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National Railroad Retirement Investment Trust

Annual Management Report for Fiscal Year 2012
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, 2012

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1) Introductory Statement

a) Overview

After the economic volatility that characterized the global financial markets in fiscal year 2011, fiscal year 2012 (October 1, 2011 – September 30, 2012) was a period of stabilization and recovery for these markets. In this environment, the National Railroad Retirement Investment Trust ("Trust") achieved an investment return of 16.4% (net of fees). This investment return compares with the return on the Trust's benchmark of 15.3% over the same period.

Overall, during fiscal year 2012, the net asset value of Trust-managed assets increased from $22.1 billion on October 1, 2011 to $23.7 billion on September 30, 2012. The Trust realized this increase in asset value even after factoring in the transfer of $2.0 billion 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, 2011		$22.1
Transfers from Trust to Treasury	$(2.0)	
Net Change in value	3.6	
Net Increase/(Decrease)		1.6
September 30, 2012		$23.7

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 ten years of investment operations, the Trust has transferred $13.6 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 $25.3 billion as of the end of fiscal year 2012. As such, despite the challenges encountered in recent 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	$ (13.6)	
Change in value*	18.2	
Net increase/(decrease)		4.6
September 30, 2012		$25.3

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

b) Market Volatility

Over the past ten 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 any given market environment. 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 Board and the investment staff also reviewed the Trust's asset allocation structure, which resulted in the Board's approval of minor changes to the Trust's *Investment Guidelines*. These changes reflect the evolution of the public real estate market and the Board's desire to better benchmark the Trust's performance in this area.

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 eleventh 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 2012, the Trust announced the appointment of two Trustees and a new Chair for the period beginning February 1, 2012. Railroad management appointed Ms. Mary S. Jones, Vice President and Treasurer, Union Pacific Corporation, to a three-year term that expires on January 31, 2015. Railway labor unions appointed Mr. George Francisco, Jr., President Emeritus, National Conference of Firemen and Oilers-SEIU, to a new three-year term that expires on January 31, 2015. In addition, the Trustees selected Mr. William F. Quinn, chairman and founder of American Beacon Advisors, whose term as the Independent Trustee expires on January 31, 2014, as the Chair of the Board of Trustees for the period February 1, 2012-January 31, 2013.

Ms. Jones, Mr. Francisco, and Mr. Quinn joined the following four members on the Board: for terms expiring on January 31, 2013, Mr. Alec Vincent, Assistant Vice President Finance and Treasurer, Burlington Northern Santa Fe LLC, and Mr. William C. Walpert, National Secretary-Treasurer of the Brotherhood of Locomotive Engineers and Trainmen; and for terms expiring on January 31, 2014, Mr. Richard G. Patsy, Assistant Vice President Pensions and Investments of CSX Corporation, and Mr. Joel Parker, Special Assistant to the President and International Vice President of the Transportation Communications International Union/IAM.

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.

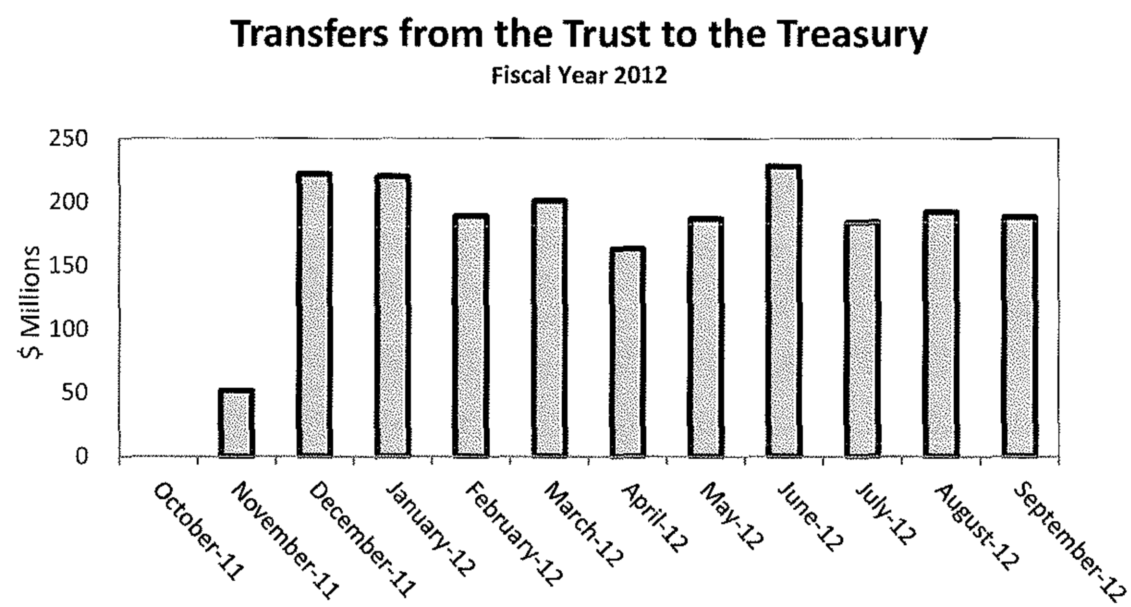
Pursuant to its established practice of periodic meetings with the RRB, during fiscal year 2012, the Trustees, the Chief Executive Officer/Chief Investment Officer, and Trust legal counsel held periodic meetings and telephone conferences with the Members of the RRB and its General Counsel and Chief Financial Officer 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 2012, 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, 2011, 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.

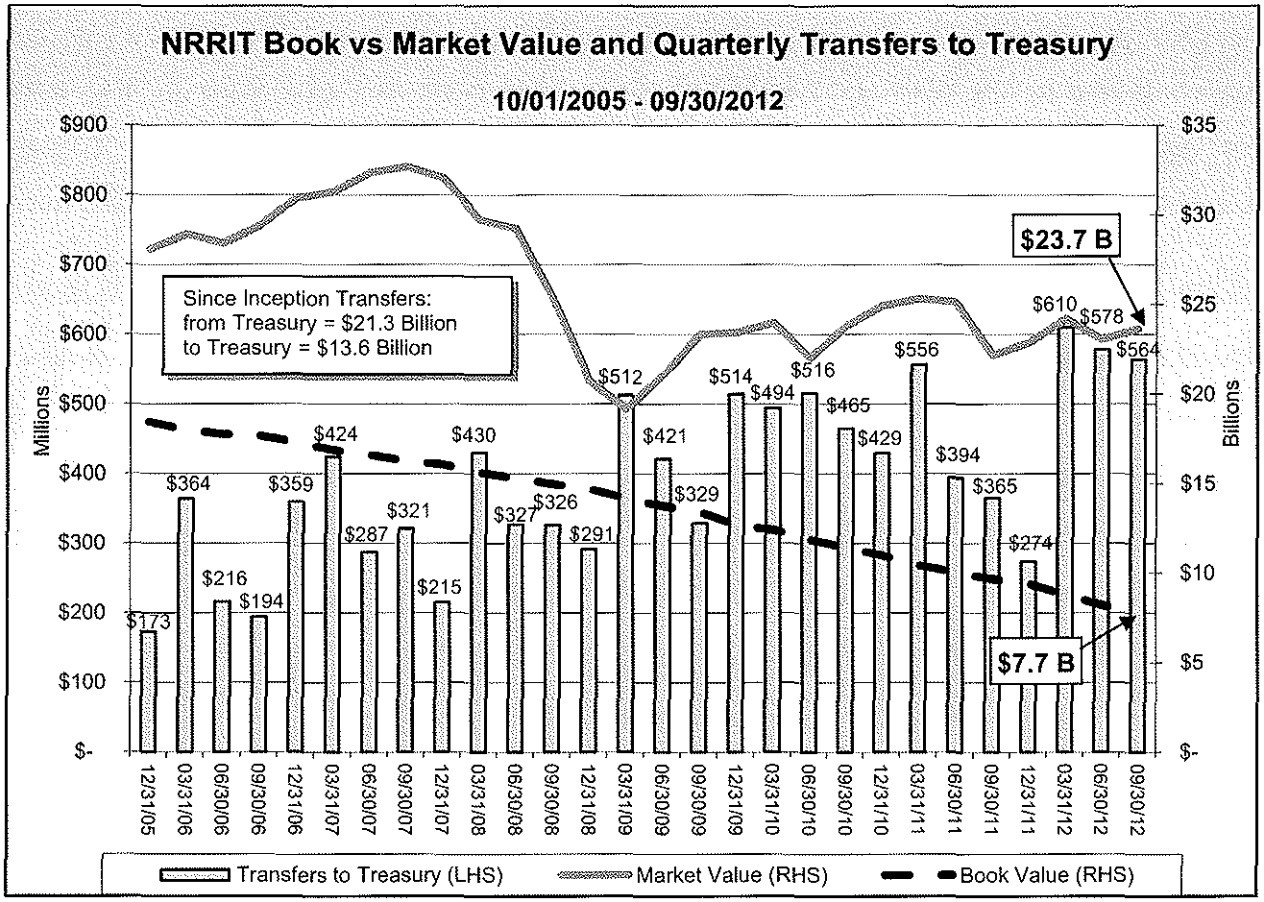
The Act also provides for the transfer from the Trust to the Treasury amounts necessary to pay RRA benefits under the Act. During fiscal year 2012, the Trust transferred a total of $2.0 billion to the Treasury for payment of RRA benefit obligations. The following chart displays the individual transfers from the Trust to the Treasury in fiscal year 2012.



Note: The chart above reflects the cash required by the Treasury for payment of railroad retirement (tier 2) benefit payments 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, 2012, the Trust received $21.3 billion from the Treasury and transferred $13.6 billion to the Treasury. The net book value of funds received from the Treasury since inception, therefore, is $7.7 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, 2012, the net asset value of the Trust-managed assets totaled $23.7 billion, representing an increase of $16.0 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 for the past seven years.



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 2012 and certified the ratio to the Secretary of the Treasury on November 1, 2012. The Secretary determined the AABR for fiscal year 2012 and on November 30, 2012 published a notice in the Federal Register of the tier 2 employer and employee tax rates for calendar year 2013. Copies of the RRB certification letter and the Treasury notice are contained in Appendix H. The ABR increased from 4.81 for fiscal year 2011 to 4.96 for fiscal year 2012. The ten-year AABR declined from 6.5 at September 30, 2011 to 6.4 at September 30, 2012.

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 can be found in Appendix J.

3) Operations of the Trust: Investment Matters

a) Overview

For fiscal year 2012, the investment return, net of fees, on Trust-managed assets was 16.4% while the Trust's strategic benchmark returned 15.3%. The relative outperformance for the Trust during the current fiscal year was driven by the investment performance of the Trust's investment managers as well as the tactical investment positions taken by the Trust.

Despite the global economic uncertainty experienced during the fiscal year, volatility in the capital markets remained low, providing an opportunity for strong investment returns. The top three performing asset classes for the Trust were Public Real Estate (REITS), US Equity and Non-US Equity, which returned 33.3%, 30.0% and 16.1% respectively for the year. The Trust maintains a long-term focus and a well-diversified portfolio to take advantage of such market movements regardless of which asset classes are in favor in any single year.

b) Investment Plan: Structure

Since its inception in September 2002, the Trust's asset class structure has evolved from a 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 most recent full asset allocation study was conducted during fiscal year 2011 and resulted in minor revisions to the previous target allocations and ranges reflecting changes in capital market expectations since the previous asset allocation study. The Trust's *Investment Guidelines* are included in Appendix B.

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%	

c) Investment Plan: Implementation

US Equity: During the fiscal year, the Trust terminated four and added seven new active manager accounts, ending fiscal year 2012 with 18 active US Equity managers and one US Equity index manager managing three products. 64% 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 terminated two and added five active investment managers, bringing the total number of active investment managers in non-US equity to 12 at the end of the fiscal year. In addition to these 12 active managers, the Trust ended fiscal year 2012 with one index investment manager who manages six products in non-US equity. At the end of the fiscal year, 75% of the Trust's non-US equity allocation was actively managed. Additionally, the Trust continued to employ three active managers for the currency overlay program.

US Fixed Income: There were no additions or terminations to the US fixed income during fiscal year 2012. 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: There were no additions or terminations to the non-US fixed income managers during fiscal year 2012. 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: During fiscal year 2012, the Trust added one new active manager and one new specialist manager in commodities. At the end of the fiscal year, this asset class had one passive manager, one active manager and two specialist managers, and 77% of the Trust's allocation to commodities was actively managed.

Absolute Return: This asset class includes multi-asset class strategies. During fiscal year 2012, four new multi-asset class managers were hired, bringing the total to eight active managers, one of which manages two separate portfolios for the Trust. This allocation is 100% actively managed.

Private Equity: During fiscal year 2012, the Trust continued its private equity program implementation with six new private equity funds whose investment period began during the year, bringing the total number of active partnerships in the private equity portfolio to 65 at the end of the fiscal year. These 65 partnerships are actively managed by 39 managers. Additionally, commitments were made to five new partnerships scheduled to begin their investment period during fiscal year 2013.

Real Assets: Four new real estate partnerships began their investment period during fiscal year 2012, bringing the total number of active partnerships in Real Assets to 34. These 34 partnerships are actively managed by 21 managers. Commitments were made during fiscal year 2012 to two additional partnerships which are scheduled to begin their investment period during fiscal year 2013. 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 6.6% of the total, or \$1.7 billion out of \$25.3 billion as of September 30, 2012, 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.

f) Administrative Expenses

The most significant of the Trust's administrative expenses are investment manager fees which now constitute approximately 85% of all administrative expenses. Investment manager fees have increased over time as the investment portfolio has been transitioned from an all indexed portfolio to one that is primarily actively managed. As the transition to active management nears completion, total administrative expenses as a percentage of assets under management have stabilized, and the expense ratio compares favorably to investment industry standards.

Trust Expense Ratio
FY 2008 – FY 2012

Fiscal Year	Expense Ratio (%)
2012	0.30
2011	0.36
2010	0.33
2009	0.26
2008	0.25

4) Audit Committee

The Audit Committee (the "Committee") held seven meetings during fiscal year 2012. During the year, the Trust issued Requests for Proposals ("RFPs") to conduct an internal audit of certain Trust operations. Upon completion of an extensive RFP process, the Committee engaged Protiviti to evaluate the adequacy of Trust policies and procedures with respect to financial controls, and assess the effectiveness of such controls. The internal audit report, which was issued in September, 2012, identified no significant risks in either the design or operating effectiveness of financial controls in place at the Trust.

Also during fiscal year 2012, the Committee issued RFPs for the completion of the Trust's financial statement audits. After careful consideration of the proposals received from the major accounting firms, the Committee elected to retain Deloitte & Touche LLP ("Deloitte") as its independent auditor.

The Committee engaged Deloitte to perform an audit of the Trust's Statement of Assets and Liabilities as of December 31, 2011. The completion of the balance sheet audit provided the RRB with an independently 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, 2012. The Audit Committee provided oversight of the financial statement audit process in accordance with its fiduciary duty to the Trust. The Trust issued its financial statements, including an unqualified audit opinion, within 45 days of its fiscal year end. This allowed the RRB to include the Trust's audited net assets in its financial statements and meet its financial reporting deadline.

5) Internal Accounting and Administrative Controls

During fiscal year 2012, 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 enhanced control procedures around the recorded values of private equity and private real estate investments.

6) Financial Status of the Trust

a) Summary of Cash Flows and Changes in Trust Assets

During fiscal year 2012, the Trust continued to make cash transfers of assets to the Treasury for beneficiary payments and expenses. These transfers totaled approximately $2.0 billion during fiscal year 2012. The net amount transferred to the Trust from the Treasury since inception was $7.7 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 2012 were as follows:

	$ in Billions
Trust Net Assets as of 9/30/2011	$22.1
Net Investment Income	0.4*
Net Realized and Unrealized Gain/(Loss)	3.2
Assets Transferred to the Treasury	(2.0)
Trust Net Assets as of 9/30/2012	$23.7

**Net of Trust expenses of $0.1 billion*

b) Financial Statements and Independent Auditors' Report

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Financial Statements as of and for the Fiscal Year Ended September 30, 2012, 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:

Washington, District of Columbia

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, 2012, and the related statements of operations, cash flows 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, the financial statements referred to above present fairly, in all material respects, the financial position of the National Railroad Retirement Investment Trust as of September 30, 2012, and the results of its operations, its cash flows 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, 2012

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Assets and Liabilities
As of September 30, 2012
($ in thousands)

Assets		
Investments in securities — at fair value (cost $20,611,692)	$	23,291,544
Cash and cash equivalents (including restricted cash of $4,653)		481,829
Cash denominated in foreign currency — at fair value (cost $37,443)		37,798
Receivable for investments sold		473,144
Interest receivable		51,695
Unrealized gain on foreign currency exchange contracts		50,336
Securities sold under agreements to repurchase		26,464
Dividends receivable		17,571
Swap contracts, at fair value		16,813
Other assets		16,292
Total assets		24,463,486
Liabilities		
Payable for investments purchased		667,296
Unrealized loss on foreign currency exchange contracts		57,277
Securities purchased under agreements to resell		40,737
Accrued management fees		14,987
Swap contracts, at fair value		10,219
Other liabilities		11,533
Total liabilities		802,049
Net Assets	$	23,661,437

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

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments
As of September 30, 2012
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Equity			
US Equity			
US Common Stocks			
Apple Inc.		202	$ 135,040
Exxon Mobil Corp.		913	83,490
Google Inc.		87	65,581
JP Morgan Chase & Co.		1,496	60,576
Microsoft Corp.		1,744	51,939
Chevron Corp.		445	51,820
Qualcomm Inc.		812	50,712
Other US Common Stocks			3,857,540
	18.41%		4,356,698
Other US Equity Securities (a)	0.04%		9,147
US Equity Unit Trusts			
BlackRock Russell 1000 Index Fund		101,870	1,937,881
BlackRock Russell Growth Index Fund		26,308	422,805
Other US Equity Unity Trusts			18,960
	10.06%		2,379,646
Total US Equity	28.51%		**$ 6,745,491**

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, 2012
($ 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)				
Samsung Electronic		55	$	66,410
Other Non US Common Stock				4,321,673
	18.55%			4,388,083
Non US Preferred Stocks	0.44%			104,115
Non US Equity Unit Trusts				
BlackRock MSCI EAFE Equity Index Fund		40,659		652,223
BlackRock EAFE Growth Index Fund		15,995		217,764
BlackRock EAFE Value Index Fund		24,556		209,883
BlackRock World ex-US Small Cap Equity Index Fund		10,660		143,743
BlackRock MSCI Equity Index Fund (Canada)		1,585		114,940
BlackRock Emerging Markets Index Fund		3,254		60,244
Other Non US Equity Unit Trusts				38
	5.91%			1,398,835
Total Non US Equity	24.90%		**$**	**5,891,033**

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

Condensed Schedule of Investments (continued)
As of September 30, 2012
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Equity (continued)			
Private Equity			
Blackstone Capital Partners V, LP		90,995	$ 102,944
Warburg Pincus X, LP		90,525	96,936
Providence Total Market Trust Special Situations Feeder, LP		36,082	86,499
McCoy Investments LP		71,287	85,550
Apollo Investment Fund VI, LP		51,868	79,110
Warburg Pincus IX, LP		32,425	77,184
Apollo Investment Fund VII, LP		44,248	76,479
First Reserve Fund XII, LP		69,585	69,646
Carlyle Partners V, LP		47,497	65,908
TCV VII, LP		60,396	65,102
Providence Equity Partners VI, LP		41,785	60,206
First Reserve Fund XI, LP		50,235	56,722
CVC European Equity Partners V (C) , LP		29,726	55,125
GTCR Fund IX-A, LP		40,125	53,807
Other Private Equity			953,080
Total Private Equity (c)	8.39%		**1,984,298**
Total Global Equity (cost $12,645,730)	61.79%		**$ 14,620,822**

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, 2012
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income			
Government Notes and Bonds			
US Treasury Zero Coupon Bonds, 8/15/2022		168,668	$ 168,483
Other Government Notes and Bonds			1,721,378
Government Notes and Bonds (c)	7.99%		1,889,861
Corporate Bonds	6.49%		1,536,180
Government Sponsored Entity Mortgage - Backed Securities ("MBS")	2.75%		650,106
Short Term Bills and Notes			
US Treasury Bills, 11/29/12		80,000	79,992
Other Short Term Bills and Notes			115,884
	0.83%		195,876
Government Agencies	0.65%		153,310
Non-Government Collateralized Mortgage Obligations	0.45%		106,606
Commercial Mortgage-Backed Securities	0.41%		96,450
Asset Backed Securities	0.38%		90,530
Index-Linked Government Bonds	0.36%		86,117
Municipal Bonds	0.31%		74,206
Other Fixed Income Securities (b)	0.17%		$ 40,585

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, 2012
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income (continued)			
Fixed Income Unit Trusts			
Blue Mountain Credit Alternatives		2,485	$ 280,119
MKP Credit Offshore Ltd Class C		58	257,451
GAM Global Rates Inc		1,650	180,024
King Street Capital Ltd		794	109,863
Bluebay Emerging Market Fixed Income Opportunistic Ltd Class A		1,007	105,571
Angelo Gordon GECC PPIF Holdings		40,990	81,621
Other Fixed Income Unit Trusts			35,433
	4.44%		1,050,082
Total Global Fixed Income (cost $5,623,845)	25.23%		**5,969,909**
Global Real Assets			
Private Real Estate			
Campbell Opportunity Timber Fund, LP		99,341	79,024
Blackstone Real Estate Partners VI TE 2, LP		40,858	60,755
Berkshire Multifamily Value Fund II, LP		48,683	58,489
Blackstone Real Estate Partners VII, LP		46,206	50,628
Other Private Real Estate			538,799
	3.33%		787,695
Commodities			
Blenheim Commodity Fund		151	436,058
Schroder Commodity Portfolio		240,000	252,971
Armajaro Commodities Ltd Class C		643	122,534
Other Commodities			33,206
	3.57%		844,769
Total Global Real Assets (cost $1,509,073)	6.90%		**$ 1,632,464**

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, 2012
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Absolute Return Mandates			
Absolute Return Unit Trusts			
Bridgewater Pure Alpha II Ltd Class B		230	$ 405,516
Bridgewater All Weather Portfolio Ltd Class B		175	231,528
Davidson Kempner International Ltd Class C		1,234	135,122
Kepos Alpha Ltd C1 F-R Ser 6		72	89,622
Carlson Double Black Diamond Ltd Series E		500	52,198
Other Absolute Return Mandates			154,363
Total Absolute Return Mandates (cost $833,044)	4.52%		**1,068,349**
Total Investments in Securities (cost $20,611,692)	98.44%		**23,291,544**
Other Assets less Liabilities	1.56%		369,893
Net Assets	100%		**$ 23,661,437**

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 Commercial Paper, 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, 2012
($ in thousands)

Income	
Interest	$ 222,306
Dividends	218,374
Total income	440,680
Expenses	
Investment management fees	57,937
Compensation	4,829
Professional fees	2,825
Trustee fees and expenses	146
Custodial fees	106
Other expenses	2,326
Total expenses	68,169
Net Investment Income	372,511
Realized and Unrealized Gain (Loss) from Investments	
Net realized gain (loss) from investments and foreign currency	724,624
Net change in unrealized gain (loss) on investments and foreign currency	2,492,278
Net Realized and Unrealized Gain (Loss) from Investments	3,216,902
Net increase in net assets resulting from operations	**$ 3,589,413**

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

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Cash Flows
For the Fiscal Year Ended September 30, 2012
($ in thousands)

Cash flows from operating activities:		
Change in net assets resulting from operations	$	3,589,413
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:		
Proceeds from sales of long-term investments		25,523,518
Purchase of long-term investments		(23,943,611)
Net change in unrealized gain/loss on investments and foreign currency		(2,492,278)
Net realized (gain)/loss from investments and foreign currency		(724,624)
Change in payable for investments purchased		(104,096)
Change in receivable for investments sold		97,286
Net proceeds from purchases/sales of short-term investments		49,630
Change in securities sold under agreements to repurchase		(25,819)
Change in cash denominated in foreign currency, at value		(20,562)
Change in securities purchased under agreements to resell		17,119
Change in interest receivable		8,160
Change in other assets		(4,425)
Change in other accrued expenses and liabilities		(3,985)
Change in accrued management fees		(3,880)
Change in dividends receivable		(3,121)
Net cash provided by operating activities		1,958,725
Cash flows from financing activities:		
Assets transferred to the Treasury		(2,026,000)
Cash used in financing activities		(2,026,000)
Net change in Cash and Cash Equivalents		(67,275)
Cash and Cash Equivalents, Beginning balance		549,104
Cash and Cash Equivalents, Ending balance	$	481,829

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, 2012
($ in thousands)

Increase in net assets from operations:		
Net investment income	$	372,511
Net realized gain (loss) from investments and foreign currency		724,624
Net change in unrealized gain (loss) on investments and foreign currency		2,492,278
Net increase in net assets resulting from operations		3,589,413
Assets transferred to the Treasury		(2,026,000)
NET ASSETS:		
Beginning of year		22,098,024
End of year	$	23,661,437

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. 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. 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. Fair values of these partnerships are determined after consideration of valuations provided by the GP's adjusted for capital calls and distributions through the date of the statement of assets and liabilities. The valuation of these PE partnerships may involve estimates, appraisals, assumptions, and methods that are reviewed by management.

Swap contracts are valued by the Trust at prices furnished by approved pricing sources. Changes in the value of swap contracts are recorded as changes in unrealized appreciation or depreciation in the Statement of Operations. The amounts related to net receipts/(payments) under the swap contracts are recorded as realized gain/(loss) in the Statement of Operations. Aside from market risk, the primary risk associated with swap contracts is that a counterparty could default on its obligation to pay net amounts due to the Trust. The Trust's swap contracts 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, 2012, the Trust held approximately $4.7 million of restricted cash, representing initial margin on futures contracts and pledged collateral received from counterparties for option, swap or forward contracts.

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 Contracts — 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 contracts 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 contracts 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 contracts, that the counterparty to the contracts may default on its obligations to perform or disagree as to the meaning of contractual terms in the contracts, and that there may be unfavorable changes in interest rates. At the time a swap contract 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 contracts consist of interest rate swaps, credit default swaps and total return swaps.

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

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 also invests in non-government collateralized mortgage obligations ("CMOs") as well as private-label commercial mortgage backed securities.

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. The Trust files an annual informational return with the Internal Revenue Service ("IRS"). These returns are subject to examination by the IRS for a period of three fiscal years after they are filed.

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.

For the year ended September 30, 2012, there were no significant changes to the Trust's fair value methodologies. Certain foreign government bonds were transferred from a Level 3 category to a Level 2 category, due to the availability of significant observable inputs in the valuation of these securities. In addition, certain absolute return and commodities commingled funds were transferred from a Level 3 category to a Level 2 category, due to the funds' liquidity and the Trust's ability to redeem such investments in a timely manner.

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**
US Equity*	$ 4,366,001	$ 2,375,471	$ 4,019	$ 6,745,491
Fixed Income	17,689	5,111,288	840,932	5,969,909
Non-US Equity*	4,487,022	1,398,835	5,176	5,891,033
Private Equity	-	-	1,984,298	1,984,298
Real Assets	-	844,769	787,695	1,632,464
Absolute Return Mandates	-	870,253	198,096	1,068,349
Total investments in securities	$ 8,870,712	$ 10,600,616	$ 3,820,216	$ 23,291,544
Swap contracts, at fair value	$ -	$ 16,813	$ -	$ 16,813
Futures contracts	292	-	-	292
Foreign currency exchange contracts	-	50,336	-	50,336
Foreign currency	-	37,798	-	37,798
Liabilities				
Swap contracts, at fair value	$ -	$ (10,219)	$ -	$ (10,219)
Futures contracts	(265)	-	-	(265)
Foreign currency exchange contracts	-	(57,277)	-	(57,277)
Written options**	-	(183)	-	(183)

*In accordance with ASC 820-10, the Trust has classified the fair value of investments in US Equity and Non-US Equity commingled index funds as falling within Level 2 of the fair value hierarchy. The fair value of such Funds as of September 30, 2012 totaled $2,371,784 and $1,398,835 for US Equity and Non-US Equity, respectively.

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

Net Asset Value ("NAV") is used as fair value for investments which (a) do not have a readily determinable fair value and (b) the entity either prepares its financial statements consistent with the measurement principles of an investment company or has the attributes of an investment company. Investments that can be redeemed at NAV by the Trust on the date of the measurement date or in the near term are classified as Level 2. Investments that cannot be redeemed at the measurement date or in the near term are classified as Level 3. The following table lists investments in other investment funds by major category ($ in thousands):

Asset Class	Strategy	Fair Value	Unfunded Commitments	Note
US Equity	Includes passively managed funds tracking major US Equity indices	$ 2,379,646	$ -	(a)
Non-US Equity	Includes passively managed funds tracking major Non-US Equity indices	1,398,835	-	(a)
Private Equity	Includes Venture Capital, Leveraged Buyout, and Corporate Finance investment funds	1,984,298	1,074,449	(b)
Real Assets	Includes Commodities, Natural Resources, and Private Real Estate investment funds	1,632,464	983,035	(c)
Fixed Income	Includes US Investment Grade, High Yield, and Global Government Bond and Currency investment funds	1,050,082	10,000	(d)
Absolute Return Mandates	Includes multi-asset class strategies that offer an attractive risk-adjusted return and have a low correlation with other Trust investments	1,068,349	90,000	(e)
		$ 9,513,674	$ 2,157,484	

(a) Investments may have redemption restrictions that limit the days when redemption requests to one or more days per month. Advance notice of up to 3 days may be required for redemption.

(b) Private Equity investments are generally held for the life of the investment, as described below.

(c) Private Real Estate investment funds are generally held for the life of the investment, as described below. Commodities fund investments can be redeemed on either a monthly or quarterly basis with up to 90 days advance notice.

(d) Investments can be redeemed on either a monthly, quarterly or annual basis with the exception of three funds which have lock up periods of up to two years, and one fund that is intended to be held for the life of the investment.

(e) Absolute Return investments can be redeemed on either a monthly, quarterly or annual basis with the exception of four funds, which have lock up periods of up to three years from the initial investment.

The Trust has made contractual commitments to fund various investments. These investments typically have investment periods of 5 years and terms of 10 years. The partnership or fund invests the committed dollars during the investment period and harvests the portfolio during the remainder of the term. These commitments are disclosed in the table above.

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

	US Equity	Fixed Income	Non-US Equity	Private Equity	Real Assets	Absolute Return	Total Level 3 Investments
Balance — September 30, 2011	$ 1,168	$ 1,585,709	$ 2,365	$ 1,832,952	$ 975,613	$ 1,032,929	$ 5,430,736
Purchases and other acquisitions	3,321	143,919	4,394	330,270	345,043	135,000	961,947
Sales and other redemptions	(1,861)	(339,745)	(4,917)	(352,549)	(112,907)	-	(811,979)
Net change in unrealized gain (loss)	1,391	96,427	(391)	145,217	42,345	9,602	294,591
Net realized gain (loss)	-	8,121	531	28,408	(560)	-	36,500
Transfers into Level 3	-	9,595	3,194	-	-	-	12,789
Transfers out of Level 3	-	(663,094)	-	-	(461,839)	(979,435)	(2,104,368)
Balance — September 30, 2012	$ 4,019	$ 840,932	$ 5,176	$ 1,984,298	$ 787,695	$ 198,096	$ 3,820,216
Change in unrealized gain (loss)*	2,562	108,566	(49)	145,217	42,345	11,545	310,186

*Represents the total change in unrealized appreciation (depreciation) included in the statement of operations attributable to level 3 investments still held at September 30, 2012.

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, 2012, 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 tables summarize the value of asset and liability derivatives and related gains and losses as of and for the year ended September 30, 2012 ($ in thousands).

Risk Exposure	Location within statement of assets and liabilities	Derivative Assets	Derivative Liabilities
Commodity			
Purchased Options	Investments in securities - at fair value	3	-
Written Options		-	2
Credit			
Credit Default Swaps	Swap contracts, at fair value	2,985	2,070
Currency			
Foreign Currency Exchange Contracts	Unrealized gain/loss on foreign currency exchange contracts	50,336	57,277
Purchased Options	Investments in securities - at fair value	158	-
Written Options	Other liabilities	-	5
Equity			
Total Return Swaps	Swap contracts, at fair value	-	50
Interest Rate			
Interest Rate Swaps	Swap contracts, at fair value	13,828	8,099
Futures Contracts	Other assets	3,381	-
Purchased Options	Investments in securities - at fair value	192	-
Written Options	Other liabilities	-	179

Risk Exposure	Location within the statement of operations	
	Net change in unrealized gain (loss) on investments and foreign currency	Net realized gain (loss) from investments and foreign currency
Commodity		
Commodity Swaps	58	(83,161)
Options Contracts	(27)	-
Credit		
Credit Default Swaps	(5,130)	(1,311)
Currency		
Foreign Currency Exchange Contracts	(21,152)	23,377
Currency Swaps	(171)	68
Options Contracts	(373)	(9,548)
Equity		
Total Return Swaps	(22)	13,659
Futures Contracts	-	6,362
Interest Rate		
Interest Rate Swaps	4,396	4,031
Options Contracts	527	-
Futures Contracts	-	(2,146)

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 $13.6 billion has been transferred to the Treasury by the Trust. During the fiscal year ended September 30, 2012, approximately $2.0 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 $1.9 million in legal fees during the fiscal year ended September 30, 2012. 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, 2012.

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, 2012, the Trust made contributions of $250,800 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 Years Ending September 30	Amount
2013	$ 369,324
2014	-
2015	-
2016	-
2017	-
Thereafter	-
Total	$ 369,324

8. FINANCIAL HIGHLIGHTS

The financial ratios noted below encompass the net of all funds received by the Trust through September 30, 2012.

	October 1, 2011 — September 30, 2012
FINANCIAL RATIOS [1]:	
Expense to average net assets	0.30%
Net investment income to average net assets	1.63%
TOTAL RETURN [2] — Total return	16.38%

(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 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. The adoption of the guidance is not expected to have a material impact on the Trust's operations or financial position.

11. SUBSEQUENT EVENTS

In accordance with the Subsequent Events Topic of the FASB ASC 855, the Trust has evaluated subsequent events through November 15, 2012, the date these financial statements were issued, and determined that there were no subsequent events requiring adjustments to or disclosure in the financial statements.

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