

政府總部
勞工及福利局
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LABOUR AND WELFARE BUREAU
GOVERNMENT SECRETARIAT

Central Government Offices
Tim Mei Avenue
Tamar, Hong Kong

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23 May 2018

Mr Colin CHUI
Clerk to Panel on Welfare Services
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chui,

**Legislative Council Panel on Welfare Services
Follow-up to Special Meeting on 14 April 2018**

At the meeting of the Legislative Council Panel on Welfare Services held on 14 April 2018, a submission was received from the Labour Right Commune. We are asked by the Panel Chairman to respond to the submission. I am authorised to reply as follows.

Retirement protection

In early 2017, the Government announced a series of measures to strengthen the retirement protection system. On the basis of maintaining the existing multi-pillar retirement protection system, the effectiveness of each pillar would be enhanced so that they could better complement one another. The Government will continue to take care of the different needs of elderly persons in the areas of social security, medical services, community care, financial management, etc., and implement various measures (including the Higher Old Age Living Allowance (OALA) mentioned below) to strengthen the existing retirement protection system, with a view to providing more suitable and targeted retirement protection for elderly persons.

Means test under OALA

The current social security system, including the Comprehensive Social Security Assistance (CSSA) Scheme and the allowances under the Social Security Allowance (SSA) Scheme (e.g. OALA), is non-contributory and entirely funded by Government's general revenue. This involves substantial public funds. In face of an ageing population, the Government has to ensure prudent use of public funds. The income and asset tests under OALA enable the Government to utilise limited resources to provide targeted support for elderly persons with financial needs.

Income and asset limits under Higher OALA

The Social Welfare Department (SWD) will implement Higher OALA (\$3,485 per month) on 1 June 2018, with retrospective effect from 1 May 2017 (the effective date). The existing OALA will be renamed as Normal OALA. Except for asset limits, the Higher OALA adopts the eligibility criteria for Normal OALA. The payment rates, income and asset limits of Higher OALA on the effective date and since 1 February 2018 are tabulated below –

	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

Implementation arrangements for Higher OALA

To enable eligible elderly persons to receive Higher OALA as soon as practicable, SWD has adopted the simplified procedures to disburse the allowance in phases, which follow the implementation arrangements for Normal OALA in 2013. Details are set out below –

- (a) 'Auto-conversion' stage: SWD issued green notification letters on 3 April 2018 to existing Normal OALA recipients who, according to SWD's records, meet the Higher OALA's

income and asset limits on the effective date (i.e. 1 May 2017). These recipients will be deemed to be eligible for Higher OALA. Elderly persons should take 3 April 2018 (i.e. the issuing date of the green notification letter) as reference date to review whether their income and asset levels meet the prescribed limits of Higher OALA. Unless they inform SWD that their income and/or asset level(s) no longer meet(s) the prescribed limit(s), or they are not willing to receive Higher OALA, these elderly persons will automatically receive Higher OALA without having to complete and return the slip attached to the notification letter. They do not need to make fresh applications;

- (b) 'Postal submission' stage: SWD has started this stage in May 2018. The first batch of yellow notification letters were issued on 2 May to (i) Normal OALA recipients not included in the 'auto-conversion' stage above; and (ii) Higher Disability Allowance (DA) recipients aged 65 or above. The second batch of yellow notification letters will be issued on 1 June to (i) Old Age Allowance (OAA) recipients; and (ii) Normal DA recipients aged 65 or above. Elderly persons meeting the prescribed income and asset limits of Higher OALA may consider applying to switch to Higher OALA through postal submission. These elderly persons should take the date of application as a reference date to review whether their income and asset levels meet the prescribed limits. They are required to declare their income and asset situation 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 a lump-sum retrospective payment (i.e. the difference between Higher OALA and relevant payments received during the same period) counting from the effective date (i.e. 1 May 2017) or the date of eligibility, whichever is later; and
- (c) 'New application' stage: starting from 1 June 2018, new applicants (i.e. elderly persons who are not recipients of Normal OALA, OAA or DA) may submit applications to SWD's social security field units in person, or by post, fax or email. Elderly persons should take the application date as a reference date to review whether their income and asset levels meet the prescribed limits of Higher OALA. If the elderly persons submit applications on or before

31 December 2018 and fulfil the eligibility criteria, they will also be granted a lump-sum retrospective payment counting from the effective date (i.e. 1 May 2017) or the date of eligibility, whichever is later.

