RHODE ISLAND INTERLOCAL
The Trust
RISK MANAGEMENT TRUST

INVESTMENT AND AUDIT COMMITTEE MEETING
OF
DECEMBER 12, 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, December 12th, 2007 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

In attendance were Committee members Joe Balducci, John Mainville, Ron Tarro and Fran Gallo. Committee Chair Alan Lord and member Scott Avedisian had previously indicated they would not be able to attend. Also absent was Committee member Bruce Keiser. In the absence of Committee Chair Alan Lord, John Mainville agreed to preside as Acting Chair at the meeting. Upon convening the meeting, Mr. Mainville formally welcomed Fran Gallo, Superintendent of Central Falls Schools, as a newly appointed member of the Committee.

Also in attendance were Glen Saslow and Dave Roberts of the accounting firm of Saslow, Lufkin & Buggy, LLP; Michael Lynch and Philip Gorgone representing Punter Southall & Co.; Thomas Dwyer, Trust President & Executive Director; and Ronald Slovak, Trust Chief Financial & Administrative Services Officer.

1. ADOPTION OF MINUTES

On a motion made by Mr. Tarro and seconded by Mr. Balducci, the minutes of the Committee's meeting of September 13, 2007 were approved and accepted unanimously.

2. REVIEW OF RESULTS OF 2007 AUDIT OF THE FINANCIAL STATEMENT OF RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST, INC.

Mr. Saslow distributed an untitled report, which he described as the Fiscal 2007 Audit Draft Results and Required Communications – Report to the Investment and Audit Committee. Prior to the meeting, the Committee had received the draft Financial Statements from Mr. Slovak.

Mr. Saslow then reviewed the scope of work and outlined the audit approach. He highlighted certain areas of emphasis and reviewed the required communications that are an integral part of the final audit report.

Mr. Saslow advised that his firm was issuing an unqualified or a "clean" opinion since no material conditions were found which would adversely impact the fair presentation of The Trust's financial position. He discussed the firm's review of losses and loss adjustment expenses and commented that the ultimate loss ranges from Practical Actuarial Solutions had been tested extensively.

In reviewing the Financial Statements, Mr. Saslow pointed out that that The Trust's 2006 results had to be re-stated in connection with the valuation of the asset line item "Investment in NLC-Mutual Insurance Co" (NLC-MIC). He emphasized that the Restatement was not caused by any inappropriate accounting treatment on The Trust's part, but rather due to NLC-MIC's Restatement of its 2005 Financial Statements.

Mr. Saslow also highlighted certain accounting issues on the horizon about which he believed the Committee should be generally aware, and their potential impact (or lack thereof) on The Trust.

Mr. Saslow then reported that no Management Letter is being issued in connection with the Fiscal 2007 audit. He indicated that all comments from prior audit reports had been appropriately addressed by Trust management.

Mr. Roberts next reviewed the Restatement, explaining in detail the reasons for it and the line-by-line impact of it on the Financial Statement as set forth in Footnote 1 to the Financial Statements. At the request of Mr. Mainville, management and the auditors briefly outlined the reasons that NLC-MIC was forced to re-state its Financial Statements. Mr. Slovak stressed to the Committee that the Restatement had no impact on the Trust Fund Balance as of June 30, 2007; it merely changed the starting point for the 2006-2007 Fiscal Year in terms of the valuation of the NLC-MIC asset on The Trust's books.

The auditors and the Committee then had extended discussions relative to the actuarial ranges established for various reserve estimates. Messrs. Dwyer and Slovak outlined the philosophy and the conservative nature of the establishment of reserves. Mr. Dwyer further described how The Trust has over the past few accounting cycles moved from booking reserves at the high point of the actuarial range to the best estimate point as calculated by the actuary.

At this juncture, the discussion moved to various accounting issues upcoming on the horizon. Mr. Saslow commented that new accounting standards for 2008 will focus more heavily on "risk assessment". This will result in increased testing and documentation of internal controls, he said. The anticipation is that the new standards will increase the hours required to perform the audit and an initial estimate could be for fee increases in the 15% to 20% range. Mr. Saslow indicated that his firm would have a better handle on the additional cost as it cycled through audits for its clients with fiscal year ending dates of December 31, 2007.

As the discussion drew to a close, Mr. Saslow was asked by Mr. Mainville if it would be appropriate for the auditor to meet privately without management present. Mr. Saslow commented that there was no need for such a session in his opinion, unless the Committee wished one. The Committee declined to seek such a session.

On a motion made by Mr. Balducci and seconded by Mr. Tarro, the Committee voted to accept the report and to forward the report to the Board of Trustees for approval; it was so voted unanimously.

Next, Mr. Dwyer asked Mr. Slovak to compare The Trust's audited results with the financial benchmarks that the Trust's Board of Trustees had established and required to be reported on each year. He said these benchmark comparisons would also be presented to the Board at its January 2008 meeting.

Mr. Slovak accordingly presented five benchmarks charts: (1) Premium to Surplus, (2) Loss Reserves to Equity, (3) Liabilities to Liquid Assets, (4) Two-Year Overall Operating Ratio, and (5) Retained Earnings to Self-Insured Retention. In addition, a chart showing the breakdown of several components of the Trust's Reserves for the last several years was also presented. In all cases, Mr. Slovak said, The Trust's results were better that the benchmarks and also in all cases showed improvement when compared to the prior year.

Some discussion was originated by Mr. Tarro on what constituted a "Liquid Asset" and specifically how the investment in NLC-MIC figured into the calculation. Although the discussion centered on the liquidity of the NLC-MIC investment, Mr. Slovak stressed that the Liabilities to Liquid Asset financial benchmark chart excluded the NLC-MIC booked value in the calculation of this particular benchmark.

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

3. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

Next Messrs. Lynch and Gorgone presented an update on The Trust's portfolio performance, highlighting certain items contained within its detailed Quarterly Investment Report for the period ended September 30, 2007. That report, prepared by Punter Southall, had previously been forwarded to the Committee members as part of the pre-meeting materials.

Initially, the discussion centered on a meeting held during the last quarter with Columbia to discuss the performance of the portion of The Trust's fixed income portfolio managed by Columbia. In attendance at that meeting from Columbia was Mr. Gian Brosco, Vice- President for Philanthropic Management; Messrs. Lynch and Gorgone from Punter Southall; and Mr. Slovak from The Trust. During the meeting, Mr. Brosco acknowledged the relative poor performance of the Columbia managed funds as compared to its index and offered a few possible options for consideration: one being a new point person to manage the fund, and the other being a possible revision to the fee structure charged by Columbia to manage the funds. Trust management along with Punter Southall agreed to consider the various options.

As a follow up to the meeting, Trust Management and Punter Southall plan to review the overall Columbia relationship and associated cost factors, taking into account the inter-relationship of various investment accounts and daily banking activities. This review will culminate in a series of options and/or recommendations for further consideration by management and the Committee, Messrs. Slovak, Lynch and Gorgone said.

Mr. Gorgone then reviewed results of the last quarter, highlighting the Fixed Income Pool's overall results at a 3.1% return and Equities at a 1.8% return. Within the Fixed Income Pool, Columbia again trailed its policy index with a 2.4% return versus a 3.1% index return. Mr. Lynch noted that Columbia's underweighting in Treasuries had a significant negative impact on its results. PIMCO was the best performer due in part to its being ahead of the curve in anticipation of Federal interest rate cuts. PIMCO achieved a 4.0% return for the quarter versus an index return of 2.9%.

Mr. Lynch then started his presentation by reporting that with respect to Investment Policy guidelines The Trust's portfolio was in compliance in all respects.

He next reviewed the equity portion of the portfolio. He reported that the Equity Pool had slightly underperformed its index in the last quarter; however, in the last year, the Pool had achieved an excellent 18.4% result, well ahead of its index for that time frame. He then reviewed the results of individual sectors and mutual funds and reported that in the last year the financial sector had been a significant underperformer.

In response to a question from Mr. Dwyer, the potential for re-allocating some Equity Pool funds to the Emerging Market sector was discussed, along with a possible reduction in the funds in either the T. Rowe Price Equity Income Fund or the Tweedy, Browne Global Value Fund. Punter Southall agreed to review the matter further.

Mr. Mainville then asked that management and Punter South prepare a specific recommendation relative to whether Columbia should continue to be one of The Trust's investment managers. He noted that Columbia has consistently been underperforming in its results.

Discussions then centered on the sub-prime mortgage issues. In response to questions from Mr. Dwyer and Committee members regarding the sub-prime exposure, Punter Southall representatives explained that they relied strongly on the individual fund managers to help them determine the degree of the exposure and the associated risk. As an example, they said that Galliard indicated it held about a 2% exposure in sub-prime mortgages, but this exposure was all in highly rated traunches.

Messrs. Lynch and Gorgone closed the review by distributing an updated snapshot of the Portfolio allocation and Trust results through November, 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. The chart titled "YTD Net Investment Income and Realized Gains and Losses" displays the net interest earned and realized gains (losses) on sales on a year-to-date basis, as compared to the budget and the prior year. Through September 30, 2007 (1st Qtr Fiscal 2007) actual interest income was $447,000, with net realized gains of $62,000. Updating results for period ending October 31, 2007, interest income was $717,000 and realized gains were $77,000. YTD Interest Income (thru Oct.) is higher than budgeted by $60,000 due in part to favorable short-term rates.

The next chart, "YTD Unrealized Gains and Losses," shows the market value for each major investment component YTD at the end of each period. Through September 30, 2007 total combined net unrealized gains were $708,000; as of October 31, 2007 the unrealized gains had grown to $939,000. This was comprised of the Equity Portfolio with net unrealized gains of $262,000; the Fixed Income Portfolio with net unrealized gains of $678,000. The equity in NLC-MIC showed no change YTD, reflecting the frozen status of this balance pending resolution of issues previously outlined to the Committee.

As had been previously described, unrealized gains or losses are not factored into the annual budget because of their unpredictability, Mr. Slovak said.

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

5. ADJOURNMENT

There being no further business, the meeting was concluded at 2:10 PM.

Respectfully submitted,

Ronald Slovak

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer