RHODE ISLAND INTERLOCAL

The Trust

RISK MANAGEMENT TRUST

INVESTMENT AND AUDIT COMMITTEE MEETING
OF
MARCH 14, 2007

MINUTES

The Investment and Audit Committee of the Board of Trustees of the Rhode Island Interlocal Risk Management Trust, Inc. (The Trust) convened a meeting at 12:00 noon on Wednesday March 14, 2007 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

In attendance were Chairman Alan Lord and Committee members John Mainville, Ron Tarro, Joe Balducci, Bruce Keiser and Rich Kerbel. Members absent were: Scott Avedisian and Robert Dooley.

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

1. ADOPTION OF MINUTES

On a motion made by Mr. Mainville and seconded by Mr. Tarro, the minutes of the Committee's meeting of December 12, 2006 were approved and unanimously accepted.

2. REVIEW OF FIXED INCOME A FUND / LIQUIDITY ACCOUNT – COLUMBIA MANAGEMENT AND BANK OF AMERICA.

Initially, Gian Brosco, Vice President, Philanthropic Management Unit of Bank of America introduced himself as the Bank's new account executive for The Trust, replacing Maria Barker. He briefly outlined his background.

He then turned the Bank's presentation over to Martha Childs, Senior Fixed Income Portfolio Manager with Columbia Management, who distributed a booklet to the Committee summarizing key aspects of the firm's management of The Trust investment, both retrospectively and prospectively.

Ms. Childs began her review by providing an overview of the administrative structure of Columbia's Fixed Income Department, commenting on various key changes that had occurred over the past year.

She then presently an economic and bond market review as developed by Columbia's forecasters. Highlighted was the impact that Japanese financial markets were having on current results, primarily by their borrowing of funds at low interest rates and lending these funds out at higher rates. She also advised that although inflation and energy costs were higher than Columbia Management forecasters believed to be desirable, the driving force in the current economy was consumers' resiliency in the face of other negative economic signs.

Mr. Dwyer questioned the impact of the recent downturn in the market and the issue recently in the financial news with regard to sub-prime lending. In response, Ms. Childs indicated that The Trust portfolio managed by Columbia held higher grades than sub-prime mortgages and that the Portfolio's Mortgage Backed Securities (MBS) were in commercial real estate and governmental agency type issues (e.g., Fannie/Freddie Macs and Ginnie Maes). She added that the issues reported with sub-prime mortgages impact securities with ratings far lower than those in The Trust portfolio.

Ms. Childs next reviewed the performance of The Trust portfolio under Columbia's management against a variety of benchmarks and the criteria of The Trust Investment Policy. Mr. Kerbel questioned the apparent underperformance indicated by that review. Continued discussion among the Committee, management, The Trust consultants and Columbia/Bank of America representatives centered on the validity of the benchmark measures in gauging performance and on the impact of fees on the net returns being generated.

Confusion developed over whether the fees were charged on both the Fixed Income Account and the Liquidity Account under Columbia/Bank of America management. Ms. Childs, Mr. Brosco and Mr. Slovak agreed to examine this matter further to clarify the arrangement and Mr. Slovak said he would report back to the Committee at a subsequent meeting.

At this point, Mr. Lord added some history on the fixed income portion of the Trust investment philosophy relative to the Columbia managed portfolio. He said the Committee, at the suggestion of Trust investment advisor Punter Southall, had traditionally thought of the Fixed Income sector of The Trust's Portfolio as being built like a three legged stool with three different managers employing different but complementary styles; the Columbia portion, he said, is intended to be the most conservative leg of the stool.

The Committee then thanked Mr. Brosco and Ms. Childs and both were excused from the meeting, as they had previously indicated they had other commitments.

3. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

Michael Lynch, Phil Gorgone and Zela Astarjian were in attendance representing Punter Southall. Mr. Astarjian was introduced as a new employee at Punter Southall, and was in attendance primarily as a learning experience.

As is customary, the Committee had received prior to the meeting the Quarterly Investment Report for the period ended December 31, 2006 as prepared by Punter Southall & Co, LLC. Mr. Gorgone reviewed the Fixed Income market performance for the quarter, which he described as essentially flat. Particular attention was called to a portion of the Galliard managed portfolio that had been reclassified from Government/Agency to Mortgage due to the underlying nature of certain instruments. This change in classification was discussed between Punter Southall and Galliard and made because the particular securities in questions perform more like Mortgage Backed Securities and agency bonds. In response to Mr. Lord's question concerning sub-prime mortgages in the Galliard managed fund, Mr. Gorgone indicated that the percentage was very small and consequently not of material concern.

Mr. Tarro raised a related question concerning the monitoring mechanism used to evaluate the quality of the investments in the portfolio. Messrs. Lynch and Gorgone described the day-to-day monitoring performed by Punter Southall and also referred the Committee to the sections in the Quarterly Report pertaining to Portfolio quality and the Portfolio's compliance with The Trust Investment Policy requirements.

Chairman Lord posed a series of questions and requests for changes in the way the Equity Pool performance was reported. Mr. Lynch responded to these questions, and took the various requests under advisement to determine whether they could be incorporated into future reports.

Mr. Lynch then distributed updated and preliminary performance results for The Trust's Portfolio for the period from December 31st through February. He noted that on a fiscal year to date basis The Trust's Managed Portfolio is showing a 6.6% return, making it at this point one of the best investment years for The Trust. In discussing March market activity, Mr. Lynch further commented that while the performance of the Equity pool would be down, the Fixed Income sector and Liquidity Pool results are up so the overall effect is somewhat neutral.

4. REVIEW OF PORTFOLIO TRENDS

Mr. Slovak reviewed two charts – (1) Year to Date (YTD) Net Investment Income and Realized Gains, and (2) Year to Date Unrealized Gains and Losses.

The Year to Date Net Investment Income - Realized Gains & Losses chart showed net investment income at $1.763M which was $976K higher than budget and $ 689K higher than the prior year. Mr. Slovak explained that this was due to several factors. Due to favorable short term rates the Trust currently has a significant liquidity position, resulting in higher current investment income when compared to budget and prior year results. In addition, The Trust realized significant gains with the sale of Baron Small Cap Fund in October. Mr. Slovak reminded the Committee that due to the unpredictable nature of when realized gains or losses will occur, they are not included in budgeted expectations.

The Year to Date Unrealized Gains and Losses chart showed $1.216M in YTD gains. Bonds accounted for $349K of the gains, while Equity Fund accounted for $242K and the NLC-MIC investment accounted for $625K. Mr. Slovak reiterated that, due to the unpredictability of market movement, unrealized gains or losses are an unbudgeted item. The YTD Report, he said, provides only a snapshot at specific point in time, as recent activity earlier this month in the stock market emphasizes.

At this point, Mr. Dwyer commented that the value of The Trust's NLC-MIC investment would temporarily remain frozen at the level reported of $625K in gains as of December 31, 2006. He explained the reason that the NLC-MIC Board of Directors had directed that each participating pool's share of NLC-MIC value be frozen.

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

5. UPDATE OF CLAIMS CHECK REVIEW PROCEDURES AND ON DOCUMENTATION OF FINANCE POLICIES AND PROCEDURES.

Prior to the meeting, Mr. Slovak had provided a report to the Committee describing the steps that management had taken in response to two recommendations made by the external auditors during the Fiscal 2005 audit. Mr. Slovak briefly summarized those actions. Discussion followed.

With regard to the process being used to validate the authenticity of claims checks, the Committee advanced several suggestions for further improvement to the process, two key ones being: 1) that the size of random samplings be increased; and 2) that other senior managers be asked to examine the documentation for the checks being issued other than the respective Claims Managers who may also be involved in authorizing some of the checks to be released in the first instance. Messrs. Slovak and Dwyer explained their rationale for the procedure established to date and presented the cost-benefit questions underlying the level of review that is warranted. Mr. Slovak agreed to further review the validation procedures in light of the Committee's comments and concerns and report back at a later meeting.

With respect to the other Fiscal 2005 audit comment, Mr. Slovak outlined his Office's progress in documenting procedures and in the creation of an accounting manual. Mr. Lord suggested that The Trust consider retaining an outside consultant to produce such a manual rather than have Trust resources tied up on this activity. Mr. Slovak indicated this would be further considered, depending on the progress his Office is able to make before the upcoming year end audit.

Mr. Slovak noted that both audit recommendations were issued as part of the 2005 audit and not repeated again as on-going concerns of the auditors during the 2006 audit. The circumstances that precipitated the comments are scheduled to be reviewed again as part of the Fiscal 2007 audit, he said.

6. ADJOURNMENT

There being no further business, a motion to adjourn the meeting was made by Mr. Keiser, seconded by Mr. Kerbel, and unanimously approved. The meeting stood adjourned at approximately 2:45 P. M.

Respectfully submitted,

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer