

COVENANT TRUSTEE**THE ROLE OF THE STATUTORY SUPERVISOR FOR RETIREMENT VILLAGES**

Retirement Villages are one of the few forms of housing in New Zealand where the owner / operator must appoint an independent third party to protect the interests of residents.

Covenant Trustee Services Ltd ("Covenant") is the statutory supervisor for your retirement village. Covenant supervises over half the registered retirement villages in New Zealand and have been doing so for more than thirty years.

Research suggests that most people decide to enter a retirement village because they are looking to improve their quality of their life. This includes the physical environment, less worry over maintenance, access to services and facilities, and more social interaction. However, research also suggests that residents do not wish to put their lifestyle and savings at risk by entering into an "insecure" village.

The Government has therefore created the role of the independent statutory supervisor. Through a range of contractual and statutory powers the statutory supervisor monitors the management and financial position of the village on behalf of residents. The statutory supervisor also plays an important role in the complaints process under the Code of Practice.

Covenant is licenced to perform its role by the Financial Markets Authority under the Financial Markets Supervisors Act 2011.

HOW DOES IT WORK?

Each resident has a contract with the village operator called an Occupation Right Agreement ("ORA"). The ORA gives you the right to live in your unit, use the village facilities, and access the village services for as long as you wish.

The Retirement Villages Act 2003 ("Act") ensures fairness in the relationship between you and the village operator by balancing your rights as residents (individually and collectively) against those of the village operator and its financiers. Covenant monitors these relationships and if necessary intervenes in accordance with the powers conferred to it by the Act.

LEGAL SECURITY

A Deed of Supervision is in place which governs the relationship between Covenant and the village operator. Covenant also holds a first ranking security over the village land so that land cannot be disposed of without Covenant's involvement.

BEHIND THE SCENES

Much of Covenant's monitoring of the village operator occurs behind the scenes. For example, every three months the directors of your village must send Covenant a report on the village. At least every six months Covenant receives a set of detailed financial statements and annually the village operator must provide Covenant with details of the village's insurance cover.

Covenant's specialist staff goes through these reports to ensure there is nothing of concern. If there appears to be a problem Covenant investigates further (and intervenes if necessary).

If the village operator wishes to sell the village or borrow money using the village as security Covenant's prior consent is required. Covenant reviews the proposal and may require changes to ensure it does not disadvantage your interests as residents.

Covenant has the right to ask for any information relating to the finances and management of your village that it requires to be satisfied that residents' interests are being protected.

HOW DOES THIS BENEFIT YOU?

The main benefit from having Covenant as your independent statutory supervisor is that Covenant monitors the village operator and the directors to ensure that your collective interest in the village is protected and the requirements of the Act are being complied with. Each year Covenant reports back to you on the results of its monitoring at the Annual General Meeting.



HOW COVENANT CAN HELP

Covenant, A Tricor Company, began as part of an Auckland accounting practice. In 1988, the company refocused on the statutory supervision and trustee market. Throughout its rapid growth, the company has sought to both monitor compliance and support clients with their understanding of compliance regimes. A willingness to work with clients on solutions while seeking the best outcomes for stakeholders has also been a feature of Covenant's model.

Covenant supervises most of New Zealand's retirement villages and is recognised as the market leader. A multidisciplinary team supports retirement villages through their compliance obligations. The team has an in-depth understanding of village operations, cost effective compliance management, and market trends and practices. An in-house trust account and settlements function is operated to ensure the secure holding of resident funds paid under an ORA until settlement or cancellation. Covenant currently supervises residents' interests of in excess of NZ\$7 billion (as of March 2021).



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