

For discussion on
12 February 2018

Legislative Council Panel on Welfare Services

Implementation of the Higher Old Age Living Allowance

Purpose

This paper briefs Members on the implementation arrangements for the Higher Old Age Living Allowance (Higher OALA).

Background

2. The Government introduced OALA under the Social Security Allowance (SSA) Scheme in April 2013 to supplement the living expenses of elderly persons with financial needs. The income and asset tests under OALA enable the Government to utilise limited resources to provide targeted support for elderly persons with financial needs.

3. As at end-December 2017, there were 474 315 elderly persons receiving OALA (currently at \$2,600 per month¹). The OALA is the most popular social security programme amongst elderly persons, with 40% of elderly population aged 65 or above receiving the allowance.

4. In January 2017, the Government announced a series of measures to strengthen the retirement protection system², which include strengthening support of the social security pillar for needy elderly persons. In this regard, the Government announced two

¹ The payment rate is adjusted annually on 1 February in accordance with an established mechanism. This amount is the payment rate with effect from 1 February 2018. The previous level was \$2,565 per month.

² Apart from strengthening the social security pillar, in order to alleviate the burden of medical expenses on elderly persons and their families, the Government has lowered the eligibility age for the Elderly Health Care Voucher from 70 to 65 with effect from 1 July 2017. More elderly persons are therefore receiving the vouchers at \$2,000 a year to use private primary care services. In addition, with effect from 15 July 2017, the medical fee waiver for public healthcare services has also been extended to OALA recipients aged 75 or above with more financial needs (i.e. those meeting the asset limits of Higher OALA as set out below).

enhancements to OALA –

- (i) relaxing the asset limits³ of the existing allowance (to be renamed as the Normal OALA) to benefit more elderly persons with financial needs; and
- (ii) introducing the Higher OALA to provide a higher allowance for elderly persons with more financial needs.

5. The Government relaxed the asset limits of the Normal OALA on 1 May 2017.⁴ The then asset limit for elderly singletons was raised from \$225,000 to \$329,000; and that for elderly couples was raised from \$341,000 to \$499,000. In accordance with the established mechanism, these limits were increased to \$334,000 for elderly singletons and \$506,000 for elderly couples with effect from 1 February 2018.

Higher OALA

6. Except for asset limits, the Higher OALA adopts the eligibility criteria for Normal OALA (including age requirement, monthly income limits, residence requirements prior to application and during receipt of the allowance). The implementation arrangements for the Higher OALA are set out below.

Implementation date and effective date

7. Having regard to operational needs, including lead time for enhancing the Computerised Social Security System⁵ of the Social Welfare Department (SWD) and other preparations (e.g. publicity and finalising implementation procedures), SWD plans to implement

³ The monthly income limits remain unchanged. The current limit for elderly singletons is \$7,820; and that for elderly couples is \$12,770.

⁴ The monthly income and asset limits, as well as the relevant arrangements for the Normal OALA are also applicable to applicants aged 65 to 69 of the Guangdong Scheme and the Fujian Scheme (which will be implemented in the second quarter of 2018).

⁵ The Social Welfare Department commenced the development of the new Computerised Social Security System in October 2014 to replace the old system which had been in operation since 2000 and reached the end of its service lifespan. The new system commenced operation in early January 2018 to support various existing social security programmes (e.g. the Comprehensive Social Security Assistance (CSSA) Scheme, Normal OALA, Old Age Allowance (OAA), etc.). SWD is conducting further system enhancements and testing so as to implement the Higher OALA.

the Higher OALA on 1 June 2018, with retrospective effect from 1 May 2017 (i.e. the first day of the month in which the relevant funding was approved by the Legislative Council).

Payment rate

8. The payment rate of the Higher OALA is pegged to the standard rates for able-bodied/50% disabled elderly singleton recipients under the CSSA Scheme. The payment rate on the effective date (i.e. 1 May 2017) was \$3,435. Same as other allowances under the SSA Scheme, the payment rate of Higher OALA is adjusted annually on 1 February in accordance with the established mechanism. On 1 February 2018, the Higher OALA was increased to \$3,485.

Monthly income limits and asset limits

9. Regarding monthly income limits, the Higher OALA adopts the limits of the Normal OALA. The monthly income limits on the effective date (i.e. 1 May 2017) were \$7,750 and \$12,620 for elderly singletons and elderly couples respectively. They are adjusted annually on 1 February in accordance with the established mechanism. On 1 February 2018, the limits were increased to \$7,820 for elderly singletons and \$12,770 for elderly couples.

10. As regards asset limits, the limits on the effective date (i.e. 1 May 2017) were \$144,000 and \$218,000 for elderly singletons and elderly couples respectively. They are adjusted annually on 1 February in accordance with the established mechanism. On 1 February 2018, the limits were raised to \$146,000 for elderly singletons and \$221,000 for elderly couples.

11. The payment rates, monthly income limits and asset limits of the Higher OALA on the effective date (i.e. 1 May 2017) and since 1 February 2018 are set out at Annex. According to the latest information (including the asset information declared by Normal OALA recipients), among the more than 470 000 Normal OALA recipients, it is estimated that around 80% would meet the eligibility criteria for the Higher OALA.

12. The Hong Kong Mortgage Corporation (HKMC) plans to launch the Life Annuity Scheme in mid-2018. Eligible elderly persons aged 65 or above will receive fixed monthly lifetime payout immediately after making a lump-sum premium payment. The Scheme aims to help elderly persons address the longevity risk by providing guaranteed and stable cash income, enabling them to better plan for retirement. The Government is considering how OALA (including Higher OALA and Normal OALA) may dovetail with HKMC's initiative. Our current thinking is that only the 'fixed monthly payout' under HKMC's Life Annuity Scheme will be counted as monthly income⁶ under OALA, while the lump-sum 'premium' will not be included in the calculation of assets, unless the recipients surrender the policy under the Life Annuity Scheme; and in such cases, the surrender value provided by HKMC (if any) would be regarded as an asset. We will continue to liaise with HKMC, and finalise the relevant calculations under OALA⁷ after HKMC has confirmed and announced the detailed arrangements for the Life Annuity Scheme.

Implementation arrangements

13. With reference to the implementation arrangements for the Normal OALA in 2013, SWD will adopt similar simplified procedures to disburse the allowance to eligible elderly persons at the earliest possible. Details are set out below –

- (a) 'auto-conversion' stage: in April 2018, SWD will issue green notification letters to existing Normal OALA recipients who, according to SWD's records, meet the monthly income and asset limits⁸ on the effective date (i.e. 1 May 2017). These recipients will be deemed to be

⁶ Under the Life Annuity Scheme, the per capita premium is capped at \$1 million. According to HKMC's estimation, for \$1 million of premium, male and female annuitants at the entry age of 65 will receive 'fixed monthly payout' of \$5,800 and \$5,300 respectively, both of which are lower than the income limits for elderly singletons (currently at \$7,820) under OALA (including Higher OALA and Normal OALA). Even if an elderly couple joins the Life Annuity Scheme together, the total 'fixed monthly payout' (\$11,100) would still be lower than the monthly income limit (currently at \$12,770) for elderly couples under OALA.

⁷ Regarding the CSSA Scheme, given that it serves as the safety net, the 'premium' and 'fixed monthly payout' generated from the Life Annuity Scheme, as well as the 'surrender value' will be counted as assets or income.

⁸ These refer to the monthly income and asset limits prior to the adjustment on 1 February 2018, i.e. monthly income at \$7,750 and asset at \$144,000 for elderly singletons; and monthly income at \$12,620 and asset at \$218,000 for elderly couples.

eligible for the Higher OALA. Unless they inform SWD that their income and/or asset level(s) no longer meet(s) the prescribed limit(s)⁹, or they are not willing to receive the Higher OALA, these recipients will automatically receive the Higher OALA without having to complete and return the slip attached to the notification letter. Fresh application is also not required. Eligible recipients will receive through their bank accounts a lump-sum retrospective payment (i.e. the difference between the Higher OALA and relevant payments already received during the same period) which will be calculated from the effective date (i.e. 1 May 2017)¹⁰ at the earliest.

If the income and/or asset level(s) of an elderly person exceed(s) the prescribed limit(s) of the Higher OALA; or he/she opts not to switch to the Higher OALA, he/she should report to SWD immediately. Under the above circumstances, SWD will remove the elderly person concerned from the 'auto-conversion' arrangements and disburse the corresponding payment having regard to the newly-reported income and asset levels (e.g. continue to disburse Normal OALA).

- (b) 'postal submission' stage: in May and June 2018, SWD will issue yellow notification letters to (i) elderly persons receiving Normal OALA but, according to SWD's records, with monthly income and/or asset level(s) exceeding the limit(s) of the Higher OALA on the effective date (i.e. 1 May 2017); (ii) elderly persons receiving OAA; and (iii) elderly persons aged 65 or above receiving Disability Allowance (DA). SWD will inform them that if they meet the prescribed monthly income and asset limits, they may consider applying to switch to the Higher OALA through postal submission.¹¹ These elderly persons are required to declare their monthly income and asset situation

⁹ If the income and/or asset of an elderly person exceed(s) the prescribed limit(s) of the Higher OALA, he/she should report to SWD immediately by completing and returning the slip attached to the notification letter.

¹⁰ If a recipient only meets the eligibility criteria (including age requirement and residence requirements) after the effective date (i.e. 1 May 2017), he/she will only receive a lump-sum retrospective payment counting from the date on which he/she meets all eligibility criteria.

¹¹ The date of the post-stamp will be adopted as the application date.

via the application forms attached to the notification letters. Elderly persons who submit applications on or before 31 December 2018 and fulfil the eligibility criteria will be granted with a lump-sum retrospective payment (i.e. the difference between the Higher OALA and relevant payments already received during the same period) counting from the effective date (i.e. 1 May 2017) or the date of eligibility¹², whichever is later; and

- (c) 'new application' stage: starting from June 2018, new applicants (i.e. elderly persons who are not recipients of Normal OALA, OAA or DA) may submit applications directly to SWD's social security field units, or by post¹¹, by fax or by email. Application forms are available at all social security field units of SWD, all Home Affairs Enquiry Centres, and from SWD's website. If the elderly persons submit applications on or before 31 December 2018 and fulfil the eligibility criteria, they will also be granted with a lump-sum retrospective payment counting from the effective date (i.e. 1 May 2017) or the date of eligibility¹², whichever is later.

During the above three stages, elderly persons ought to declare their monthly income and asset situation. Otherwise, all payments granted on the basis of incorrect declarations will be taken as overpayment and would be duly recovered. The arrangements related to the disbursement of the lump-sum retrospective payment are only applicable to 'auto-conversion' cases or applications (including 'postal submission' and 'new application') received by SWD on or before 31 December 2018. Applications made to SWD on or after 1 January 2019 will not be granted the lump-sum retrospective payment counting from the effective date (i.e. 1 May 2017).

14. In order to provide Higher OALA recipients with more flexibility in deploying the abovementioned lump-sum retrospective payment, the payment will be subject to a 24-month 'disregarding

¹² This refers to the date on which elderly persons fulfil the eligibility criteria for the Higher OALA, including the monthly income and asset limits, age requirement, residence requirements, etc. If an elderly person only meets the monthly income and asset limits after the adjustment on 1 February 2018, he/she will only be granted a lump-sum retrospective payment counting from 1 February 2018.

period'.¹³ Counting from the date of receipt of the payment, the payment will not be regarded as the recipients' asset for a 24-month period.

15. Before the commencement of the 'auto-conversion' stage, SWD will issue a press release to announce the relevant procedures. Starting from the second year of the implementation of the Higher OALA (i.e. mid-2019), recipients will be subject to SWD's regular review in batches.

16. SWD expects that the relevant payments will be deposited into the bank accounts of recipients admitted through the 'auto-conversion' stage after the implementation of the Higher OALA in June 2018. For cases admitted through the 'postal submission' or 'new application' stages, the payments will be disbursed through bank accounts generally within four weeks after the eligibility has been established.

Conclusion

17. Members are invited to note this paper.

Labour and Welfare Bureau
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February 2018

¹³ When the Normal OALA was implemented in 2013, there was a 12-month 'disregarding period' for the relevant lump-sum retrospective payment. Having regard to the relatively large amount of lump-sum retrospective payment under the Higher OALA, we will provide a longer (24-month) 'disregarding period'.

Annex

**Payment Rates and Limits of Higher OALA on the Effective Date
and After the Adjustment on 1 February 2018**

	Monthly Payment Rates	Asset Limits	Monthly Income Limits
Level on the effective date (i.e. 1 May 2017)	\$3,435	Elderly singletons: \$144,000 Elderly couples: \$218,000	Elderly singletons: \$7,750 Elderly couples: \$12,620
Level with effect from 1 February 2018	\$3,485	Elderly singletons: \$146,000 Elderly couples: \$221,000	Elderly singletons: \$7,820 Elderly couples: \$12,770