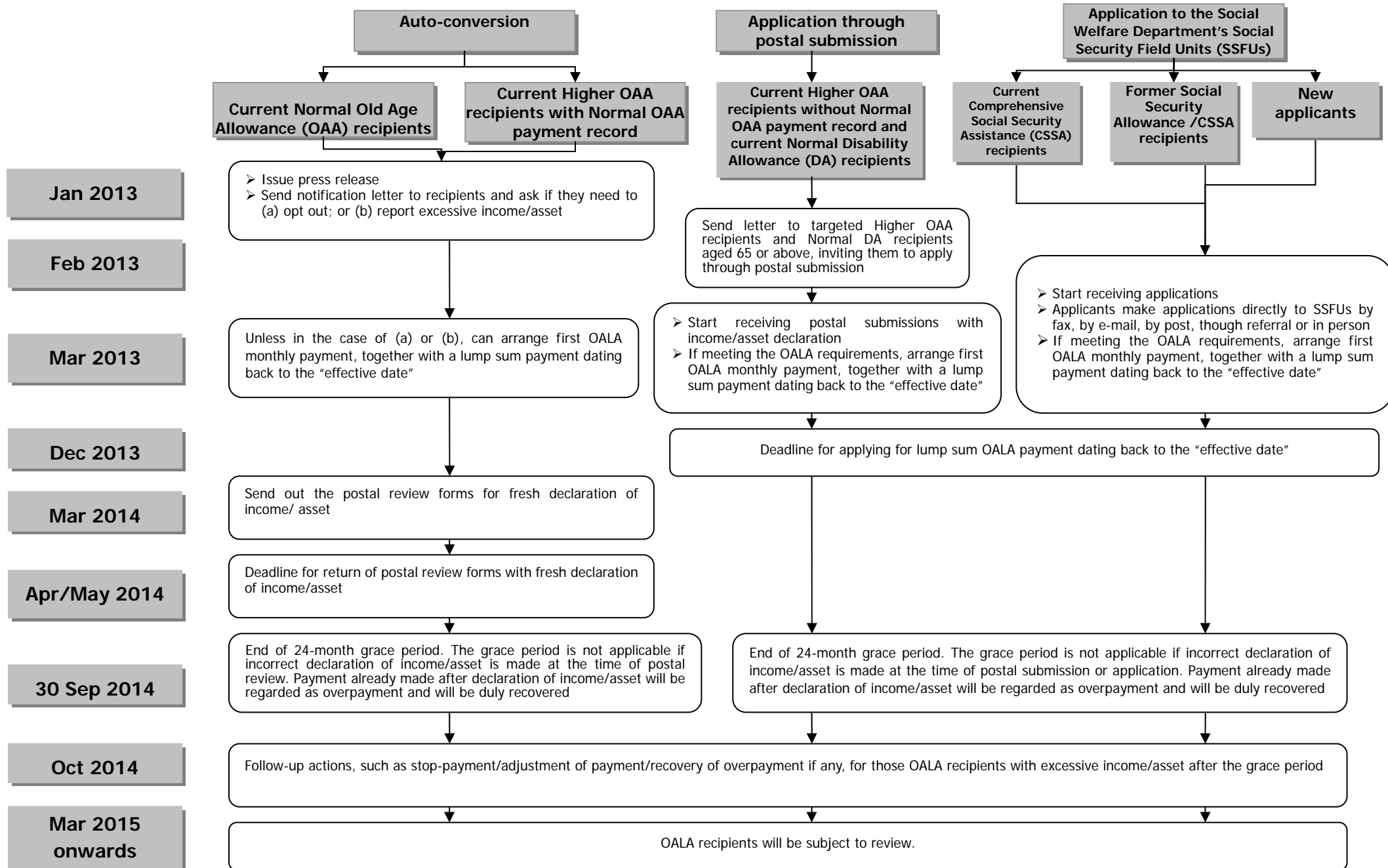
Receipt of OAA outside HK

8. A new GD Scheme is under preparation for implementation in the second half of 2013. Under the GD Scheme, eligible HK elders who choose to reside in GD can receive full-year OAA there without having to return to HK each year. The GD Scheme has basically the same eligibility criteria as OAA in HK, and has the same 305-day permissible limit of absence per payment year for successful applicants, except that the recipients will be required to reside in GD instead of HK for at least 60 days for obtaining a full-year payment of the allowance.

二零一二年七月十六日
立法會答問大會
行政長官開場發言
(節錄)

7. 要妥善解決問題，我們必須深思熟慮。不過在研究長遠策略的同時，亦要在短時間內推出措施讓長者受惠。我在政綱中提出增設特惠生果金，有需要的長者經過簡單的入息及資產申報，可獲發雙倍的金額。新政府就任至今兩個星期，經過內部的積極跟進，這個定名為「長者生活津貼」的支援長者的項目，金額將較目前的高齡津貼增加至每月2,200元。資產及入息申報傾向寬鬆，建議與現時65到69歲長者申請普通高齡津貼的限額看齊。由於籌備和落實計劃需時，為使長者盡早受惠，我建議新津貼生效日期定於立法會財務委員會批准撥款當天，而政府會爭取在10月上旬召開特別財委會審批。換言之，只要財委會在特別會議上批准建議，當明年初計劃正式接受申請時，合資格長者不單可以開始按月領取2,200元的新津貼，並可一次過獲發自今年10月起計應得的額外津貼。初步估計會有40多萬名長者受惠，涉及每年額外支出超過60億元。為消除長者疑慮，我想說明，70歲或以上的長者若不符合新計劃的要求，仍可繼續申領現有的高齡津貼，而無須申報入息和資產。日後參加新「長者生活津貼」計劃的長者如想到廣東省居住，我們也會考慮作出適當安排。

Proposed workflow of handling Old Age Living Allowance (OALA) application and review



Long term financial implications of Old Age Living Allowance

Year	Estimated number of elders aged 70 or above	Estimated number of elders aged 65 or above	Estimated additional allowance expenditure based on the Government's proposal (a)	Estimated additional allowance expenditure if there is no income and asset declaration for elders aged 70 or above (compared with (a))	Estimated additional allowance expenditure if there is no income and asset declaration for elders aged 65 or above (compared with (a))
2012 (in full-year terms)	0.72 million	0.98 million	\$6.2 billion ⁽¹⁾	\$9.9 billion (+\$3.7 billion ⁽²⁾ / +60%)	\$13.6 billion (+\$7.4 billion ⁽³⁾ / +119%)
2017	0.80 million	1.21 million	\$7.7 billion	\$11.8 billion (+\$4.1 billion / +53%)	\$16.8 billion (+\$9.1 billion / +118%)
2022	1.01 million	1.52 million	\$9.6 billion	\$14.6 billion (+\$5.0 billion / +52%)	\$21.0 billion (+\$11.4 billion / +119%)
2027	1.29 million	1.88 million	\$11.9 billion	\$18.4 billion (+\$6.5 billion / +55%)	\$26.1 billion (+\$14.2 billion / +119%)
2032	1.62 million	2.21 million	\$13.9 billion	\$22.0 billion (+\$8.1 billion / +58%)	\$30.7 billion (+\$16.8 billion / +121%)
2037	1.89 million	2.44 million	\$15.5 billion	\$25.1 billion (+\$9.6 billion / +62%)	\$34.1 billion (+\$18.6 billion / +120%)
2041	2.04 million	2.56 million	\$16.2 billion	\$26.9 billion (+\$10.7 billion / +66%)	\$35.1 billion (+\$18.9 billion / +117%)

(1) We estimate that all 80 000 existing Normal Old Age Allowance (OAA) recipients, about 80% of the existing Higher OAA recipients (which amounts to about 360 000 persons) and about 80% of the existing Normal Disability Allowance (DA) recipients aged 65 or above (which amounts to about 40 000 persons) will receive Old Age Living Allowance (OALA) in the first year. Hence, the estimated additional expenditure on OALA payment is \$6.2 billion [(\$2,200 - \$1,090) x 12 months x 80 000 persons + (\$2,200 - \$1,090) x 12 months x 360 000 persons + (\$2,200 - \$1,395) x 12 months x 40 000 persons].

- (2) If the means test for elders aged 70 or above is lifted, we estimate that on top of the number of OALA recipients in (1) above, the remaining 20% of the existing Higher OAA recipients (which amounts to about 90 000 persons), the remaining 20% of the existing Normal DA recipients aged 70 or above (which amounts to about 10 000 persons) and 90 000 elders aged 70 or above who are not receiving any social security benefits will also receive OALA. Hence, compared with the Government's proposal, the estimated additional expenditure on OALA payment will increase by \$3.7 billion $[(\$2,200 - \$1,090) \times 12 \text{ months} \times 90\,000 \text{ persons} + (\$2,200 - \$1,395) \times 12 \text{ months} \times 10\,000 \text{ persons} + \$2,200 \times 12 \text{ months} \times 90\,000 \text{ persons}]$.
- (3) If the means test for elders aged 65 or above is lifted, we estimate that on top of the number of OALA recipients in (1) above, the remaining 20% of the existing Higher OAA recipients (which amounts to about 90 000 persons), the remaining 20% of the existing Normal DA recipients aged 65 or above (which amounts to about 10 000 persons) and 230 000 elders aged 65 or above who are not receiving any social security benefits will also receive OALA. Hence, compared with the Government's proposal, the estimated additional expenditure on OALA payment will increase by \$7.4 billion $[(\$2,200 - \$1,090) \times 12 \text{ months} \times 90\,000 \text{ persons} + (\$2,200 - \$1,395) \times 12 \text{ months} \times 10\,000 \text{ persons} + \$2,200 \times 12 \text{ months} \times 230\,000 \text{ persons}]$.
- (4) Based on the Government's proposal, about 80 000 existing Normal OAA recipients (about 30% of the population aged 65 – 69), about 360 000 existing Higher OAA recipients (about 50% of the population aged 70 or above) and about 40 000 existing Normal DA recipients aged 65 or above (about 4% of the population aged 65 or above) will switch to receive OALA. It is assumed in our projection that the same proportion of population will receive OALA in future.
