RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

INVESTMENT AND AUDIT COMMITTEE MEETING
OF
SEPTEMBER 13, 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 Thursday, September 13, 2007 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

In attendance were Committee Chair Alan Lord and members Joe Balducci, Bruce Keiser, John Mainville and Ron Tarro. Committee member Scott Avedisian had previously indicated he would not be able to attend the meeting due to a schedule conflict.

Also in attendance were Tom Kelleher, Vice-President of Pacific Investment Management Company (PIMCO); Michael Lynch and Philip Gorgone 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. Balducci, the minutes of the Committee's meeting of March 14, 2007 and the notes of the meeting of June 13, 2007 were approved and accepted unanimously.

2. REVIEW OF INVESTMENT PROTFOLIO PERFORMANCE – PIMCO

Tom Kelleher, Vice President for Pacific Investment Management Company (PIMCO), distributed a presentation titled "Strategy Review". He initially reviewed various elements of the portfolio, certain expectations with respect to the Federal Reserve actions, and acknowledged the underperformance of the PIMC Moderate Duration Fund in which The Trust is invested as compared to The Trust's policy benchmark. He highlighted the fact the there was no sub-prime exposure in our portfolio, claiming that PIMCO had previously anticipated the sub-prime debacle that has recently been so prominent in the news. With respect to the Federal Reserve Bank, he indicated that PIMCO was anticipating a reduction in the Federal Fund rate at the Reserve Bank's mid-September meeting. PIMCO was anticipating as 50 basis point (bp) reduction. If the reduction does not occur or is less than the 50 bp, the impact on the fund would nonetheless be modest, he said, due to the fact the Trust's funds are in the Moderate Duration Fund. The impact would be more pronounced in the Total Return Fund versus the Moderate Duration Fund, he further explained.

Mr. Kelleher indicated that the feeling at PIMCO was that the new Federal Reserve Bank Chairman, Mr. Bernanke, was working towards what has been referred to at Bernanke Targets, which are 4.8% unemployment and 2.0% inflation. He reported that the PIMCO outlook is somewhat bullish in regard to the next 12 to 15 month period; however, its outlook is bearish for the 3 to 5 year period.

Mr. Kelleher then reviewed certain personnel developments at PIMCO – specifically, the return of a highly respected former employee to the three man senior investment management team and the addition of Alan Greenspan, former Federal Reserve Bank Chairman, as a contributing consultant to the firm.

At the conclusion of his presentation, Mr. Kelleher indicated he had other appointments and, after receiving thanks from the Committee Chair, left the meeting.

3. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

Prior to Punter Southall beginning its traditional presentation, the Committee spent a little time further analyzing and reviewing PIMCO's recent underperformance, the principal question being whether the recent results were temporary or longer term in nature. Plans are for the Trust staff and our Investment Advisor to monitor the Moderate Duration Fund's performance especially closely after the Federal Reserve Bank meets in mid-September to set the interest rates for Federal funds.

Moving on, the Committee had received prior to the meeting the Quarterly Investment Report for the period ended June 30, 2007 as prepared by Punter Southall & Co, LLC. As usual, Messrs. Lynch and Gorgone provided an overview of the portfolio performance.

Mr. Gorgone reviewed various reasons behind the poor performance for the Fixed Income portion of the Trust portfolio during the 2nd quarter of Calendar 2007. During the quarter, all three Fixed Income Funds had underperformed their index. The issues with respect to the sub-prime loans had negatively impacted the entire bond market, Mr. Gorgone explained. He used the term "Bargain City" to characterize the current state of the bond market, reporting that sub-prime paper with a AAA rating that had been selling at a discount rate of 98% of face value had lately dropped to a discount rate in the 60 to 70% range. Of particular concern to the Advisor was the fact the Columbia manager, who was supposed to perform better than The Trust's other fixed income managers in a down market, had also not performed well.

Although the results of the latest quarter had not been very good, Mr. Lynch did indicate that The Trust's overall Fiscal Year return of 7.7% was one of the portfolio's better performances in years. The Trust equity account had an overall performance return of 19.3% and the Liquidity account had a 5.4% performance return for the year.

Further Committee review focused on the performance of several individual mutual funds within the Equity Pool, namely: the sale of the Chase Growth Fund and its replacement with the T. Rowe Price Blue Chip Fund in July, the Marsico Growth Fund, and the Hussman Strategic Growth Fund. The

Committee and management inquired about whether consideration should be given to a sale of the Marsico Fund and the Hussman Fund, but Messrs. Lynch and Gorgone advised they still believed each Fund offered value to the Pool as a whole.

Messrs. Lynch and Gorgone closed the review by distributing an updated snapshot of the Portfolio allocation and Trust results through August 2007.

4. REVIEW OF PORTFOLIO TRENDS

Mr. Slovak reviewed two charts – (1) Year to Date Net Investment Income and Realized Gains, and (2) Year to Date Unrealized Gains and Losses. Though both charts were included in the package distributed to the Committee prior to the meeting, Mr. Slovak distributed a corrected Unrealized Gains and Loss chart due to the inadvertent transposition of numbers between two of the categories.

The Year to Date Net Investment Income and Realized Gain chart showed net investment income for the year at $2.1M which was $764,000 higher than budgeted. Realized Gains were reported at $467,000 for Fiscal 2007.

The Year to Date Unrealized Gains and Losses chart showed $1.4M in YTD gains. Significant within the category, Mr. Slovak noted, was the fact that The Trust results showed gains in all three categories, with $625K for NLC-Mutual, $49K in Fixed Income Bonds, and $723K in Equity. It was again pointed out that this category reflects current market values compared to values on the prior June 30th or the acquisition cost of the security if purchased during the year. Mr. Slovak highlighted the volatility in Unrealized Gains and Losses by drawing attention to the fact that compared to this year's $1.4M gain, last year's Fiscal 2006 results showed a $1M unrealized loss.

At the Committee's request, Mr. Dwyer commented further on the status of The Trust's investment in NLC Mutual Insurance Company, a super-pool of pools from which The Trust purchases certain reinsurance. It was noted that The Trust's unrealized investment gain for the year has remained frozen at $625,000 since mid-year while the Company restructures part of its finances related to a restatement of its financial results for its fiscal year ending December 31, 2005. Mr. Dwyer explained that this restatement arose from two issues both related to reinsurance. In one case, the Company was defrauded by a reinsurance broker and in the other instance reinsurance premiums from prior years needed to be restated and adjusted upward to reflect the terms and conditions of a special and complicated attachment point provision in certain reinsurance contracts.

Messrs. Dwyer and Slovak reminded the Committee that management had extensively reviewed The Trust's treatment of the NLC-MIC asset with The Trust's auditors last fiscal year and had prepared an extensive report on this for the Board and the Committee. Mr. Dwyer said he was certain this matter would again be revisited by the auditors this year, but at this point he believed The Trust was continuing to treat the NLC-MIC asset properly on its books. Though management did not believe at this juncture that an adjustment was necessary, Mr. Slovak outlined one potential alternative treatment for the asset that might lower its value by about $500,000.

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

5. COMMITTEE PRESENTATION AT THE OCTOBER JOINT BOARD MEETING

The Committee reviewed an outline of ideas submitted by management for the Committee's presentation to the joint meeting of the Board and its Committees in October. Discussion followed on other items that should be contained within the presentation. Mr. Lord urged that the presentation be short and simple with the primary focus being an overview of the investment philosophy.

Mr. Keiser felt as a new member of the Board that a review of the portfolio philosophy and overall design would be very interesting and informative to the other Board members in attendance. Mr. Slovak, with input from Mr. Dwyer and working with Mr. Lynch and Gorgone, will put together a presentation.

At this point, Messrs. Lynch and Gorgone were excused with thanks from the meeting.

6. ANNUAL REVIEW OF TRUST'S INVESTMENT ADVISOR

As has been customary at the September meeting each year the Committee reviewed the performance of Punter Southall. Mr. Slovak had provided the Committee in the pre-meeting material a memo which outlined the evaluation criteria and commented on each of the specific criteria. He said management was recommending that Punter Southall continue to be retained as The Trust's Investment Advisor.

Of note this year, Mr. Slovak pointed out, was the fact that Punter Southall had proposed a change is its fee schedule, moving from a flat annual fee of $40,000 to a performance based fee calculated at ten basis points on the average market value of The Trust portfolio.

Mr. Slovak amplified on certain reservations that Trust management had about this changed basis for determining the fee. However, he said Trust management recognized the fact that an increase over the current rate appeared warranted, noting that the $40,000 amount had remained flat for the last 10 years. Mr. Slovak advised that if the basis point fee had it been in effect for Fiscal 2007, it would have amounted to approximately $45,000 versus the $40,000 current annual fee.

Trust management counter-proposed that the annual flat fee for the upcoming Fiscal 2008 be increased to $45,000 and agreed to again look into a performance based or other methodology for computing the investment advisor's fee for Fiscal 2009 and subsequent years. That counter-proposal was accepted by Mike Lynch, representing Punter Southall, pending approval by the Investment and Audit Committee.

Committee discussion followed with individual members expressing their views on the nature of the relationship with Punter Southall and fee arrangements which the Committee might find acceptable. Management indicated that it would pursue those possibilities during the ensuing year and would not enter into any agreement with Punter Southall for Fiscal 2009 without further consulting with the Committee.

On a motion made by Bruce Keiser and seconded by John Mainville, the Committee unanimously approved a one year flat fee of $45,000 for Punter Southall as The Trust's Investment Advisor for fiscal 2008.

6. ADJOURNMENT

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

Respectfully submitted,

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer