RHODE ISLAND INTERLOCAL RISK MANAGEMENT TRUST
INVESTMENT AND AUDIT COMMITTEE MEETING

Thursday, March 13, 2008

Held at Trust Offices
501 Wampanoag Trail, Suite 301
East Providence, RI 02915

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 10:00 am on Thursday, March 13, 2008 at The Trust Offices, 501 Wampanoag Trail, Suite 301, East Providence, Rhode Island.

In attendance were Committee members Alan Lord, John Mainville, Scott Avedisian and Bruce Keiser. Committee members Ron Tarro, Joe Balducci and Fran Gallo had previously indicated they would not be able to attend.

Also in attendance were Gian (John) Brosco, VP Philanthropic Management, and Mr. Alan Erickson representing Bank of American and Columbia respectively; 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. Avedisian and seconded by Mr. Mainville, the Minutes of the Committee's meeting of December 12, 2007 were approved and accepted unanimously.

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

Mr. Brosco offered a few brief introductory comments and noted that, in the absence of Martha Childs, the Columbia Management Manager who handles The Trust account, that Mr. Erickson would instead present Columbia's results for The Trust's investments.

Mr. Erickson then distributed a handout entitled "Quarterly Review for Period Ending December 31, 2007, and started his presentation with a market overview. Initially, he focused on U.S. Treasury yield curves and the reductions that appeared in the fourth quarter. He also focused on bond sector returns and noted the underperformance across all sectors. Specifically, he focused on U.S. Corporate High Yield bar chart graphs lines showing a negative 7.77% Year to Date (YTD) Excess

Returns through December 2007 and the Asset Backed Securities bar chart at a negative 6.34% return for the same period.

With respect to The Trust portfolio, both Messrs. Brosco and Erickson acknowledged the somewhat consistent underperformance of Columbia's results. Within the more current timeframe, it was noted that the Collateralized Mortgage Backed Securities (CMBS) sector was underperforming during a period when Columbia was purchasing these instruments. Despite this underperformance, the Columbia management team believes the sector is undervalued and worth holding, even though there may be some temporary volatility. In response to questions from the Committee and Trust management, Mr. Erickson stated it might take 6 months to a year for the turn-around to occur in the CMBS market.

Mr. Gorgone then asked Columbia to comment on its decision to continue to hold Washington Mutual bonds in The Trust portfolio despite the bonds downgrade to BBB rating status. Mr. Erikson explained Columbia's thinking, commenting that the consensus view at Columbia was that Washington Mutual was "too big to fail". Accordingly, Columbia plans to hold this investment in the portfolios it manages for its clients, including The Trust. It was noted that The Trust exposure to Washington Mutual bonds, relative to its overall portfolio, is quite minor.

During further discussions relative to the Columbia managed portfolio as compared to the Trust benchmarks, Mr. Slovak pointed out to the Committee that Columbia had recently reduced its fees during the prior quarter on the Fixed Income A Account from an average of 51 basis points to an average of 39 basis points. This fee reduction boosts the net returns to The Trust, he explained.

Discussion then followed regarding the recent violation of The Trust's Investment Policy by Columbia when it sold several securities with losses excess of 10% on their purchase price without prior approval by The Trust. Columbia had previously reported the violation and acknowledged its system had failed to catch the notification requirement prior to the sale. Messrs Slovak, Lynch and Grogone indicated to the Committee that had they been properly advised on the pending transaction approval would have been granted. The sale of The Trust securities with par value of $250,000 was part of $130 million program transaction executed by Columbia for all of its clients with respect to these particular securities.

In closing, Mr. Brosco acknowledged that Columbia was aware of its underperformance as compared to the benchmarks. He said that Columbia wished to continue the relationship and "earn" our business. Mr. Gorgone informed the Columbia that it should consider itself on The Trust's "watch list". Mr. Brosco and Mr. Erickson thanked the Committee for its time and excused themselves from the meeting.

At this point, the Committee further discussed Columbia's underperformance and reviewed a memo prepared by Punter Southall outlining three options the Committee might consider in the alternative. The memo also highlighted the fact that changes that would need to be made to The Trust's investment policy if these options were to be pursued.

On a motion by Mr. Keiser and seconded by Mr. Avedisian, the Committee voted unanimously to begin the process to terminate its investment relationship with Columbia Management for a portion of The Trust's portfolio and move toward one of the Punter Southall's alternative recommendations.

Management, working with Punter Southall, was directed to put together more detailed recommendations and to suggest appropriate changes to the Investment Policy to accomplish this, with the goal of being in a position to vote on the changes at the next meeting. In conjunction with this process, management and Punter Southall will also conduct an overall review of the entire Investment Policy to determine whether other changes may be appropriate for consideration by the Committee and eventual recommendation to the Board of Trustees.

3. REVIEW OF INVESTMENT PORTFOLIO PERFORMANCE

Next Messrs. Lynch and Gorgone offered a further update on The Trust's portfolio performance, highlighting certain items contained within its detailed Quarterly Investment Report for the period ended December 31, 2007. That report, prepared by Punter Southall, had previously been forwarded to the Committee members as part of the pre-meeting materials.

