



**INVESTMENT AND AUDIT COMMITTEE MEETING
OF
JUNE 13, 2007**

MEETING NOTES

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 June 13, 2007 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

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

Also in attendance were David Bodine, Senior Director – Client Services, Galliard Capital Management; Michael Lynch and Philip Gorgone representing Punter Southall & Co.; Thomas Dwyer, Trust President & Executive Director; and Ron Slovak, Trust Chief Financial & Administrative Services Officer.

In the absence of Chairman Lord, John Mainville agreed to chair the meeting, and in the absence of a quorum, the meeting proceeded as an informational session only.

1. ADOPTION OF MINUTES

In the absence of a quorum the minutes of the Committee's meeting of March 14, 2007 were unable to be approved and were tabled until the next meeting.

2. REVIEW OF PORTFOLIO TRENDS

Since a Committee member had called to say he would be a little late for the meeting, Mr. Mainville asked Mr. Slovak to review the charts showing Year To Date (YTD) results for Net Investment Income and Unrealized Gains and Losses. Mr. Mainville wanted to allow the member additional time to arrive prior to the representative from Galliard presenting his material.

Mr. Slovak reviewed two charts which had previously been provided to the Committee as part of its pre-meeting package.

The Year to Date Net Investment Income - Realized Gains & Losses chart showed net investment income at \$2.3M which was \$1.3K higher than budget and \$.9M higher than the prior year. Mr. Slovak reviewed several factors contributing to these results. Most significant was the fact that the favorable short term rates being realized on the Trust's liquidity position have resulted in significantly higher current investment income when compared to budget and the prior year results. In addition, The Trust realized significant gains with the sale of Baron Small Cap Fund in October of 2006. 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 as presented showed \$1.7M in YTD gains. Bonds accounted for \$604K of the gains, while the Equity Fund accounted for \$511K and the NLC-Mutual Investment Company (NLC-MIC) investment accounted for \$625K. Mr. Slovak pointed out to the Committee that the unrealized gains attributed to NLC-MIC had not changed in recent months due to the fact that NLC-MIC had frozen its Members' Equity position pending resolution of various internal issues. The Committee has previously been apprised of the NLC situation. It was again repeated that due to the unpredictability of market movement, unrealized gains or losses are an unbudgeted item.

3. REVIEW OF FIXED INCOME B FUND/GALLIARD CAPITAL MANAGEMENT

Mr. David Bodine, Senior Director - Galliard Capital Management, distributed to those in attendance a handout as the basis for his review of the account. Referring to the handout, Mr. Bodine provided an update on the Galliard organization itself, noting that the firm is a part of the Wells Fargo organization. He outlined the size of the Galliard unit and the fact that it obtains significant administrative support from its Wells Fargo parent, but yet retains its investment independence. He reviewed Galliard's approach to investing, stressing its strong reliance on its research and analytical capacity.

Mr. Bodine then quickly reviewed highlights of 1st quarter 2007 economic activity. He pointed out the continued compression of the yield curve to date, adding that Galliard is forecasting a steepening in the yield curve's slope for the latter half of the year. He said that the Trust is well positioned to take advantage of this expected development with the maturation/duration profile of its Galliard portfolio investment instruments.

The review next focused on the specific characteristics of The Trust portfolio including: number of issues, sector distribution, quality distribution, duration and maturities. Highlighted was the fact that the portfolio was performing better than its benchmark for the 3 month and 1 year periods and since inception in November of 2005.

Next the review examined specific holdings within the portfolio. Two significant issues arose during this portion of the discussion as a result of questions from Messrs. Kerbel and Dwyer. With respect to a question on sub-prime mortgages, Mr. Bodine indicated that such holdings were extremely limited and within the top-rated tranches of mortgage pools offering these instruments for investment. Second, a question arose with respect to specific holding described in the handout as "Countrywide Asset Backed Certs" in light of some reported unfavorable publicity in the media

about Countrywide's mortgage business. Mr. Bovine indicated that these securities were "structured and secured", explaining further that the holdings in questions were pooled mortgages with Countrywide serving only as the administrator and not the loan guarantor. Messrs. Lynch and Gorgone also reassured the Committee about the safety of these Countrywide instruments.

Prior to concluding his presentation, Mr. Bodine provided an update of portfolio performance with a separate handout showing results through April 2007.

4. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

As is customary, the Committee had received prior to the meeting the Quarterly Investment Report for the period ended March 31, 2007 as prepared by Punter Southall & Co, LLC. Michael Lynch provided an overview of the portfolio performance during the 3rd quarter of Fiscal 2007.

Following up on the presentation by Mr. Bodine, Phil Gorgone reviewed the results of the other Fixed Income accounts, Columbia and PIMCO. Of note was the performance of PIMCO during the fiscal year to date and one year time periods which suffered slightly due to the rising interest rate environment. PIMCO had expected rates to be cut and were in a very strong cash position.

Messrs. Gorgone and Lynch noted that the Liquidity Pool, thanks to favorable yields and in reaction to the volatility of the fixed income market, is larger than normal and is effectively functioning as a portfolio anchor during the recent period of bond market uncertainty.

Mr. Lynch reviewed performance activity in the Equity Pool, highlighting the rather lackluster performance of the Chase Growth Fund since it was first purchased about two years ago. He said that Punter Southall was contemplating recommending a sale of the Fund to Trust management.

In response to a question about cash inflow and outgo from Mr. Tarro, Mr. Lynch pointed out that allocation for the Equity Pool was presently at the maximum 20% of total Portfolio allowed by the Investment Policy, so 2007-2008 incoming premiums in the Summer and early Fall would be directed to the Fixed Income Managers for investment, absent any change in the interim in market valuation or Policy amendment.

5. UPDATE OF OPEN PAST MEETING ITEMS

Prior to the meeting, Mr. Slovak had provided a report to the Committee dated June 7, 2008 describing the steps that management had taken in response to two recommendations made by the external auditors during recent audits. Mr. Slovak briefly outlined updated procedures management had instituted as a result of discussion at the March 14th Committee about the release and audit of claims checks. There were no questions or comments from the Committee about the revised procedures.

Mr. Slovak then handed out a worksheet analyzing the investment fees for the various segments of the Trust portfolio. This was done in response to questions raised at the previous March meeting about the fees charged by the Bank of America on the Trust's Fixed Income Account (A) and on the Liquidity Account. Mr. Slovak reviewed the various balances in the accounts, the fees being charged each account on an annualized basis and the resulting costs reflected as Basis Points. He confirmed that no separate fee is being charged on the Liquidity Account by the Bank.

The Committee indicated the analysis was helpful and recommended that a similar update be prepared on an annual basis.

6. ADJOURNMENT

There being no further business, the meeting was concluded at 1:45PM.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ronald Slovak".

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer