



DUE DILIGENCE POLICY

I Purpose

The Board of the Fort Worth Employees' Retirement Fund ("FWERF" or "the Fund") recognizes its constitutional and statutory fiduciary duty to administer the retirement fund prudently for the benefit of the members and their beneficiaries. Prudent administration requires the Board to diversify its investments and to conduct regular, periodic on-site meetings with FWERF's investment managers, limited liability partnerships, hedge funds, real estate managers, and other professional service providers to enable the Board to effectively monitor the performance of its investment professionals so as to minimize the risk of loss and maximize the rate of return. The Board adopts this Due Diligence Policy to promote the Board's ability to achieve these goals. The Board and its investment staff conducts such due diligence to compliment the due diligence performed on its behalf by its investment consultant.

This Due Diligence Policy sets forth the guidelines governing the staff and Trustees' responsibilities in conducting due diligence activities in connection with FWERF's investment portfolio. These guidelines are intended to compliment the Fund's Education and Travel Expense Policies.

II Guidelines

General Provisions

Evaluation and Education. At a minimum, on-site meetings provide Trustees and investment staff with opportunities to:

- a. Evaluate an investment manager's entire staff and observe how they jointly carry out their fiduciary responsibilities to FWERF.
- b. Interact with individuals who directly manage FWERF's account.
- c. Evaluate the significance of personnel shifts or other organizational changes that may affect FWERF's account.
- d. Observe the systems and controls utilized in the investment of the Fund's assets.
- e. Hold in-depth reviews regarding an investment manager's philosophy, style and approach to investing the Fund's assets.
- f. Develop a better understanding of the significance of short-term periods of good or poor performance by a manager.
- g. Develop a better understanding of how the manager would react to major market movements and potential crisis situations.

Executive Director / CIO's Regular Due Diligence Responsibilities

The Executive Director / CIO ("ED/CIO"), Deputy Director – Investments & Operations

(“Deputy”) or a designee shall be responsible for conducting regular due diligence on each manager and consultant engaged by FWERF in the ordinary course of business and shall keep the Board apprised of any important facts, industry trends and other events that reasonably may affect the Board’s continued retention of such manager, consultant or other service provider. Such regular due diligence shall include analysis of performance reports, financial statements, technical standards and practices, advisor reports filed with federal and state governments, meetings and interviews, research on industry trends and developments, visits to real property and third party evaluations.

Regular Manager Presentations to the Board

Equity and Fixed Income Investment managers (managing at least 1% of total fund assets) are to appear before the Investment Committee or full Board for performance evaluation on a rotational basis every two to three years. These presentations may be waived by the Investment Committee based upon a recommendation from the ED/CIO.

On-Site Due Diligence Evaluations

Regular, on-site due diligence evaluations shall be scheduled with traditional domestic and international equity and fixed income managers, hedge fund managers, and real estate managers (those with >1% of total fund assets) at their primary place of business on a rotational basis every two to three years, unless otherwise approved by the Board. This waiver in the timeframe will be based on approval by the Investment Committee of a specific recommendation by the ED/CIO. For larger firms, the regular manager presentation to the Investment Committee may be substituted for the on-site visit. Evaluations may be necessary on a more frequent basis if there have been significant personnel changes, a deterioration of investment returns, industry concentration concerns or to the extent there are unresolved issues relating to a manager. Due diligence evaluations of real estate managers shall include on-site inspections of representative properties held in the FWERF account, which visits shall be accompanied by the investment manager and the individual property manager. The requirement of regular, on-site due diligence meetings with managers may be met, in some circumstances (based on a recommendation to the Investment Committee by the ED/CIO), by attendance at annual partnership or annual client meetings sponsored by the manager or partnership in which FWERF is invested. Where attendance at the annual meetings is not possible, the ED /CIO shall request that the manager provide copies of all materials presented at the meetings.

Due Diligence Trips

An official on-site due diligence trip shall consist of an investment staff member and the ED/CIO, Deputy or his/her designee. For new investment opportunities, one or two Trustees should participate if possible, while participation is optional (and primarily for Trustee educational purposes) for existing managers. The Board Chair or Investment Committee Chair, with the consent of the Board, shall designate the Trustees who shall participate in on-site evaluations. An attempt should be made to rotate participation among all trustees, with preference being given to those Trustees on the Investment Committee. The ED/CIO or Deputy shall coordinate all planned due diligence travel so as to maximize the effectiveness of the evaluations and minimize the cost of the necessary travel.

Reporting

1. The investment staff member and ED/CIO or Deputy participating in an on-site due diligence evaluation shall provide a written report to the Board for the next regular Investment Committee meeting following the completion of the visit, summarizing their findings and recommendations, if any. This reporting may be deferred until the following month if there is not adequate time to properly prepare a report before the next Board meeting. The ED/CIO or Deputy shall make any materials obtained during the evaluation available to other Board members and staff for reference purposes and shall retain a copy for not less than three years following the completion of the visit.
2. The ED/CIO or Deputy shall provide the Board annually with a report of all due diligence evaluations completed in the previous calendar year and an outline of those proposed for the upcoming calendar year.

New Investment Managers and Service Providers

Due diligence on new investment managers and service providers shall be performed as part of the selection process. The ED/CIO will perform or cause to be performed all necessary and reasonable due diligence with respect to the final slate of investment managers or service providers being considered for engagement by FWERF. Due diligence may include those processes identified for on-going providers as well as other processes deemed reasonable by the ED/CIO after consultation with the investment consultant, FWERF's auditor, and/or other consultants the ED/CIO deems appropriate. The ED/CIO may direct such parties to independently perform due diligence activities and provide a written report of the results of such due diligence to the investment staff and/or the Board. The Fund's investment consultant shall take an active role in the due diligence process for new investment managers.

When recommending the engagement of an investment manager or service provider for Board approval, the ED/CIO or Deputy shall provide the Board with a description of the due diligence activities that were conducted.

Once a search for a new investment manager or service provider has commenced, a due diligence "quiet period" shall be observed by all Trustees. During the "quiet period" Trustees shall not communicate with any potential new investment manager or service provider, except when participating in normally scheduled FWERF due diligence activities.

Expenses

As provided by the Travel Expense Policy, FWERF shall reimburse Trustees and Staff for all reasonable and necessary expenses incurred in conducting due diligence evaluations as set forth in this Due Diligence Policy and in accordance with the Travel Expense Policy.

III Policy Review

The Board shall review this Due Diligence Policy at least every two years to assure its accuracy and relevance. This Policy may be amended from time to time by majority vote of the Board.