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**Panel on Welfare Services**

**Background brief prepared by the Legislative Council Secretariat  
for the special meetings on 22 and 25 October 2012**

**Old Age Living Allowance**

**Purpose**

This paper provides background information on the proposal to introduce an Old Age Living Allowance ("OALA") and a gist of discussions held by the Panel on Welfare Services ("the Panel") on the subject.

**Background**

2. The Social Security Allowance ("SSA") Scheme, which comprises two components, i.e. Old Age Allowance ("OAA") and Disability Allowance, was set up in 1973. OAA is a non-contributory and largely non-means-tested scheme which aims to provide a monthly allowance to Hong Kong residents aged 65 or above to meet special needs arising from old age. There are two types of OAA, namely, Normal OAA and Higher OAA. Elders aged between 65 and 69 whose income and assets do not exceed the prescribed limits are eligible for Normal OAA. Those aged 70 or above are eligible to draw Higher OAA without having to make means declarations. The current asset limit and monthly income limit for Normal OAA for a single person are \$186,000 and \$6,660 respectively, and that for a married couple are \$281,000 and \$10,520 respectively. The monthly rate for OAA, which has been effective since 1 February 2012, is \$1,090. According to the Administration, as at July 2012, there were 526 085 OAA recipients, of whom 79 389 were receiving Normal OAA and 446 696 were receiving Higher OAA.

3. Since 1 October 2005, an OAA recipient is allowed to be absent from Hong Kong for up to 240 days in a payment year without affecting their amount of assistance payable, subject to the recipients having resided in Hong Kong for

at least 90 days in the year. With effect from February 2011, the absence limit for OAA recipients has been further relaxed from 240 to 305 days in a payment year, and correspondingly the minimum residence period has been reduced from 90 to 60 days.

### **Deliberations of the Panel**

4. The Panel was briefed periodically on the proposed annual adjustment of the payment rates under the SSA Scheme where issues relating to OAA rates and financial assistance for elders in need were also discussed.

5. Having regard to the wide public concern over the proposal to introduce a new allowance for the elderly as announced by the Chief Executive ("CE") in his election manifesto, members sought information on the implementation progress and the details of the new allowance at the Panel meeting on 10 July 2012.

### Old Age Living Allowance

6. The Administration advised that to support the needy elderly who were not on Comprehensive Social Security Assistance ("CSSA"), CE had pledged to introduce a new allowance whereby the needy elderly, after making a simple declaration of income and assets and passing the means test as well as meeting other eligibility criteria, could receive a monthly allowance of about double the amount of OAA. A working group had been formed under the Labour and Welfare Bureau to work out the implementation details. The Administration would strive to roll out the new allowance as soon as practicable.

7. Some members suggested that the monthly rate of the new allowance should be raised to \$3,000 and a universal retirement protection system should be launched in the long run to provide better protection for the retirement life of the elderly. Some members were of the view that instead of introducing a new allowance, the Administration should actively consider combining the elderly CSSA and OAA schemes to alleviate the hardship of needy elders who had not applied for CSSA for various reasons.

8. According to the Administration, given the difference in the policies such as the basis of means test underpinned the CSSA and OAA schemes, the suggestion of combining the elderly CSSA and OAA schemes required prudent and in-depth consideration.

## Eligibility criteria of the new allowance

### *Income and assets assessment*

9. Pointing out that Higher OAA recipients were non-means-tested, some members were of the view that the same eligibility criteria should apply and recipients aged 70 or above should be non-means-tested under the new proposal. Some members considered that the income and assets thresholds for the new allowance should be more lenient than those of Normal OAA.

10. The Administration explained that the new allowance aimed to build on the existing OAA scheme and cater for the needy elders. All prospective applicants aged 65 or above for the new allowance would be subject to the same income and assets thresholds, which would be less stringent than those under the CSSA Scheme.

### *Residence requirements*

11. At its meeting on 8 November 2010, the Panel discussed the Administration's new arrangement to relax the annual absence limit from Hong Kong for OAA. Members were of the view that the Administration should remove all restrictions on absence from Hong Kong for OAA. They pointed out that in the absence of a universal retirement protection scheme, some elders had to rely on OAA and retire on the Mainland because of lower cost of living there. Members were concerned that nearly half of the 90 000 elders currently staying on the Mainland had not applied for OAA because they could not meet the pre-application one-year-continuous-residence requirement. Members considered it unfair to impose a residence requirement on OAA recipients who were Hong Kong permanent residents.

12. In the Administration's view, the court ruling on the judicial review of the policy on residence requirements on OAA had reaffirmed the legal basis of the pre-application one-year-continuous-residence requirement for all applicants for OAA. It was important for the Administration to manage public resources carefully and prudently so as to ensure their fair distribution and viability in the long term. The requirement for an applicant to reside in Hong Kong for a full year before application was to establish the link with Hong Kong community which was the primary consideration.

## Implementation of the new allowance

13. Members expressed grave concern about the lead time for rolling out the new scheme in the light of the high expectation of the elderly population. Members urged the Administration to implement the new scheme as soon as

possible and put in place retrospective disbursement arrangement for the new allowance.

14. The Administration assured members that it would press ahead with the preparatory work with a view to rolling out the new allowance as soon as possible. However, time would be required to enhance the computer system and recruit adequate staff to tie in with the launch of the provision of the new allowance. According to the Administration, it planned to submit the implementation details and funding proposal to the Panel and the Finance Committee ("FC") as soon as possible after the Fifth Legislative Council ("LegCo") commenced in October 2012.

15. On the retrospective disbursement arrangement, the Administration advised that since the means-test mechanism of the new allowance was premised on a simple self-declaration of income and assets by the applicants, it would be more complicated should the proposed retrospective payment entail a need to verify past records of income and assets of the applicants. The Administration would critically examine the complexity and enforceability of the retrospective arrangement. Some members considered the examination of issues relating to retrospective arrangements of the new allowance unnecessary since the eligibility of Normal OAA recipients had been means-tested and they would be held liable for making false declaration on their income and assets possession.

### **Latest development**

16. During the Question and Answer Session at the Council meeting of 16 July 2012, CE announced the introduction of an OALA for the elderly.

17. According to the Administration, eligible applicants will receive a monthly allowance of \$2,200, which is more than double the current OAA of \$1,090. The qualifying age for the new scheme is 65 and above. There will be an income and asset assessment by way of a simple declaration by the applicants themselves. The new scheme would adopt the current means-test thresholds and mechanism applicable to the Normal OAA. Other eligibility criteria such as residence requirements and no double social security benefits will continue to apply.

18. The Administration will brief the Panel on the details of the new scheme at its special meeting on 22 October 2012 before seeking the funding approval of FC.

**Relevant papers**

19. A list of the relevant papers on the LegCo website is in the **Appendix**.

Council Business Division 2  
Legislative Council Secretariat  
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## Appendix

### Relevant papers on Old Age Living Allowance

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Panel on Welfare Services	8 November 2010 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Legislative Council	13 April 2011	<a href="#">Official Record of Proceedings (Question 3)</a>
Panel on Welfare Services	10 July 2012 (Item III)	<a href="#">Minutes</a>
Legislative Council	16 July 2012	<a href="#">Official Record of Proceedings Pages 5 - 13</a>

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