Elderly persons who had met the income and asset limits between the effective date and the implementation date

For elderly persons who had met the prescribed income and asset limits between the effective date (i.e. 1 May 2017) and the implementation date (i.e. 1 June 2018), but no longer meet the prescribed limits on the reference date owing to changes of marital status, financial condition, passing of spouse, etc., he/she could let SWD have relevant proof of the circumstances and the department would consider disbursing Higher OALA on the merits of individual cases.

Concerns on 'transfer of asset'

Normal OALA and Higher OALA aim to provide cash allowance to elderly persons with financial needs so as to supplement their living expenses. Same as Normal OALA, Higher OALA adopts a simple income and asset assessment mechanism. This process has been well established for years and is well known to elderly persons. Applicants (and their spouses, if applicable) should honestly declare their income and asset status.

While elderly persons may decide on how to handle their asset, they are advised to manage their asset carefully and take into account relevant risks involved. If an elderly person intentionally withholds or omits any relevant information, he/she may have committed an offence. SWD will duly recover any overpayment so incurred.

Handling of deceased cases

For an elderly person who had been receiving allowance under the SSA Scheme (i.e. under the 'auto-conversion' or 'postal submission' stages) and passed away after the effective date (i.e. 1 May 2017) of Higher OALA, upon SWD's confirmation, the allowance (including the retrospective payment, if any) for which the elderly person was eligible before he/she passed away would be paid to his/her estate. Relatives or friends of the deceased are required to provide SWD with relevant documentary proof (e.g. bank saving records of the elderly person).

For an elderly person who had not been receiving allowance under the SSA Scheme (i.e. under the 'new application' stage) and passed

away after the effective date, if he/she had already made an application to SWD before passing and his/her eligibility is confirmed by SWD thereafter, the allowance (including the retrospective payment, if any) for which the elderly person was eligible before he/she passed away would be disbursed to his/her estate.

Treatment of accrued retirement benefits and insurance schemes

Accrued retirement benefits refer to retirement benefits currently held in Mandatory Provident Fund (MPF) scheme(s) or other retirement scheme(s). Regardless of whether the accrued retirement benefits have been withdrawn or not, the accrued retirement benefits will be treated as a part of applicants' asset. For an applicant whose spouse is aged below 65, the accrued retirement benefits of the spouse will not be counted as asset. Meanwhile, the monthly contributions made by the spouse who is aged below 65 to MPF scheme(s) or other retirement scheme(s) are disregarded under the income test.

Insurance schemes acquired by elderly persons with financial needs are mostly under the categories of life, medical and critical illness insurance. The cash value of such insurance schemes has to be accumulated over a long period of time for contingency use. Having regard to the above, under the current arrangements for Normal OALA, the cash value of such insurance schemes is disregarded under the asset test. This arrangement is also applicable to Higher OALA.

Dovetailing OALA with the Life Annuity Scheme (LAS)

The Hong Kong Mortgage Corporation (HKMC) plans to launch LAS 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 Government is considering how OALA (including Higher OALA and Normal OALA) may dovetail with the above initiative. Our current thinking is that while the 'fixed monthly payout' under LAS will be counted as monthly income under OALA, the lump-sum 'premium' will not be included in the calculation of asset, unless the recipients surrender the LAS policy; and in such cases, the surrender value provided (if any) would be regarded as asset.

We hope to provide better retirement protection to elderly persons through dovetailing OALA with LAS. We are liaising with HKMC, and will implement the arrangements after the details of LAS are confirmed and announced by HKMC.

Arrangement for switching from CSSA to Higher OALA

If an elderly CSSA recipient chooses to switch to receive Higher OALA, he/she is required to make an application to SWD. As the eligibility criteria for Higher OALA are different from those for the CSSA Scheme, SWD has to assess and confirm the applicant's eligibility. Once the elderly person's eligibility for Higher OALA is confirmed, SWD will stop granting CSSA payment, and disburse Higher OALA payment counting from the date of application or date of eligibility (whichever is later).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Edric Leung', written in a cursive style.

(Edric LEUNG)

for Secretary for Labour and Welfare

c.c.

Director of Social Welfare (Attn.: Ms Vivian HAU)