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National Railroad Retirement Investment Trust

Annual Management Report for Fiscal Year 2011
Required by Public Law 107-90,
The Railroad Retirement and Survivors' Improvement Act of 2001

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ANNUAL MANAGEMENT REPORT OF THE NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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DEDICATION

JOHN W. MACMURRAY

The legislation creating the National Railroad Retirement Investment Trust ("Trust") was signed into law in December 2001. The Trust became operational on February 1, 2002 with a Board of six initial Trustees, three selected by rail management and three selected by rail labor. One of the Board's first official acts was to institute a nationwide search to identify an experienced investment professional to serve as the seventh, the Independent Trustee. The individual selected to serve as the Trust's first Independent Trustee, with thirty years of experience in the field, was John W. MacMurray. For the energy, enthusiasm, discipline and wisdom that he has brought to the Trust during his nine years of service as the Independent Trustee, the Board of Trustees ("Board") dedicates this tenth Annual Management Report to John W. MacMurray upon the occasion of his retirement from the Board on January 31, 2011.

During the Trust's critical start-up period, Mr. MacMurray played a leadership role in the hiring of the initial chief investment officer, the selection of the custodian bank, and the design of the Trust's initial investment strategy. As the Trust matured and moved from indexed investment into a more diverse blend of active and passive managers and further diversified its range of asset classes, Mr. MacMurray's experience and advice contributed much to the process. He played a central role in the development of the Trust's asset allocations, its benchmarks, as well as its performance measurement and risk assessment tools.

Mr. MacMurray approached his Trustee responsibilities with a sense of commitment and dedication which magnified his contribution. John saw his role as extending far beyond just participating in Trustee meetings. He often came to Washington to meet with the staff to better understand their ideas and initiatives, and to share his insights with them. During his nine year tenure on the Trust's Board, he served on both the Audit and Administrative Committees each year, chaired the Audit

Committee in 2006-2007, and assumed a leadership role on all issues considered by these Committees. In addition, at every meeting of the Board, Mr. MacMurray would present a well-prepared and timely analysis of an investment topic relevant to the issues under consideration by the Board and its investment staff. The handwritten charts and multi-color spreadsheets used in these educational sessions have become legendary, and will always remain as a testimonial to his analytic rigor. In addition, everyone at the Trust appreciated receiving his monthly package of articles on investments and market conditions drawn from his insatiable appetite for reading and research.

In 2002, “John Mac” agreed to assume an undefined position in a start-up organization. Over the past nine years, he has worked tirelessly to contribute to the growth and development of the Trust. His contribution has established a very high standard for the role of the Independent Trustee as the organization transitions to a new generation of leadership. The Board of Trustees takes this opportunity to thank John W. MacMurray for his collegiality, energy, enthusiasm, and most importantly, the wisdom that he has brought to the Board of the National Railroad Retirement Investment Trust.

1) Introductory Statement

a) Overview

After the recovery of the global financial markets in fiscal year 2010, fiscal year 2011 (October 1, 2010 – September 30, 2011) saw a return to the economic volatility that created tremendous challenges for the global financial markets in prior years. In this environment, the National Railroad Retirement Investment Trust ("Trust") achieved an investment return of -0.1% (net of fees). This investment return compares with the return on the Trust's benchmark for this period of 1.6%.

Overall, during fiscal year 2011, the net asset value of Trust-managed assets decreased from $23.8 billion on October 1, 2010 to $22.1 billion on September 30, 2011. Almost all of this decrease in asset value is attributable to the $1.7 billion that the Trust transferred to the US Treasury (the "Treasury") for railroad retirement (tier 2) benefit payments during the fiscal year.

Market Value of Trust-Managed Assets
($ in billions)

October 1, 2010		$23.8
Transfers from Trust to Treasury	$(1.7)	
Net Change in value	0.0	
Net Increase/(Decrease)		(1.7)
September 30, 2011		$22.1

In addition to Trust-managed assets, other assets of the railroad retirement system are retained by the Railroad Retirement Board ("RRB") as reserves in accounts at the Treasury. These reserves are made up of recent payroll tax contributions from rail employers and employees, as well as assets that the Trust has transferred to the Treasury to pay future benefits. In order to understand the overall financial position of the railroad retirement system, it is important to consider both the Trust-managed assets and the system reserves held at the Treasury.

During its nine years of investment operations, the Trust has transferred $11.6 billion to the Treasury to pay railroad retirement benefits. Even with these benefit payments, total railroad retirement system assets (Trust-managed assets plus reserves maintained at the Treasury) grew from $20.7 billion in 2002 to $23.6 billion as of the end of fiscal year 2011. As such, despite the challenges of the past few years, the Trust has made a significant contribution to the increase in total assets available to the railroad retirement system.

Trust-Managed Assets and RRB Assets Held in Reserve

($ in billions)

February 1, 2002 (total system assets at Trust inception)		$20.7
Net transfers from the Trust to the Treasury for payment of RR Benefits	$ (11.6)	
Change in value*	14.5	
Net increase/(decrease)		2.9
September 30, 2011		$23.6

* This includes investment return, payroll tax revenues, additional benefit payments and administrative expenses.

b) Market Volatility of Recent Years

Over the past nine years, the Trust has deployed assets received from the Treasury into a diversified portfolio of US and non-US equity, and US and non-US fixed income securities. Over time, the Trust has furthered that diversification by allocating a percentage of the portfolio to private equity, real assets, commodities, and absolute return investments. As mandated by its statute, the Trust has avoided undue concentration of investment in any asset class, type of security, or market sector.

This policy of broad diversification is intended to serve the Trust well in strong markets and to protect its assets from disproportionate market shocks in volatile periods. The assumption underlying this diversification of Trust assets is that not all asset classes will perform the same in various market environments. As part of this diversification process, the Trust holds tens of thousands of different securities selected by its numerous investment managers, pursuing many different strategies, for the Trust portfolio. The Trust's Board and its investment staff carefully monitored the activities of the Trust's investment managers throughout the fiscal year, examining portfolio weights in each asset class, holdings within each asset class, and the work of active managers, in order to evaluate strategy and performance.

c) Board and Committee Matters

During this fiscal year, the Board and its investment staff took steps to review and update the Trust's investment, accounting, and operations procedures manuals. The investment staff also performed an extensive asset allocation review, which resulted in the Board's approval of changes to the Trust's *Investment Guidelines.* These changes reflect the staff's asset allocation recommendations, as well as certain changes to the scope of the staff's non-mandatory rebalancing authority.

The Board of Trustees met nine times during the course of the year to consider the various investment and management issues that are discussed in this tenth Annual Management Report. In addition, the Board's Audit and Administrative Committees met periodically to consider matters within their areas of responsibility. This report and its various appendices provide information on the operations and financial status of the Trust for the fiscal year, including the report of the audit of the financial statements as required by the Trust's enabling statute.

2) Operations of the Trust: Administrative Matters

a) Trustee Update

In February 2011, the Trust announced the appointment of three Trustees and a new Chair for the period beginning February 1, 2011. Railroad management appointed Mr. Richard G. Patsy, Assistant Vice President Pensions and Investments of CSX Corporation, to a three-year term that expires on January 31, 2014. Railway labor unions appointed Mr. Joel Parker, Special Assistant to the President and International Vice President of the Transportation Communications International Union/IAM, to a new three-year term that expires on January 31, 2014. The six Trustees then selected Mr. William F. Quinn, the chairman and founder of American Beacon Advisors, as the new Independent Trustee, with a three-year term that expires on January 31, 2014. In addition, the Trustees selected Mr. James A. Hixon, Executive Vice President Law and Corporate Relations of Norfolk Southern Corporation, as the Chair of the Board of Trustees for the period February 1, 2011-January 31, 2012.

Mr. Patsy, Mr. Parker, and Mr. Quinn joined the following four members of the Board: for terms expiring on January 31, 2012, Mr. James A. Hixon, and Mr. George Francisco, Jr., President Emeritus, National Conference of Firemen and Oilers-SEIU; and for terms expiring on January 31, 2013, Mr. Alec Vincent, Assistant Vice President Finance and Treasurer, Burlington Northern Santa Fe LLC, and Mr. Walter A. Barrows, International Secretary-Treasurer, Brotherhood of Railroad Signalmen.

In addition to the new Trustees who joined the Trust in February 2011, the Trust welcomed another Trustee just after the end of the fiscal year, due to the departure of Mr. Walter A. Barrows. Mr. Barrows resigned from his positions with the Brotherhood of Railroad Signalmen and the Board on September 30, 2011, following his appointment as the labor member of the U.S. Railroad Retirement Board. Effective October 19, 2011, railway labor unions appointed Mr. William C. Walpert, National Secretary-Treasurer of the Brotherhood of Locomotive Engineers and Trainmen, to serve out the remainder of Mr. Barrows’ term.

Biographical information on the Trustees can be found in Appendix J.

b) Coordination with Federal Government Agencies

Throughout the fiscal year, the Trust maintained regular communications with the Railroad Retirement Board ("RRB") and the Treasury on all matters relating to the transfer of monies between the various RRB accounts at the Treasury and the Trust. In addition, the Trust transmitted all monthly data required pursuant to the Memorandum of Understanding ("MOU") entered into in 2002 with these entities and the Office of Management and Budget ("OMB"). The MOU outlines the budgetary, transfer, accounting, and financial reporting responsibilities for assets held by the Trust and railroad retirement system assets held within the Treasury. The MOU requires the Trust to report on a monthly basis: receipt and disbursement of funds, purchases and sales of assets, earnings and losses on investments, value of investments held, and administrative expenses incurred. A copy of the MOU is included in Appendix C.

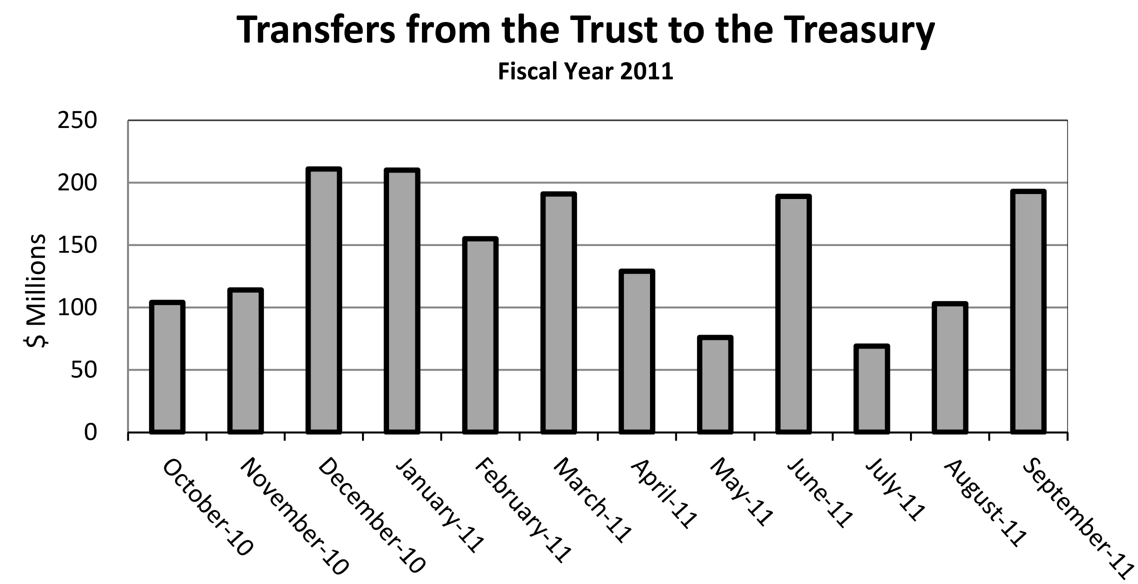
Pursuant to its established practice of periodic meetings with the RRB, during fiscal year 2011, the Trustees, the Chief Executive Officer/Chief Investment Officer, and Trust legal counsel held periodic meetings and telephone conferences with the Members of the RRB and its General Counsel to review the investment and administrative activities of the Trust. Senior staff of the two organizations and Trust legal counsel conferred after each meeting of the Trust Board. The Trustees and the Members of the RRB met twice during the year. In addition, the Trust prepared Quarterly Updates that were transmitted to the Congressional committees of jurisdiction and posted on the RRB website to be available to all other interested parties.

During 2011, the Trust also consulted with the RRB on its fiscal year-end audit and reporting processes to facilitate the transmittal of fiscal year audited net asset data of the Trust to the RRB by November 15 for use in the year-end Financial Report of the United States. In addition, the Trust provided audited financial asset data to the RRB as of December 31, 2010, for use in the preparation of the RRB's annual Statement of Social Insurance.

c) Transfers to and from the Treasury

The Railroad Retirement and Survivors' Improvement Act of 2001 (the "Act") provided for the transfer of railroad retirement system funds to the Trust for investment in a diversified portfolio similar to those of other large US pension plans. From inception through fiscal year 2004, the Trust received $21.3 billion of railroad retirement system funds. The Trust has received no transfers from the Treasury since the end of fiscal year 2004. The funds transferred to the Trust consisted primarily of assets transferred from the Railroad Retirement Account ("RRA"), and a smaller amount from the Social Security Equivalent Benefit ("SSEB") Account. The RRA assets were invested in a diversified portfolio in accordance with the Trust's *Investment Guidelines,* while the funds received from the SSEB Account were invested in federal securities as required in the Act.

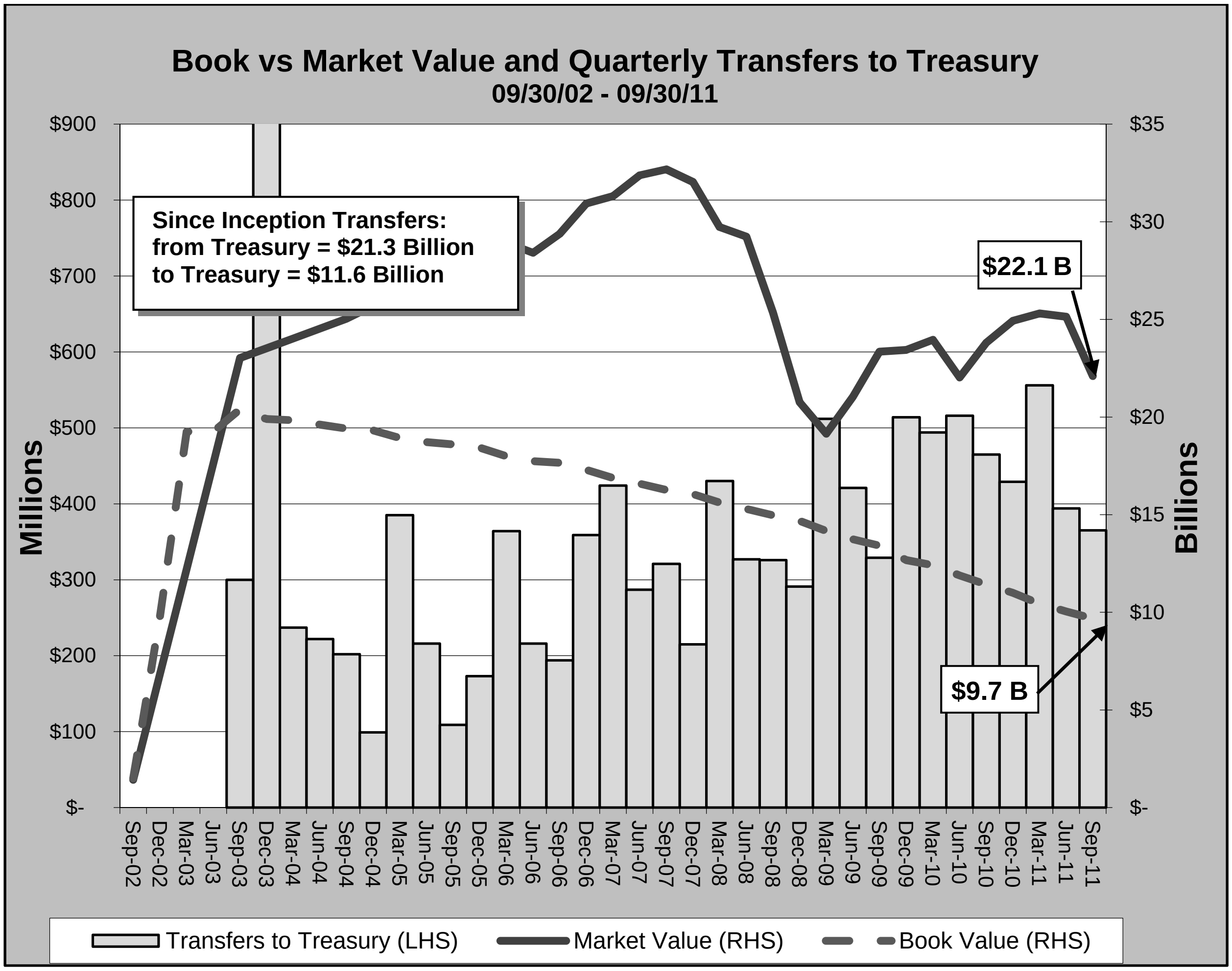
The Act also provides for the transfer from the Trust to the Treasury amounts necessary to pay RRA benefits under the Act. During fiscal year 2011, the Trust transferred a total of $1.7 billion to the Treasury for payment of RRA benefit obligations. The following chart displays the individual transfers from the Trust to the Treasury in fiscal year 2011.



Note: The chart above reflects the cash required by the Treasury for each respective month. Transfers are made on the first business day of the month unless the first falls on a Saturday. If the first falls on a Saturday, the transfer is made on the last business day of the prior month.

Summary of transfers: From its inception in February 2002 to September 30, 2011, the Trust received $21.3 billion from the Treasury and transferred $11.6 billion to the Treasury. The net book value of funds received from the Treasury since inception, therefore, is $9.7 billion.

The assets received by the Trust have been invested in a diversified multi-asset class portfolio in accordance with the Trust's investment guidelines. This diversification of assets away from the prior all-Treasury-securities portfolio has allowed the Trust's assets to grow beyond their original book value. As of September 30, 2011, the net asset value of the Trust-managed assets totaled $22.1 billion, representing an increase of $12.4 billion above the net book value of assets transferred to the Trust for investment. The following chart reflects the growth of the Trust's assets, comparing the net book value of assets received by the Trust to the net asset value of those assets, and the transfers from the Trust to the Treasury at the end of each quarter since September 30, 2002.



d) Account Benefits Ratio

The funds available to pay railroad retirement benefits and administrative costs include assets held in the RRA, the SSEB Account, and assets held by the Trust. Section 204 of the Act requires that amounts in the RRA and assets held by the Trust be included in the annual calculation of the account benefits ratio (“ABR”). The ABR is the ratio of the combined fair market value of RRA and Trust assets as of the close of the fiscal year to the total benefits and RRB and Trust expenses paid in that fiscal year. The average account benefits ratio ("AABR"), the ten-year average of the ABR, is used to determine the tier 2 tax rates for railroad employers and employees.

As provided in the Act, the RRB computed the account benefits ratio for fiscal year 2011 and certified the ratio to the Secretary of the Treasury on October 21, 2011.

The Secretary determined the AABR for fiscal year 2011 and on November 18, 2011 published a notice in the Federal Register of the tier 2 employer and employee tax rates for calendar year 2012. Copies of the RRB certification letter and the Treasury notice are contained in Appendix H. The ABR declined from 5.27 for fiscal year 2010 to 4.81 for fiscal year 2011. The ten-year AABR declined from 6.7 at September 30, 2010 to 6.5 at September 30, 2011.

e) Trust Staff

The Trust's staff is comprised of professionals in three major areas of responsibility: investments, operations, and accounting. The investment staff reports to a Senior Managing Director – Investments. The operations staff reports to the Senior Operating Officer, and the accounting staff to the Senior Accounting Officer. All senior officers report to the Chief Executive Officer/Chief Investment Officer ("CEO/CIO"). The CEO/CIO and staff are accountable to the Board of Trustees.

Investment management personnel include Directors who are responsible for each major asset class. Working with the Directors are investment analysts assigned to specific asset classes. The operations staff is responsible for tracking and monitoring Trust assets, as well as other operational functions such as information technology, office management, and human resources. The accounting staff interacts with the Trust's independent auditor, and is responsible for financial reporting.

Biographical information on the Trust's staff members can be found in Appendix J.

3) Operations of the Trust: Investment Matters

a) Overview

For fiscal year 2011, the investment return, net of fees, on Trust-managed assets was -0.1%. The Trust's strategic benchmark returned 1.6%. The relative underperformance for the current fiscal year was driven partly by the Trust's tactical positions to longer-term investment themes, such as private equity and real estate programs where it takes an extended amount of time to achieve desired returns, and partly by active manager underperformance relative to their benchmarks, primarily in US Equities and US Fixed Income.

The Trust experienced positive investment returns during the first three quarters of the fiscal year. However, several concerns caused the capital markets to pull back during the fourth quarter. The sovereign debt problems in Europe and a general slowdown in global economic growth, combined with continued high unemployment and the United States' own political stalemate on key budget matters, weighed heavily on investors, who became more risk-averse, creating a sell-off in most assets. The Trust maintains a long-term focus and is well diversified to take advantage of market moves as the global economic picture improves.

b) Investment Plan: Structure

The Trust's asset class structure has developed over the nine years since September 2002 from a starting portfolio consisting entirely of government securities, to a simple three-asset-class approach, and finally to a structure which is more fully diversified across geography, capitalization size, investment style, credit quality, and other characteristics. The Trust's *Investment Guidelines* specify the neutral target allocation and approved ranges for each asset class, as well as rules for rebalancing back towards these neutral targets as market valuations change. The *Investment Guidelines* also provide a policy benchmark by asset class to measure actual Trust performance against an objective standard. The Trust's fiscal year 2011 asset allocation study resulted in minor revisions to the previous target allocations and ranges. The revised asset class target ranges, approved by the Trustees on September 20, 2011, reflect changes in capital market expectations since the previous asset allocation study.

Current Long-Term Target Asset Allocation

(Approved September 20, 2011)

Asset Class	Target	Range
US Equity	23.0%	18-28%
Non-US Equity	21.0%	16-26%
Private Equity	10.0%	2-15%
US Fixed Income	13.5%	9-18%
Non-US Fixed Income	8.5%	5-15%
Real Estate	10.0%	2-15%
Commodities	5.0%	2-8%
Absolute Return	8.0%	2-10%
Cash	1.0%	0-3%
	100.0%	

In its changes to the *Investment Guidelines*, the Trust set a separate allocation to cash. In addition, the Opportunistic asset class title was revised to Absolute Return; it continues to be used for investments that are incompatible with the criteria for the other primary asset classes yet are believed to offer the Trust an attractive risk-adjusted investment return, low correlation with other investments, or other attributes that will help the Trust achieve its strategic investment objectives. The Trust's *Investment Guidelines* are included in Appendix B.

c) Investment Plan: Implementation

US Equity: During the fiscal year, the Trust terminated four active manager accounts, ending fiscal year 2011 with 16 active US Equity managers and one US Equity index manager managing two products. 60% of the Trust's US Equity portfolio was actively managed at the end of the fiscal year.

Non-US Equity: During the fiscal year, the Trust added three active investment managers to manage emerging markets equity and reclassified one passive/enhanced manager to active, bringing the total number of active investment managers in non-US equity to nine at the end of the fiscal year. In addition to these nine active managers, the Trust ended fiscal year 2011 with one index investment manager who manages six products in non-US equity. At the end of the fiscal year, 67% of the Trust's non-US equity allocation was actively managed. Additionally, the Trust employed three active managers for the currency overlay program.

US Fixed Income: During the fiscal year, the Trust added two active and two specialist managers. At the end of the fiscal year, this asset class had 16 active/specialist managers, and 100% of the Trust's US fixed income allocation was actively managed.

Non-US Fixed Income: One new specialist manager was hired in this asset class in fiscal year 2011. At the end of the fiscal year, this asset class had ten active/specialist managers, and 100% of the Trust's non-US fixed income allocation was actively managed.

Commodities: The Trust did not hire any new managers for this asset class in fiscal year 2011. At the end of the fiscal year, this asset class had one passive manager and one specialist manager, and 66% of the Trust's allocation to commodities was actively managed.

Absolute Return: This asset class includes multi-asset class strategies. During the fiscal year, one new multi-asset class manager was hired, bringing the total to four active managers, one of which manages two separate portfolios for the Trust. This allocation is 100% actively managed.

Private Equity: During fiscal year 2011, the Trust continued its private equity program implementation with seven new private equity funds whose investment period began during the year, bringing the total number of active partnerships in the private equity portfolio to 59 at the end of the fiscal year. These 59 partnerships are actively managed by 38 managers. Additionally, commitments were made to four new partnerships scheduled to begin their investment period during fiscal year 2012.

Real Assets: Six new real estate partnerships and two new energy partnerships began their investment period during fiscal year 2011, bringing the total number of active partnerships in Real Assets to 29. These 29 partnerships are actively managed by 21 managers. Commitments were made during fiscal year 2011 to two additional partnerships which are scheduled to begin their investment period during fiscal year 2012. The Trust also had investments in three actively-managed REIT funds at the end of the fiscal year.

Cash: The Trust has two passively-managed cash accounts, one with its custodian bank and one with a separate institutional money manager.

d) Proxy Voting Policy

The Trust maintains a proxy voting policy which delegates the voting of Trust proxies to its investment managers as fiduciaries of the Trust. It also details specific responsibilities of those managers in the voting of proxies, makes clear the responsibility of investment managers to coordinate proxy-voting with the Trust's custodian, and retains for the Trust itself responsibility for monitoring, reviewing, and reporting on the implementation of the proxy voting policy. A copy of the proxy voting policy can be found in Appendix F.

Each year, managers with proxy-voting responsibilities are required to certify that they have voted all proxies in accordance with the policy and solely in the interest of the participants and beneficiaries of the Trust. After the end of the fiscal year, staff reviewed and reported to the Board of Trustees regarding each manager's proxy voting record with respect to Trust securities.

e) Railroad Retirement System Assets

While most railroad retirement system assets are managed by the Trust, some assets remain in Treasury accounts managed by the RRB. Approximately 6.4% of the total, or

$1.5 billion out of $23.6 billion as of September 30, 2011, is held in the form of reserves that are invested in Treasury securities by the RRB. These reserves are replenished as needed through transfers from the Trust to the Treasury. In determining its asset allocation, the Trust takes into account these reserves and sets its investment policies accordingly. For fiscal year 2011, the investment return on Trust-managed assets only (excluding reserves at the RRB), was -0.1% net of fees.

4) Audit Committee

The Audit Committee held four meetings during fiscal year 2011. During the year, the Audit Committee engaged Deloitte & Touche LLP ("Deloitte") to perform an audit of the Trust's Schedule of Investments in Securities and Statement of Assets and Liabilities as of December 31, 2010. The completion of the balance sheet audit provided the RRB with an independent audited net asset balance for the Trust, allowing the RRB to complete an annual Statement of Social Insurance using audited inputs from the Trust.

In addition, the Audit Committee engaged Deloitte to perform the annual audit of the Trust's financial statements for the fiscal year ended September 30, 2011. The Audit Committee provided oversight of the financial statement audit process in accordance with its fiduciary duty to the Trust. The Trust issued its audited financial statements within 45 days of its fiscal year end, allowing the RRB to include the Trust's net assets in its financial statements and meet its financial reporting deadline.

5) Internal Accounting and Administrative Controls

During fiscal year 2011, the Trust's staff continued to improve the system of internal accounting and administrative controls designed to ensure the safekeeping and proper accounting of investments, and the efficient operation of the Trust's activities.

a) Custodial Arrangements

The Trust's assets are primarily held by its custodian, The Northern Trust Company ("Custodian"). Assets represented by commingled funds are held with the custodian of each respective fund. Likewise, investments in private partnerships and absolute return strategies are maintained by the custodian or administrator of each respective fund. Periodic statements are presented to and recorded by the Custodian on the Trust's books. The Custodian maintains records of, and accounts for, all of the Trust's assets.

As the Trust's investments have grown in complexity over the years, the Trust has worked closely with the Custodian to enhance internal processes, procedures, and systems supporting all investment and operational activity.

b) Accounting

Northern Trust provides the Trust with a full accounting and performance record of all transactions involving Trust assets. Reconciliations of the primary custodial records to the investment managers' records are performed monthly. The Trust has established a process to review the monthly reconciliations to ensure that all transactions are recorded properly on the respective books. Financial data from the custodial bank form the basis for the Trust's required reports and financial statements.

In addition, Trust staff updated its Accounting Policies and Procedures Manual during the fiscal year and presented the updates in detail to the Audit Committee. These updates consisted primarily of addressing new financial statement disclosure requirements, and accruing for investment management performance fees.

6) Financial Status of the Trust

a) Summary of Cash Flows and Changes in Trust Assets

During fiscal year 2011, the Trust continued to make cash transfers of assets to the Treasury for beneficiary payments and expenses. These transfers totaled approximately $1.7 billion during fiscal year 2011. The net amount transferred to the Trust from the Treasury since inception was $9.7 billion through the end of the fiscal year.

The major changes in Trust assets result from transfers to the Treasury, net investment income on investments, and realized and unrealized gains and losses on investments. These impacts for fiscal year 2011 were as follows:

	$ in Billions
Trust Net Assets as of 9/30/2010	$23.8
Net Investment Income	0.4*
Net Realized and Unrealized Gain/(Loss)	(.4)
Assets Transferred to the Treasury	(1.7)
Trust Net Assets as of 9/30/2011	$22.1

**Net of Trust expenses of $0.1 billion*

b) Financial Statements and Independent Auditors' Report

National Railroad Retirement Investment Trust

Financial Statements as of and for the Fiscal Year Ended September 30, 2011, and Independent Auditors' Report

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
National Railroad Retirement Investment Trust:

We have audited the accompanying statement of assets and liabilities of the National Railroad Retirement Investment Trust (the "Trust"), including the condensed schedule of investments, as of September 30, 2011, and the related statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the National Railroad Retirement Investment Trust as of September 30, 2011, and the results of its operations and changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

November 15, 2011

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Assets and Liabilities
As of September 30, 2011
($ in thousands)

Assets		
Investments in securities — at fair value (cost $21,563,905)	$	21,726,411
Cash and cash equivalents (including restricted cash of $38,360)		549,104
Cash denominated in foreign currency — at fair value (cost $17,876)		17,236
Receivable for investments sold		570,430
Interest receivable		59,855
Dividends receivable		14,450
Unrealized gain on foreign currency exchange contracts		246,489
Unrealized gain on swap contracts		9,713
Securities sold under agreements to repurchase		645
Other assets		11,867
Total assets		23,206,200
Liabilities		
Payable for investments purchased		771,392
Securities purchased under agreements to resell		23,618
Accrued management fees		18,867
Unrealized loss on foreign currency exchange contracts		232,263
Unrealized loss on swap contracts		46,518
Options written — at fair value (premiums received $1,625)		1,603
Other liabilities		13,915
Total liabilities		1,108,176
Net Assets	$	22,098,024

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Equity			
US Equity			
US Common Stocks			
Apple Inc.		269	$ 102,460
JP Morgan Chase & Co.		1,855	55,885
Microsoft Corp.		2,138	53,209
Wells Fargo & Co.		2,167	52,278
Exxon Mobil Corp.		672	48,798
Chevron Corp.		494	45,680
Google Inc.		83	42,933
Other US Common Stocks			3,341,964
	16.94%		3,743,207
Other US Equity Securities (a)	0.04%		9,162
US Equity Unit Trusts			
BlackRock Russell 1000 Index Fund		149,242	2,183,259
BlackRock Russell 2000 Equity Index Fund		22,851	343,242
Other US Equity Unity Trusts			477
	11.44%		2,526,978
Total US Equity	28.42%		**$ 6,279,347**

The accompanying footnotes are an integral part of these financial statements.

Condensed Schedule of Investments (continued)
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Equity (continued)			
Non US Equity			
Non US Common Stocks (c)			
United Kingdom	2.41%		$ 531,500
Japan	2.26%		498,546
France	1.00%		220,358
Switzerland	0.85%		187,058
Germany	0.81%		179,454
Korea	0.79%		173,860
China	0.79%		173,558
Canada	0.60%		133,094
Hong Kong	0.57%		126,498
Australia	0.46%		102,375
Other Non US Common Stock	4.93%		1,088,888
	15.45%		3,415,189
Non US Preferred Stocks	0.44%		98,141
Non US Equity Unit Trusts			
BlackRock MSCI EAFE Equity Index Fund		41,337	581,190
BlackRock World ex-US Small Cap Equity Index Fund		41,516	495,967
BlackRock EAFE Growth Index Fund		18,696	221,205
BlackRock EAFE Value Index Fund		28,771	217,588
BlackRock MSCI Equity Index Fund (Canada)		1,856	117,414
Other Non US Equity Unit Trusts			83,855
	7.77%		1,717,219
Total Non US Equity	23.67%		**$ 5,230,549**

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments (continued)
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)		Fair Value
Global Equity (continued)				
Private Equity				
Providence Total Market Trust Special Situations Feeder, LP		79,190	$	126,577
Blackstone Capital Partners V, LP		93,345		98,602
Warburg Pincus Private Equity X, LP		75,659		81,094
McCoy Investments LP		67,586		78,588
Warburg Pincus Private Equity IX, LP		42,610		77,583
Apollo Investment Fund VI, LP		57,683		68,669
Providence Equity Partners VI, LP		48,563		60,162
Carlyle Partners V, LP		47,516		59,981
First Reserve Fund XII, LP		57,551		56,977
Apollo Investment Fund VII, LP		41,438		53,733
CVC European Equity Partners V (C) , LP		30,966		50,698
GTCR Partners IX-A, LP		44,678		46,459
Blackstone Credit Liquidity Partners, LP		17,054		46,129
First Reserve Fund XI, LP		39,410		44,330
TCV VII, LP		40,978		43,718
Other Private Equity				839,652
Total Private Equity	8.29%			**1,832,952**
Total Global Equity (cost $13,573,765)	60.38%		**$**	**13,342,848**

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments (continued)
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income			
Government Notes and Bonds (c)			
US Treasury Notes, 3.125%, 5/15/2021		95,606	$ 106,115
Government of UK Bonds, 4.25%, 7/3/2036		33,075	58,423
US Treasury Notes, 1.25%, 12/31/2013		50,000	51,324
Government of Japan Bonds, 1.9%, 3/22/2021		3,500,000	49,240
Other Government Notes and Bonds			1,901,087
	9.80%		2,166,189
Corporate Bonds	6.77%		1,495,232
Government - Sponsored Mortgage Backed Securities ("MBS")			
FNMA Single Family Mortgage, 4.5%, 30 years, October		42,300	44,871
Other Government - Sponsored MBS			790,686
	3.78%		835,557
Short Term Bills and Notes			
US Treasury Bills, 10/27/11		68,600	68,599
US Treasury Bills, 1/19/12		75,000	74,996
US Treasury Bills, 12/15/11		81,000	80,998
Other Short Term Bills and Notes			33,856
	1.17%		258,449
Government Agencies	0.79%		174,723
Non-Government Collateralized Mortgage Obligations	0.58%		128,720
Commercial Mortgage-Backed Securities	0.56%		123,182
Index-Linked Government Bonds	0.31%		$ 68,395

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments (continued)
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income (continued)			
Asset Backed Securities	0.30%		$ 65,860
Other Fixed Income Securities (b)	0.85%		188,378
Fixed Income Unit Trusts			
Blue Mountain Credit Alternatives		2,400	245,489
MKP Credit Offshore		58	229,597
GAM Global Rates		1,500	143,415
Angelo Gordon GECC PPIF Holdings		84,530	96,904
King Street Capital Ltd Class A Series 3 Fund		754	95,739
Other Fixed Income Unit Trusts			59,192
	3.94%		870,336
Total Global Fixed Income (cost $6,321,350)	28.85%		**6,375,021**
Global Real Assets			
Real Estate			
Campbell Opportunity Timber Fund, LP		99,341	93,571
Blackstone Real Estate Partners VI TE 2, LP		41,479	54,299
Other Real Estate			365,904
	2.32%		513,774
Commodities			
Blenheim Commodity Fund	2.09%	151	461,839
Total Global Real Assets (cost $885,927)	4.41%		**$ 975,613**

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments (continued)
As of September 30, 2011
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Multi-Asset Class Mandates			
Multi-Asset Class Unit Trusts			
Bridgewater Pure Alpha II Ltd Class B		327	$ 566,092
Bridgewater All Weather Portfolio Ltd Class B		209	232,413
Davidson Kempner Int'l Ltd Class C		1,040	105,604
Paulson Advantage Ltd Class A		472	76,472
Kepos Alpha Ltd C1 F-R Ser 6		50	52,348
Total Multi-Asset Class Mandates (cost $782,863)	4.67%		**1,032,929**
Total Investments in Securities (cost $21,563,905)	98.32%		**21,726,411**
Other Assets less Liabilities	1.68%		371,613
Net Assets	100%		**$ 22,098,024**

Note: The Condensed Schedule of Investments presents the investments of the National Railroad Retirement Investment Trust within each asset class while identifying the largest 50 holdings in the portfolio.

(a) Includes Purchased Options, Preferred Stock, and Rights/Warrants.

(b) Includes Municipal Bonds, Bank Loans, Government Issued CMBS, Guaranteed Fixed Income Contracts, Certificates of Deposit, Sukuk Financial Certificates, Collateralized Bonds, and Index Linked Corporate Bonds.

(c) Includes investments quoted in foreign currency, which are translated into US dollars at the prevailing foreign exchange spot rates on the date of valuation.

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Operations
For the Fiscal Year Ended September 30, 2011
($ in thousands)

Income		
Interest	$	261,161
Dividends		218,540
Total income		479,701
Expenses		
Investment management fees		68,401
Compensation		4,651
Professional fees		3,911
Trustee fees and expenses		222
Custodial fees		107
Other expenses		5,761
Total expenses		83,053
Net Investment Income		396,648
Realized and Unrealized Gain (Loss) from Investments		
Net realized gain (loss) from investments and foreign currency		1,014,057
Net increase (decrease) in unrealized gain (loss) on investments and foreign currency		(1,378,110)
Net Realized and Unrealized Gain (Loss) from Investments		(364,053)
Net increase in net assets resulting from operations	$	32,595

The accompanying footnotes are an integral part of these financial statements.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Changes in Net Assets
For the Fiscal Year Ended September 30, 2011
($ in thousands)

INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS:	
Net investment income	$ 396,648
Net realized gain (loss) from investments and foreign currency	1,014,057
Net change in unrealized gain (loss) on investments and translation of assets and liabilities in foreign currencies	(1,378,110)
Net increase in net assets resulting from operations	32,595
ASSETS TRANSFERRED TO THE TREASURY	(1,744,000)
NET ASSETS:	
Beginning of year	23,809,429
End of year	$ 22,098,024

The accompanying footnotes are an integral part of these financial statements.

1. ORGANIZATION

Formation — The National Railroad Retirement Investment Trust (the "Trust") was created as a result of Federal legislation. The Railroad Retirement and Survivors' Improvement Act of 2001 (the "Act") established the Trust, the sole purpose of which is to manage and invest industry-funded Railroad Retirement assets as set forth in the Act. Domiciled in, and subject to the laws of the District of Columbia (to the extent not inconsistent with the Act), the Trust is a tax-exempt entity under section 501(c)(28) of the Internal Revenue Code of 1986, and is neither an agency nor instrumentality of the Federal Government. The Trust became effective on February 1, 2002.

The Railroad Retirement system was created as a Federal pension program during the 1930s to fund retirement benefits of railroad workers and their dependents. For more than 65 years, the Railroad Retirement Account ("RRA"), a Federal trust fund, has collected payroll taxes from railroad employers and employees and paid out benefits to beneficiaries. Railroad Retirement is funded as a pay-as-you-go system that is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA") funding rules.

The Act authorizes the Trust to manage and invest the assets of the Railroad Retirement system in the same array of investment alternatives available to private sector pension plans, and to pay administrative expenses of the Trust from the assets in the Trust. Prior to the Act, Railroad Retirement assets were limited to investment in US Government securities issued directly by the United States Treasury (the "Treasury"). Responsibility for administering the Railroad Retirement system, including eligibility determinations and the calculation of beneficiary payments, remains with the Railroad Retirement Board (the "Board"), a Federal agency.

Investment Management — The Trust's principal investment objective for its portfolio of investments ("portfolio") is to achieve a long term rate-of-return on assets for the portfolio sufficient to enhance the financial strength of the railroad retirement system and to provide timely funding to the Treasury for payment of benefit obligations and administrative expenses.

Except for limited partnership interests and derivative instruments owned by the Trust, generally all of the Trust's assets in the portfolio are held by custodians appointed by the Trust, or transfer agents in the case of commingled funds.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Trust in preparation of its financial statements. The policies conform to accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

Basis of Accounting — The Trust applies the accrual method of accounting when preparing its financial statements.

Valuation of Investments — The Trust follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Fair Value Measurements and Disclosures Topic ("Topic

820”). The Topic establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Trust’s investments, and requires additional disclosure about fair value (See Note 3).

Equity securities that are traded on a national securities exchange or quoted on the NASDAQ National Market System (“NMS”) are valued on their last reported sale price on the principal exchange (US or foreign) or official closing price as reported by NASDAQ. Options and futures contracts are valued at the last sales price quoted on the exchange on which they primarily trade. Securities traded on over-the-counter (“OTC”) markets as well as listed securities for which no sales are reported are valued at the most recent bid quotation.

Fixed income securities (US and foreign) for which price quotations are readily available are valued at the most recent reported sales price. If no reported sales price is available, fixed income securities are valued at prices furnished by an independent pricing service, which considers yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities.

The ability of issuers of the debt securities held by the Trust to meet their obligations may be affected by economic developments in a specific industry or region. The values of the securities can be significantly affected by changes in interest rates or in the financial condition of the issuer or market conditions generally. The Trust invests a portion of its assets in mortgage-backed securities and debentures. The value and related income of these securities is sensitive to change in economic conditions, including delinquencies and/or defaults.

Foreign securities are valued as of the close of each foreign security’s market wherein each security trades. All investments quoted in foreign currency are translated into US dollars at the prevailing foreign exchange spot rates on the date of valuation. Investments in foreign securities may involve risks not present in domestic investments. Since foreign securities may be denominated in foreign currency and involve settlement and pay interest or dividends in foreign currencies, changes in the relationship of these foreign currencies to the US dollar can significantly affect the value of investments and earnings of the portfolio. Foreign investments may also subject the Trust to foreign government exchange restrictions, expropriations, taxation or other political, social or economic risks, all of which could affect the value of the foreign securities investments.

Securities (US and foreign) for which quotations are not readily available are valued under procedures contained in the Investment Manager Guidelines of the Trust’s custodian contract with Northern Trust, approved by the Trustees. The pricing procedures for a security traded within the US, which includes, among other factors, researching most recent bid and ask prices, documenting the reason(s) for unavailability of data from a pricing service, and requesting current bids for similar securities from independent securities broker-dealers, may also be used to determine the value of a foreign security should something occur that renders quotations not readily available for a foreign security.

Commingled funds and hedge funds (“Funds”), which are not publicly traded, may include publicly-traded securities for which detailed holdings are reported to the Trust. The fair value of these Funds as of September 30, 2011 totaled approximately $6.5 billion. Fair values of these non-publicly traded securities are determined after consideration of valuations provided by the external investment managers adjusted for receipts, disbursements, and distributions through the date of the statement of assets and liabilities. These Funds generally have redemption restrictions that limit the days when redemption requests can be made to one or more days per month. The valuation of these non-publicly traded Funds may involve estimates, appraisals, assumptions, and methods that are reviewed by management.

Private Equity ("PE") partnership assets are valued by the Trust at fair value as determined by the General Partner ("GP") of the investment partnership in accordance with the terms of each partnership's governing agreement. Changes in value for non-marketable securities held by each PE partnership are valued by the GP in accordance with GAAP and oversight by Limited Partners. This value may be adjusted by the Trust if there is evidence in a secondary market of partnership share transactions that are different than the partner capital accounts. Private equity partnerships typically have investment periods of 5 years and terms of 10 years. Generally, the partnership invests the committed dollars during the investment period and harvests the portfolio during the remainder of the term. These commitments are disclosed in Note 7.

Swap agreements are valued by the Trust at prices furnished by approved pricing sources. Changes in the value of swap agreements are recorded as unrealized appreciation or depreciation in the Statement of Assets and Liabilities. The amounts related to net receipts/(payments) under the swap agreements are recorded as realized gain/(loss) in the Statement of Operations. Aside from market risk, the primary risk associated with swap agreements is that a counterparty could default on its obligation to pay net amounts due to the Trust. The Trust's swap agreements consist of interest rate swaps, credit default swaps and total return swaps.

Security Transactions, Accrued Income, and Expense — The Trust records purchases and sales of investment securities on a trade-date basis. Investment securities are recorded at fair value. Interest income is determined on the basis of coupon interest accrued using the effective interest method. Dividend income (less foreign tax withheld, if any) is recorded on the ex-dividend date. Gains or losses realized on sales of investment securities are based on average cost.

Cash and Cash Equivalents — Cash and Cash Equivalents includes cash held at banks and cash balances held in short-term investment funds, which can be drawn down with same day notice. As of September 30, 2011, the Trust held approximately $38 million of restricted cash, representing initial margin on futures contracts and pledged collateral received from counterparties for swap agreements.

Options Contracts — The Trust may purchase or sell (write) exchange- (or OTC-) traded options contracts to hedge against risks associated with price fluctuations for certain securities.

When either a put or call option is purchased, the contract is recorded as an investment and the premium gets marked-to-market daily to reflect the current market value of the option contract. When a purchased option contract expires (unexercised), a loss is realized in the amount of the cost of (premium paid for) the option. If a closing sale contract is entered into, however, a gain or loss is realized, to the extent that the proceeds from the sale are greater or less than the cost of the option. If a put option is exercised, a gain or loss is realized from the sale of the underlying security by adjusting the proceeds from such sale by the amount of the premium paid for the put option. If a call option is exercised, the cost of the security purchased upon exercise is increased by the premium paid for the call option.

When either a put or call option is sold (written), an amount equal to the premium received is recorded as a liability. The liability gets marked-to-market daily to reflect the current market value of the written option. When a written option contract expires (unexercised), a gain is realized in the amount of the premium received for (or paid for) this option. If a closing purchase contract is entered into, however, a gain or loss is realized in the amount of the premium less the cost of the option. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security, which is purchased upon exercise of the put option. If a sold (written) call is exercised, a gain or loss is realized from the sale of the underlying security, and the proceeds (if any) from such sale are increased by the premium received for the written call.

The Trust could be exposed to risk if the counterparties in options transactions were unable to meet the terms of the contracts. To mitigate this risk, the Trust requires its counterparties to these contracts to pledge either cash or securities as collateral against any default in these transactions.

Futures Contracts — The Trust may invest in financial futures contracts for the purpose of hedging its portfolio to counter fluctuations in value, to gain access to securities the Trust intends to purchase, and to manage overall portfolio risk as part of a broad risk management program.

The Trust is required to pledge an amount of cash, US government securities, or other assets, equal to a certain percentage of the futures contract amount (initial margin deposit) upon entering a financial futures contract. Subsequent payments, known as "variation margin," are made (or received) by the Trust each day, depending on the daily fluctuations in the value of the underlying financial instrument. The Trust records an unrealized gain or loss equal to the daily variation margin. When the margin amount is received or paid in cash, the daily variation margins are recorded as a realized gain or loss. Futures contracts are valued at the last sales price quoted on the exchange on which they primarily trade.

The Trust's use of financial futures transactions entails the risk of imperfect correlation in movements in the price of futures contracts and the value of the underlying hedged assets, and the risk associated with the possibility of an illiquid market. Should futures' market conditions change unexpectedly, and the Trust takes no action to respond to such changes, the Trust may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. Potential losses associated with counterparty risk are mitigated by initial margin deposits either in the form of cash or securities and variation margins deposited daily.

Foreign Currency Translation — The Trust maintains accounting records in US dollars. All investments quoted in foreign currency are translated into US dollars at the prevailing foreign exchange spot rates on the date of valuation. Purchases and sales of securities, income receipts and trading expenses are translated into US dollars at the exchange rate on the date of the transactions.

Forward Foreign Currency Exchange Contracts — The Trust may use currency contracts to hedge against fluctuations in currency exchange rates. The Trust enters forward foreign currency exchange contracts ("forward currency contracts") or spot currency contracts as part of its investment strategies when purchasing or selling investment securities denominated in a foreign currency. Differences in currency exchange rates can adversely impact the value associated with the purchasing or selling of investment securities denominated in a foreign currency.

The Trust may use spot currency contracts to hedge against foreign currency exchange rate fluctuations related to a specific portfolio transaction, such as the delay between a security transaction's trade date and settlement date. The Trust may also use forward currency contracts to hedge against foreign currency exchange rate fluctuations related to portfolio holdings or concentrations of such holdings.

Currency contracts are adjusted daily by the prevailing spot or forward rate of the underlying currency, and any appreciation or depreciation is recorded for financial statement purposes as unrealized until the contract settlement date, at which time the Trust records realized gains or losses equal to the difference between the value of the contract at the time the contract opened and the value at the time it closed.

The Trust could be exposed to risk if the counterparty is unable to meet the terms of a currency contract or if the value of the foreign currency changes unfavorably and the Trust does not alter its position in the transaction. To mitigate this risk, the Trust requires its counterparties to pledge either cash or corporate securities as collateral against default in these transactions.

Swap Agreements — The Trust may enter swap transactions for hedging purposes as well as in order to efficiently gain exposure to a particular asset class index.

Swaps are marked-to-market daily based upon values from third party vendors or quotations from counterparties. Unrealized appreciation is recorded as an asset and unrealized depreciation is recorded as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is recorded as unrealized appreciation or depreciation in the Statement of Operations. Payments received or made at the beginning of the measurement period represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap agreements and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are included in the calculation of realized gain or loss in the Statement of Operations. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss in the Statement of Operations. Net periodic payments received by the Trust are included as part of the realized gain or loss in the Statement of Operations. Entering into these agreements involves, to varying degrees, elements of credit, market and counterparty risk in excess of the amounts recognized in the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligations to perform or disagree as to the meaning of contractual terms in the agreements, and that there may be unfavorable changes in interest rates. At the time a swap agreement reaches its scheduled termination (or contract expiration) date, there is risk that the Trust would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as the expiring transaction. The Trust's swap agreements consist of interest rate swaps, credit default swaps and total return swaps.

Common Stock — The Trust invests in common stock across all corporate sectors.

Government-Sponsored Entity Mortgage Backed Securities — The Trust invests in government-sponsored entity mortgage backed securities ("MBS"). MBS are issued generally by government-sponsored enterprises (e.g., the Federal National Mortgage Association ("Fannie Mae"); Federal Home Loan Mortgage Corporation ("Freddie Mac"); and Government National Mortgage Association ("Ginnie Mae"), respectively).

The Trust's portfolio includes government-sponsored mortgage backed "to be announced" ("TBA") securities. TBA securities are marked-to-market on a daily basis by the custodian. TBAs can be either purchased or sold for forward settlement.

Corporate and Government Bonds — The Trust may invest in corporate bonds covering all sectors of the market. The Trust may also invest in government bonds. These include bonds and notes issued by the US government as well as foreign governments.

Income Taxes — The Trust is exempt from taxes under Section 501(c)(28) of the Internal Revenue Code of 1986 and from state and local taxes pursuant to Section 231(n)(j)(6) of the Railroad Retirement Act of 1974. As such, no provision for income taxes is included in the financial statements.

Uncertain tax positions are evaluated in accordance with the Income Taxes Topic ("Topic 740") of the FASB ASC. The Trust has no material uncertain tax positions.

Investment Management Fees — The Trust has entered into investment management agreements with third party investment managers. These agreements provide for the payment of investment management fees, which are generally paid on a quarterly basis. The fees are calculated as a percentage of the weighted-average value of assets under management, with an additional performance fee in some instances.

Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

3. FAIR VALUE MEASUREMENT

The Trust's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB's guidance on fair value measurement.

The hierarchy of inputs is summarized below.

Level 1 — quoted prices in active markets for identical investments

Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Trust's own assumptions in determining the fair value of investments)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Trust's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Investments are transferred into or out of any level at their beginning period values.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Trust in determining fair value is greatest for instruments categorized as Level 3.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following is a summary of the inputs used in valuing the Trust's assets and liabilities carried at fair value ($ in thousands):

Assets	Level 1	Level 2	Level 3	Total
Fixed Income	$ 19,473	$ 4,769,839	$ 1,585,709	$ 6,375,021
US Equity*	3,747,762	2,530,417	1,168	6,279,347
Non-US Equity*	3,511,117	1,717,067	2,365	5,230,549
Private Equity	-	-	1,832,952	1,832,952
Multi-Asset Class Mandates	-	-	1,032,929	1,032,929
Real Estate	-	-	513,774	513,774
Commodities	-	-	461,839	461,839
Total investments in securities	$ 7,278,352	$ 9,017,323	$ 5,430,736	$ 21,726,411
Swap contracts	$ -	$ 9,713	$ -	$ 9,713
Futures contracts**	2,945			2,945
Foreign currency exchange contracts		246,489		246,489
Foreign currency		17,236		17,236
Liabilities				
Swap contracts	$ -	$ (46,518)	$ -	$ (46,518)
Futures contracts**	(8)			(8)
Foreign currency exchange contracts		(232,263)		(232,263)
Written options		(1,603)		(1,603)

*In accordance with ASC 820-10, the Trust has determined the fair value of investments in US Equity and Non-US Equity commingled index funds, based upon the net asset value of those Funds, and have classified those measurements as falling within Level 2 of the fair value hierarchy. The fair value of such Funds as of September 30, 2011 totaled $2,526,501 and $1,717,067 for US Equity and Non-US Equity, respectively.

**Included in Other Assets and Other Liabilities in the Statement of Assets and Liabilities

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value ($ in thousands):

	Investments in Securities
Balance — September 30, 2010	$ 3,768,584
Purchases and other acquisitions	2,065,153
Sales and other settlements	(1,099,257)
Net change in unrealized gain (loss)	355,489
Net realized gain (loss)	92,319
Transfers into Level 3	422,169
Transfers out of Level 3	(173,721)
Balance — September 30, 2011	$ 5,430,736

4. DERIVATIVE INSTRUMENTS

GAAP requires disclosures that enable investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect the Trust's financial position. As of September 30, 2011, the Trust invested in derivative contracts, primarily futures, forwards, options and swaps. Derivative contracts serve as components of the Trust's investment strategy as described in Note 2. The following table summarizes the value of asset and liability derivatives as of September 30, 2011.

Risk Exposure	Location within statement of assets and liabilities		Fair Value ($ in thousands)
Purchased Options	Investments in securities - at fair value	$	2,038
Swap Contracts	Unrealized gain on swap contracts		9,713
Swap Contracts	Unrealized loss on swap contracts		(46,518)
Futures Contracts	Other Assets		2,945
Futures Contracts	Other Liabilities		(8)
Foreign Currency Exchange Contracts	Unrealized gain on foreign currency exchange contracts		246,489
Foreign Currency Exchange Contracts	Unrealized loss on foreign currency exchange contracts		(232,263)
Written Options	Options written - at fair value		(1,603)

5. RELATED-PARTY TRANSACTIONS

Railroad Retirement Board — Under the provisions of the Act, the Board directs the Treasury to contribute RRA and Social Security Equivalent Benefit Account ("SSEBA") assets to the Trust, as defined in the Act. Since the Trust's inception, the Board has contributed $21.3 billion to the Trust. The Board also periodically directs the Trust to transfer funds to the Treasury to fund benefit payments and administrative expenses of the RRA. Since the Trust's inception, approximately $11.6 billion has been transferred to the Treasury by the Trust. During the fiscal year ended September 30, 2011, approximately $1.7 billion was transferred to the Treasury. As defined in the Act, the Trust reports to the Board and is required to perform its duties solely in the interest of the Board and through it, the participants and beneficiaries of the programs funded by the Act.

Legal Counsel — The Trust incurred approximately $2.9 million in legal fees during the fiscal year ended September 30, 2011. Legal counsel was provided by firms that may also provide services to the major railroads and railway labor unions whose representatives are members of the Board of Trustees.

Custodian — The Trust's custodian may also be engaged to provide investment management services for a portion of Trust assets, however no such services were provided by the custodian during the fiscal year ended September 30, 2011.

6. EMPLOYEE BENEFIT PLAN

The Trust provides a defined contribution plan ("Plan") covering all employees. Employees participate in the Plan by making discretionary contributions from their eligible compensation, but not more than the maximum annual amount allowed by law. The Trust makes matching contributions equal to 100% on the first 6% of compensation deferred. The Trust may also, at its discretion, make an additional profit-sharing contribution to the Plan. During the fiscal year ended September 30, 2011, the Trust made contributions of $259,213 to the Plan on behalf of the employees.

7. COMMITMENTS

Office Space Lease — In July 2003, the Trust entered into a ten-year operating lease agreement with respect to its principal office space in Washington, DC. Subsequently, the Trust has entered into additional leases to expand its office space.

Remaining payment obligations relating to the leases for each of the next five years and thereafter are as follows:

Fiscal Year Ending September 30, 2011	Amount
2012	$ 433,902
2013	369,324
2014	-
2015	-
2016	-
Thereafter	-
Total	$ 803,226

Private Investments — As of September 30, 2011, the Trust had commitments to invest up to an additional $2.3 billion in Private Investments. These investments are callable at the discretion of the GP and are funded from cash and cash equivalents held by the Trust.

8. FINANCIAL HIGHLIGHTS

The financial ratios noted below encompass the net of all funds received by the Trust through September 30, 2011.

	October 1, 2010 — September 30, 2011
FINANCIAL RATIOS [1]:	
Expense to average net assets	0.36 %
Net investment income to average net assets	1.73%
TOTAL RETURN [2] — Total return	-0.10%

[1] The ratios of expense to average net assets and net investment income to average net assets represent the expenses and net investment income for the period, as reported on the statement of operations, to the Trust's average net assets.

[2] The total return reflected in the table includes net investment income and net realized and unrealized gains on investments. The return is time-weighted and measures the performance of a unit of assets held continuously for the time period covered.

9. TRUST DIVERSIFICATION

Since its inception in 2002, the Trust has deployed assets received from Treasury into a diversified and balanced portfolio of US and non-US equity and US and non-US fixed income securities. Over time, the Trust has furthered that diversification by allocating a percentage of the portfolio to private equity, real estate, and commodities. As mandated by its statute, the Trust manages its concentration of investment in any asset class, type of security or market sector. The Trust's policy of broad diversification is intended to protect its assets from disproportionate market shocks in volatile periods.

10. RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2010, the FASB issued ASU 2010-06 – *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements should be presented separately. This ASU is effective for annual and interim reporting periods beginning after December 15, 2009, except for the new level 3 disclosures, which are effective for periods beginning after December 15, 2010. The adoption of the guidance did not have a material impact on the Trust's financial position, operations, or changes in net assets.

In May, 2011, the FASB and the International Accounting Standards Board ("IASB") published converged standards on fair value measurement and disclosure. This included FASB's issuance of ASU 2011-04 – *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")*. This standard updates the FASB Codification on fair value measurement and the IASB's issuance of IFRS 13 – Fair Value Measurement. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. The impact on the Trust's financial statement disclosures is currently being assessed.

11. SUBSEQUENT EVENTS

In accordance with the Subsequent Events Topic of the FASB ASC 855, the Trust has evaluated subsequent events through November 15, 2011, the date these financial statements were issued.

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