POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT

TRUSTEE DUE DILIGENCE POLICY
ADOPTED: June 23, 2011

TABLE OF CONTENTS

I. STATEMENT OF PURPOSE

The Board of Trustees (The "Board of "Trustees") of the Police and Fire Retirement System of the City of Detroit ("PFRS") recognizes its statutory fiduciary duty to administer the retirement system 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 examinations or individually held properties and hold meeting with PFRS's investment managers, limited liability partnerships, real estate managers, and other professional service providers to enable the Board to effectively monitor the performance of its investment professional 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. PFRS conducts such due diligence to complement the due diligence performed on its behalf by its investment consultant(s) and other retained investment professionals.

This Due Diligence Policy sets forth the guidelines governing the Trustees' responsibilities in conducting due diligence activities in connection with PFRS's investment portfolio. These guidelines are intended to complement the Board's Education Policy and its Travel and Expense Policy.

II. GUIDELINES

A. EVALUATION AND EDUCATION

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

1. Evaluate an investment manager's entire staff and observe how they jointly carry out their fiduciary responsibilities to PFRS;
2. Interview individuals who directly manage PFRS's account;
3. Evaluate the significance of personnel shifts or other organizational changes that may affect PFRS's account;
4. Observe the systems and controls utilized in the investment of the assets of PFRS;
5. Hold in-depth reviews regarding an investment manager's philosophy, style and approach to investing PFRS assets; and
6. Develop a better understanding of the significance of short-term periods of good or poor performance by a manager.

B. THE BOARD'S REGULAR DUE DILIGENCE RESPONSIBILITIES

The Board or a designee shall be responsible for conducting regular due diligence on each manager and consultant engaged by PFRS 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 property. 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.

C. REGULAR MANAGER PRESENTATIONS TO THE BOARD

Investment managers are to appear before the Board for performance evaluation on a rotational basis at least once per year.

D. ON-SITE DUE DILIGENCE EVALUATIONS

Regular, on-site due diligence evaluations shall be scheduled with traditional domestic and international equity and fixed income managers and real estate managers at their primary place of business on a rotational basis every three to five years, unless otherwise approved by the board. Evaluations may be necessary on a more frequent basis if there have been significant personnel changed, 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 mangers shall include on-site inspections of representative properties held in the PFRS account, which visit shall be accompanied by the investment manager and the individual property manager. The requirement of regular, on-site due diligence with private equity and limited liability partnership manger may be met, in some circumstances, by attendance at annual business or annual client meetings sponsored by the business entity in which PFRS is invested, or otherwise as approved by the Board. Where attendance at the annual meetings is not possible, the Board shall request that the manager provide copies of all materials presented at the meetings.

E. DUE DILIGENCE TRAVEL

An official on-site due diligence trip shall consist of one or more Trustees or the Board's designee. The Board shall coordinate all planned due diligence travel so as to maximize the effectiveness of the evaluations and minimize the cost of the necessary travel.

F. DUE DILIGENCE REPORTING

The Trustees, or the Board's designee, participating in an on-site due diligence evaluation shall provide an oral report to the Board for the next following regular Board meeting, following the completion of the visit, summarizing their findings and recommendations, if any, and accompanied by a completed questionnaire provided to the manager by PFRS. Any material obtained during the evaluation shall be available to other Board members and staff for reference purposes. The Board shall retain a copy for not less than five (5) years following the completion of the visit.

G. 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 Board will perform or cause to be performed all necessary and reasonable due diligence with respect to the final slate of investment managers or service identified for on-going providers as well as other processes deemed reasonable by the Board after consultation with the investment consultant, PFRS's auditor, and/or other consultants the Board deems appropriate. The Board may direct such parties to independently perform due diligence activities and provide a written report of the results of such due diligence to the Board.

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 participate in any due diligence being conducted on any new investment manager or service provider.

H. EXPENSES

As provided by the Board's Travel and Expense Policy, PFRS shall reimburse Trustees and PFRS 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 and Expense Police.

III. <u>POLICY REVIEW</u>

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