Mr. Gorgone highlighted the fact that the Equity Pool had become a smaller percentage of the overall Trust portfolio due to current market condition and the increase in The Trust's cash position. Mr. Slovak explained that the current level of cash was a function of the premium collection cycle and that the current level of funds in the Liquidity Account would drop over the next six month as these funds are used to pay claims and for normal day-to-day operations.

The remainder of the portfolio review was a combined presentation of Messrs. Lynch and Gorgone, focusing primarily on performance levels versus various benchmarks. Some highlights were the fact that Equities had performed better than their benchmarks, and that the PIMCO fund had exceptional performance. Although emphasis was placed on the high quality of the Trust's portfolio, it was noted that the "flight to safety" had impacted all parts of the financial markets. The implications on the portfolio from the housing (sub-prime) crisis, the decline in consumer spending, and the emerging fears that a mild recession may be unavoidable were discussed, including the Federal Reserve Bank's recent efforts to stimulate the economy by lowering interest rates. In response to a Committee query on the position of the portfolio in light of these economic developments, Punter Southall advised that it did not believe significant Investment Policy or individual mutual fund changes were necessary, other than the aforementioned change regarding Columbia Management.

This led into the discussion on Emerging Markets as follow up to a query at the prior meeting. Mr. Slovak and Mr. Lynch outlined results of a review of emerging markets they had conducted and forwarded to the Committee in two reports submitted prior to the meeting. Two major points were noted: first, that the Beta (volatility) of emerging markets funds would not meet The Trust's current investment guidelines, and second, that any of the funds identified by Punter Southall as ones it would recommend are at this point closed to new investors.

In addition, it was pointed out that certain Equity Funds have exposure to emerging markets – up to 3%, it was estimated – by holding securities from companies that transact business globally. Both Punter Southall and management agreed to consider the possibility of making certain changes in the

future to the Investment Policy to allow for additional exposure to the emerging market sector if and when certain specific funds open to new investment.

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 January 31, 2008 interest income was $1,752,000, with net realized gains of $124,000. Although the $1.75 M was significantly higher that the budgeted $1.14M (as of January 2008), it was noted that the $1.75M was also significantly higher that prior year results of $1.29M through January of that fiscal year.

The next chart, "YTD Unrealized Gains and Losses," showed the market value for each major investment component YTD at the end of each period. Through January 31, 2008 total combined net unrealized gains were $313,000. This was comprised of the Equity Portfolio with net unrealized losses of $1,253,000, while the Fixed Income Portfolio was showing unrealized gains of $1,566,000. The Equity value in NLC-MIC showed no change YTD, reflecting the frozen status of this balance pending resolution of issues previously outlined to the Committee.

Mr. Slovak also pointed out that the Equity portfolio had recorded an additional loss of $250,000 as of the end of February 2008.

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. RECOMMENDATION REGARDING INDEPENDENT AUDITOR SELECTION

Mr. Slovak reviewed his memo dated February 22, 2008 to the Committee outlining the proposal received from The Trust's current independent auditor, Saslow, Lufkin & Buggy (SLB), to continue to provide audit services to The Trust for the coming two or three year period. Discussion also ensued on the March 7, 2008 supplemental memo prepared by Messrs Slovak and Dwyer in response to comments from Committee member John Mainville in an email circulated to Trust Management and the Committee.

In evaluating whether to continue to recommend that SLB be retained, Committee members and management discussed the impact of the new audit standards on the coming Trust engagement, the lack of other audit firms with substantial experience in the insurance industry niche of intergovernmental risk-sharing pools, SLB's proposed fee level, and The Trust's general satisfaction with the quality of the work and services provided in the past by SLB.

On a motion by Mr. Mainville, seconded by Mr. Keiser, the Committee voted unanimously to recommend to the Board a two year extension of SLB's engagement to perform independent audit services of The Trust's financial statements.

Mr. Slovak was directed to inform SLB of the Committee's recommendation and to verify that its fee levels by year would not vary from the amounts specified in its proposal even though The Trust planned to engage the firm for another two years rather than three. It was also indicated that at the end of the current extension the Committee would in all likelihood direct management to engage in a formal Request for Proposal process in order to select an audit firm for the next engagement period.

5. INFORMATIONAL ITEMS

The Committee received two informational items from management:

- A report describing the Investment Policy violation by Columbia Management. This matter was discussed by the Committee earlier in the meeting.

- A report from management about the potential risk inherent in "Credit Default Swaps". Punter Southall representatives explained the PIMCO does deal in this type of instrument, but to a very limited extent. Mr. Gorgone opined that PIMCO has both the staff and experience for dealing effectively and prudently with this type of instrument.

6. ADJOURNMENT

At this point there being no further business, the meeting was concluded at about noon.

Respectfully submitted,

RONALD F. SLOVAK
Chief Financial and Administrative Services Officer