RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

INVESTMENT AND AUDIT COMMITTEE MEETING
OF
JUNE 15, 2006

NOTES/MINUTES

1. ROLL CALL

Since a quorum was not present for this meeting, these are Notes of the session rather than formal Minutes.

In attendance were Committee Chair Alan Lord and members John Mainville and Richard Sartor. Committee members absent were: Bob Dooley, Joe Balducci, Scott Avedisian, Ralph Mollis and Ron Tarro

Also in attendance were Maria Barker, Bank of America; Martha Childs, Columbia Management; Michael Lynch, and Phil Gorgone from Punter Southall & Co.; Thomas Dwyer, Trust President and Executive Director; and Ron Slovak, Chief Financial and Administrative Services Officer.

2. ADOPTION OF MINUTES

In the absence of a quorum no action was taken with respect to the adoption of the March 16th, 2006 meeting minutes.

3. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE - BANK OF AMERICAN / COLUMBIA MANAGEMENT

Maria Barker, Vice President/Client Services Officer of Bank of America (BoA), took the opportunity to introduce the Institutional Investment Services function and to briefly outline the additional services offered by the unit.

Martha Childs, Vice President/Senior Portfolio Manager, then handed out a presentation describing the performance of the portion of The Trust's investment portfolio managed by Columbia Management Group, the investment management division of Bank of America. She reviewed the handout, focusing on activity levels and performance of the managed investments, and also commenting on general economic trends anticipated by Columbia Management.

During the review of portfolio characteristics, significant discussion centered on a chart titled "quality analysis", showing a very small percentages of bonds with a BAA rating, which is not permitted under The Trust's Investment Policy for Columbia managed funds. Both Mike Lynch of Punter Southall and Ron Slovak of The Trust indicated they had not notice any such instrument in the May reports from the Bank of America. Ms. Childs indicated her surprise as well and advised that she would look into this immediately.[1] This discussion prompted further review of the Policy directives regarding the disposition of fixed income investments which might be downgraded while being held in the Columbia managed portfolio. The Policy itself was consulted, and its directive found to be clear and acceptable to the Committee.

During the review of Liquidity Pool, Chairman Lord expressed continued concern with its performance results. By telephone, Ms. Barker obtained the current rate which she reported was 4.87%. In addition, it was noted that Bank of America had agreed to waive fees on this account. Ms. Barker also said she would look into the other possible short-term instruments and report back to Mr. Slovak to further discuss such options.

Further general discussion ensued on overall economic data and the potential impact of various movements by the Fed on interest rates.

In response to Mr. Dwyer's question to Ms. Childs about the expected yield rates on Columbia's managed Trust investments during the next 12 months, she replied that, absent some economic shock factor, the rate should be between 4.0% and 5.5%.

At the conclusion of the presentation, the Committee Chair thanked both women for their efforts. At this point, they departed the meeting.

4. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

Prior to the meeting, the Committee had received the Quarterly Investment Report for the period ended March 31, 2006 as prepared by The Trust's investment advisor, Punter Southall & Co, LLC. At the Committee's request, Mr. Lynch from Punter Southall highlighted key aspects of the Report and answered questions from the Committee and staff.

At the prior meeting both Mr. Lord and Mr. Dwyer offered comments regarding the changed format of the Punter Southall written report. In response, Mr. Lynch identified for the Committee's convenience various pages in the March report that had been changed in order to address the items that had been of concern.

Mr. Lynch also updated the Committee about an isolated incident of non-compliance by Columbia in the management of its portion of the Fixed Income Portfolio. He reported that Columbia had credited The Trust's account for the loss related to the incident where a security had been sold without prior authorization from The Trust as required. That sale resulted in small realized loss of about $300 dollars.

In addition, Mr. Lynch updated the Committee relative to his previously expressed concern about the potential negative impact on fund performance which might arise in connection with changed duties and responsibilities for the fund manager at T. Rowe Price Equity Income Fund, one of the mutual funds held in The Trust's Equity Pool. That concern, he said, has been ameliorated, however, as a result of a recent presentation by the Fund managers to Punter Southall.

[1] Subsequently, Ms. Childs advised that the chart was in error and no such bonds existed in the Columbia managed portfolio of Trust investments; this information was then communicated to the Committee.

At this point, Mr. Lynch and Mr. Phil Gargone summarized key performance trends for The Trust's investment portfolio. Mr. Lord and Mr. Mainville questioned whether any changes might be advisable in the mix of mutual funds in the Equity Pool in light of expected economic trends. Mr. Lynch said he believes the mix is appropriate. He added that The Trust's investment in the Acorn International Fund had recently been sold, and explained the reasons for the sale.

Mr. Lynch and Mr. Slovak also outlined recent activity relative to cash flow and recent activity in connection with operating cash requirement, both current and in the next few months.

Lastly, Mr. Lynch distributed an additional six page handout summarizing the Portfolio's latest results on a preliminary basis through the end of May 31, 2006.

Mr. Lord thanked Messrs. Lynch and Gargone both for their input and moved on to the next Agenda item.

5. SECOND ACTUARIAL OPINION FOR 2005-2006 LOSS ACTIVITY

Mr. Dwyer outlined to the Committee the background information surrounding the decision to engage a second actuary to render an opinion on the adequacy of The Trust's reserve in connection with the Fiscal 2005 audit. He asked whether the Committee wished to recommend that a second actuarial opinion be again secured in connection with the Fiscal 2006 audit, noting that the Committee had agreed to revisit the need for such an opinion this year.

Mr. Dwyer pointed out that the audit firm of Saslow, Lufkin & Buggy does not require a second actuarial opinion in order for it to be able to render an opinion on the reasonableness of The Trust's Financial Statements and recorded reserves. The firm maintains that it has sufficient experience and in-house expertise in auditing insurance organizations to assess the primary actuary's work without the need for a second independent actuarial opinion.

Mr. Dwyer and the Committee discussed the process used by the primary actuary to develop his loss projections, the value of second opinions, and the possibility of securing second opinions only on a periodic (e.g. every other year) or as needed basis. The cost of the second opinion is about $7,500, Messrs. Dwyer and Slovak reported.

After more discussion and realizing no vote could be taken due to the lack of a quorum and that the timetable for the second actuarial work would all the decision on its need to be deferred to the September meeting when more Committee members would presumably be present, the Committee agreed the matter should be rescheduled for consideration then.

6. REVIEW OF PORTFOLIO TRENDS

Mr. Slovak reviewed two charts – Year to Date Net Investment Income and Realized Gains, and Year to Date Unrealized Gains and Losses. Both charts were included in the package distributed to the Committee prior to the meeting.

The Year to Date Net Investment Income and Realized Gain chart showed these results continuing well above budget levels through April 2006, largely as a result of an earlier than usual premium billing to Members at the start of the fiscal year. Investment Income Interest stands at about $1,471,000 with a slight offset amount of approximately $66,000 in realized losses.

The Year to Date Unrealized Gains and Losses chart showed a net negative change or loss since the start of the fiscal year of about $224,000 as of the end of April. Currently the change is associated with an approximate decline of $1.167 million in the unrealized value of The Trust's fixed income instruments and NLC-Mutual Insurance Company investment, offset by a $941,000 in gains related to the Equity Pool.

No Committee action was taken on this item which was informational in nature.

6. ADJOURNMENT

Just prior to adjournment, Mr. Dwyer excused himself to attend another scheduled meeting.

Prior to closing the meeting Mr. Lord raised the issue of meeting attendance. Mr. Slovak advised that the problem of a lack of quorums at Board committee meetings was being considered for discussion at the October 2006 joint meeting of the Board and its standing committees.

Mr. Sartor indicated that a schedule of meeting dates should be provided as much in advance as possible so that committee members could schedule them on their calendars. The dates of the next two Investment and Audit Committee meeting were shared with those present. A recommendation to change the Friday, September 15th date to Thursday, September 14th was put forward. Mr. Slovak agreed to review the dates with Mr. Dwyer and to send out tentative dates as soon as possible.

The Meeting was concluded at about 2:00 P. M.

Respectfully submitted,

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer