National
Railroad
Retirement
Investment
Trust

NRRIT

Annual Management Report
for Fiscal Year 2014

NRRIT

National Railroad Retirement Investment Trust

Annual Management Report for Fiscal Year 2014
Required by Public Law 107-90,
The Railroad Retirement and Survivors'
Improvement Act of 2001

National Railroad Retirement Investment Trust
Mission Statement

The mission of the National Railroad Retirement Investment Trust is to help secure the retirement benefits of all participants of the railroad retirement system. Through the diligent oversight and prudent investment of railroad retirement assets, and an adherence to the highest ethical and professional standards within the industry, NRRIT's trustees and investment professionals contribute to the financial security of rail workers, retirees, and their families, and the strength of the American rail industry.

ANNUAL MANAGEMENT REPORT OF THE NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

APPENDICES

- *A) BY-LAWS*
- *B) INVESTMENT GUIDELINES*
- *C) MEMORANDUM OF UNDERSTANDING*
- *D) CONFLICTS OF INTEREST POLICY STATEMENT*
- *E) CONFIDENTIALITY POLICY STATEMENT*
- *F) PROXY VOTING POLICY*
- *G) AUDIT COMMITTEE CHARTER*
- *H) ADMINISTRATIVE COMMITTEE CHARTER*
- *I) CHIEF INVESTMENT OFFICER, SENIOR OPERATING OFFICER AND SENIOR ACCOUNTING OFFICER CERTIFICATION LETTERS*
- *J) RAILROAD RETIREMENT BOARD CERTIFICATION LETTER TO TREASURY AND TREASURY FEDERAL REGISTER NOTICE ON 2015 TAX RATE*
- *K) NOTICE TO THE RAILROAD RETIREMENT BOARD AND ACCEPTANCE OF NEW TRUSTEES*
- *L) BIOGRAPHICAL INFORMATION ON TRUSTEES AND STAFF*

1) Introductory Statement

a) Overview

The stabilization and recovery that the global financial markets experienced in fiscal year 2013 continued into fiscal year 2014 (October 1, 2013– September 30, 2014). In this environment, the National Railroad Retirement Investment Trust ("Trust") achieved an investment return of 10.2% (net of fees). This investment return compares with the return on the Trust's benchmark of 9.6% over the same period.

Overall, during fiscal year 2014, the net asset value of Trust-managed assets increased from $25.0 billion on October 1, 2013, to $26.1 billion on September 30, 2014. The Trust realized this increase in asset value even after factoring in the transfer of $1.4 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, 2013		$25.0
Transfers from Trust to Treasury	$(1.4)	
Net Change in value	2.5	
Net Increase/(Decrease)		1.1
September 30, 2014		$26.1

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 twelve years of investment operations, the Trust has transferred $16.6 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 $27.8 billion as of the end of fiscal year 2014. 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	$ (16.6)	
Net Change in value*	23.7	
Net increase/(decrease)		7.1
September 30, 2014		$27.8

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

b) Portfolio Diversification

Over the past twelve 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 reviewed and updated 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* that reflect the evolution of the Trust's portfolio in the current market environment.

The Board of Trustees met six times during the course of the year to consider the various investment and management issues that are discussed in this thirteenth Annual Management Report. On August 20, 2014, the Board approved a mission statement for the Trust that was developed through a collaborative effort involving Trustees and Trust staff. The mission statement is included at the front of this report. The Board also retained, upon recommendation of the Administrative Committee, an outside consultant to perform a review of the Trust's compensation and benefits structure.

In addition to full meetings of the Board, the Board's Audit and Administrative Committees met periodically to consider matters within their areas of responsibility. During the year, the Audit Committee amended its charter to formally provide for the Committee's management of the Trust's program of periodic internal audits, including coordination and consultation with the Railroad Retirement Board with respect to such reviews. A copy of the Audit Committee Charter, as revised and approved by the Board on May 2, 2014, is contained at Appendix G. A copy of the Administrative Committee Charter setting forth the duties of the Committee, as approved by the Board on May 22, 2013, is contained at Appendix H.

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 2014, the Trust announced the appointment of three Trustees and the appointment of its Chair for the period beginning February 1, 2014. Railroad management appointed Mr. Alec Vincent, Assistant Vice President Finance and Treasurer of Burlington Northern Santa Fe, LLC, to a three-year term that expires on January 31, 2017. Railway labor unions appointed Mr. Joel Parker, Special Assistant to the President and International Vice President of the Transportation Communications International Union (TCU)/IAM, to a new three-year term that expires on January 31, 2017. The six Trustees then selected Mr. William F. Quinn, the chairman and founder of American Beacon Advisors, to serve as the Independent Trustee, with a new three-year term that expires on January 31, 2017. In addition, the Trustees appointed Mr. Vincent as the Chair of the Board of Trustees for the period February 1, 2014 - January 31, 2015.

Mr. Vincent, Mr. Parker, and Mr. Quinn joined the following four members on the Board: for terms expiring on January 31, 2015, Ms. Mary S. Jones, Vice President and Treasurer, Union Pacific Corporation, and Mr. George Francisco, Jr., President Emeritus, National Conference of Firemen and Oilers-SEIU; and for terms expiring on January 31, 2016, Mr. James A. Hixon, Executive Vice President Law and Corporate Relations of Norfolk Southern Corporation, and Mr. William C. Walpert, National Secretary-Treasurer of the Brotherhood of Locomotive Engineers and Trainmen (BLET).

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

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.

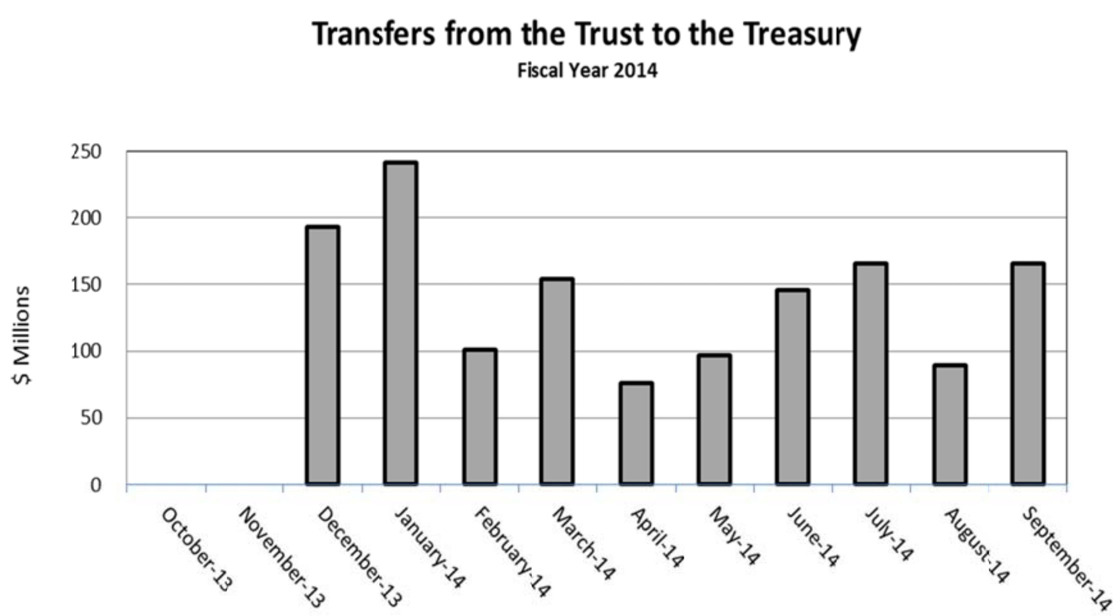
Pursuant to its established practice of periodic meetings with the RRB, during fiscal year 2014, the Trustees, the Chief Executive Officer/Chief Investment Officer, and Trust legal counsel held periodic meetings and telephone conferences with the Members of the RRB and its General Counsel and Chief Financial 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 2014, 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, 2013, 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.

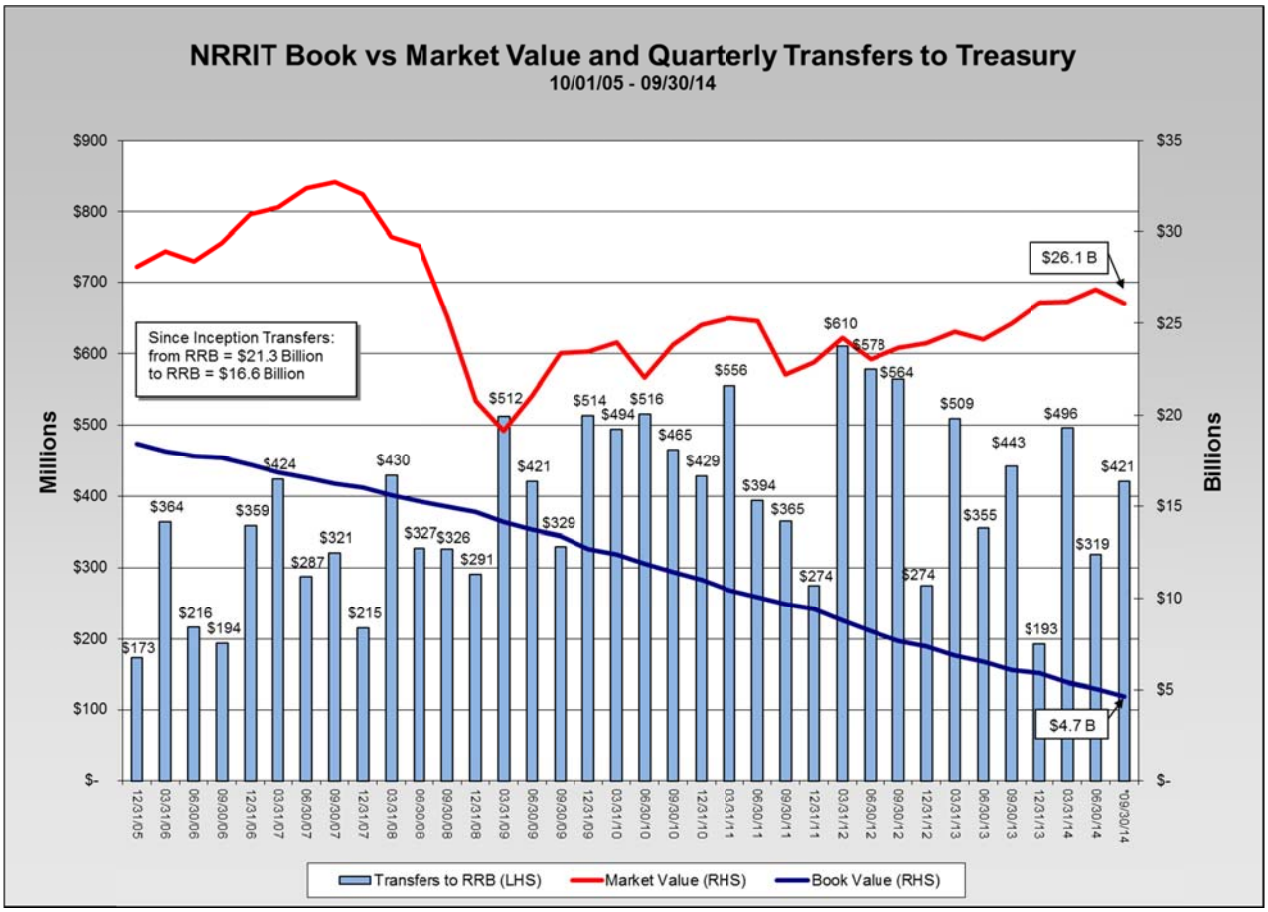
The Act also provides for the transfer from the Trust to the Treasury of amounts necessary to pay RRA benefits under the Act. During fiscal year 2014, the Trust transferred a total of $1.4 billion to the Treasury for payment of RRA benefit obligations. The following chart displays the individual transfers from the Trust to the Treasury in fiscal year 2014.



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, 2014, the Trust received $21.3 billion from the Treasury and transferred $16.6 billion to the Treasury. The net book value of funds received from the Treasury since inception, therefore, is $4.7 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, 2014, the net asset value of the Trust-managed assets totaled $26.1 billion, representing an increase of $21.4 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 for the past nine 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 2014 and certified the ratio to the Secretary of the Treasury on October 31, 2014. The Secretary determined the AABR for fiscal year 2014 and on December 1, 2014 published a notice in the Federal Register of the tier 2 employer and employee tax rates for calendar year 2015. Copies of the RRB certification letter and the Treasury notice are contained in Appendix J. The ABR increased from 5.12 for fiscal year 2013 to 5.18 for fiscal year 2014. The ten-year AABR declined from 6.2 at September 30, 2013 to 6.0 at September 30, 2014.

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 L.

3) Operations of the Trust: Investment Matters

a) Overview

For fiscal year 2014, the investment return, net of fees, on Trust-managed assets was 10.2% while the Trust's strategic benchmark returned 9.6%. 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.

While uncertainty about the future direction of global economic activity remained a theme during the fiscal year, volatility in the capital markets remained relatively low, providing an opportunity for continued strong investment returns. The top three performing asset classes for the Trust were private equity, US equity and private real assets, which returned 26.3%, 17.1% and 16.7% 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 for each asset class and a composite benchmark for the total portfolio to measure actual Trust performance against an objective standard. The Trust's most recent full asset allocation study was conducted during the current fiscal year 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 new target allocations and ranges will become effective beginning October 1, 2014.

The Trust's *Investment Guidelines* are included in Appendix B.

Current Long-Term Target Asset Allocation

(Approved August 19, 2014)

Asset Class	Target	Range
US Equity	22%	17-27%
Non-US Equity	22%	17-27%
Private Equity	10%	5-15%
US Fixed Income	13%	9-17%
Non-US Fixed Income	7%	4-10%
Real Estate	10%	2-15%
Commodities	5%	2-8%
Absolute Return	10%	5-15%
Cash	1%	0-3%
	100%	

c) Investment Plan: Implementation

US Equity: There were no additions or terminations to the US equity manager accounts during fiscal year 2014. At the end of the fiscal year, this asset class had 15 active US equity managers, one of which manages two separate accounts, and one US equity index manager managing three products. At the end of the fiscal year, 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 active manager accounts and added one active and one index manager account. The Trust ended fiscal year 2014 with 10 active non-US equity managers, two of which manage two separate accounts each, and two index managers, one of which manages five products in non-US equity. Approximately 79% of the Trust's non-US equity allocation was actively managed. Additionally, for the currency overlay program, the Trust replaced one active manager, continued to employ three active managers at the end of the fiscal year.

US Fixed Income: During the fiscal year, the Trust terminated one active manager account. At the end of the fiscal year, this asset class had 13 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 manager accounts during fiscal year 2014. 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: There were no additions or terminations in the commodities manager roster during fiscal year 2014. At the end of the fiscal year, this asset class had one passive manager, one active manager and three specialist managers, one of which manages two separate portfolios, and 73% of the Trust's allocation to commodities was actively managed.

Absolute Return: During fiscal year 2014, one specialist manager account was added. At the end of the fiscal year, this asset class had 11 active managers, three of which manage two separate portfolios each for the Trust. This allocation is 100% actively managed.

Private Equity: During fiscal year 2014, the Trust continued its private equity program implementation with eight new private equity funds with existing managers, whose investment period began during the year, bringing the total number of active partnerships in the private equity portfolio to 78 at the end of the fiscal year. These 78 partnerships are actively managed by 40 managers. Additionally, commitments were made to four new partnerships, of which three were with existing managers, scheduled to begin their investment period during fiscal year 2015.

Real Assets: Thirteen new real estate partnerships began their investment period during fiscal year 2014, of which nine were with existing managers, bringing the total number of active partnerships in Real Assets to 52. These 52 partnerships are actively managed by 33 managers. Additionally, commitments were made to two new partnerships with existing managers, scheduled to begin their investment period during fiscal year 2015. 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 6.1% of the total, or $1.7 billion out of $27.8 billion as of September 30, 2014, 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) Expenses

The largest component of the Trust's expenses is investment management fees which now constitute approximately 86% of all expenses. Investment management 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 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 2014

Fiscal Year	Expense Ratio (%)
2014	0.29
2013	0.29
2012	0.30
2011	0.36
2010	0.33
2009	0.26
2008	0.25

4) Audit Committee

The Audit Committee (the "Committee") held four meetings during fiscal year 2014. During the year, the Committee engaged KPMG LLP to perform an audit of the Trust's Statement of Assets and Liabilities as of December 31, 2013. The completion of this 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.

Also during fiscal year 2014, the Committee amended its charter to formally provide for the Committee's management of the Trust's program of periodic performance reviews.

The Committee engaged KPMG to perform the annual audit of the Trust's financial statements for the fiscal year ended September 30, 2014. 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 2014, 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 investment performance of Trust assets, as well as a 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 an integral part of the Trust's required reports and financial statements.

6) Financial Status of the Trust

a) Financial Statements and Independent Auditors' Report

National Railroad Retirement Investment Trust

Financial Statements as of and for the Fiscal Year Ended September 30, 2014, and Independent Auditors' Report

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Table of Contents

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Trustees
National Railroad Retirement Investment Trust:

We have audited the accompanying financial statements of the National Railroad Retirement Investment Trust, which comprise the statement of assets and liabilities and condensed schedule of investments as of September 30, 2014, and the related statements of operations, cash flows and changes in net assets for the fiscal year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014, and the results of its operations and its cash flows for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

McLean, Virginia
November 14, 2014

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Assets and Liabilities
As of September 30, 2014
($ in thousands)

Assets		
Investments — at fair value (cost $20,539,185)	$	25,387,985
Cash and cash equivalents (including restricted cash of $20,173)		906,906
Receivable for investments sold		216,271
Unrealized gain on foreign currency exchange contracts		68,471
Interest receivable		40,295
Cash denominated in foreign currency — at fair value (cost $28,767)		28,184
Dividends receivable		17,059
Swap contracts, at fair value		4,005
Other assets		18,032
Total assets		26,687,208
Liabilities		
Payable for investments purchased		479,705
Unrealized loss on foreign currency exchange contracts		51,018
Accrued management fees		18,008
Swap contracts, at fair value		19,363
Other liabilities		13,621
Total liabilities		581,715
Net Assets	$	26,105,493

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

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments
As of September 30, 2014
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)		Fair Value
Global Equity				
US Equity				
US Common Stocks				
Apple Inc.		942	$	94,934
JP Morgan Chase & Co.		1,346		81,103
Other US Common Stocks				4,606,940
	18.32%			4,782,977
Other US Equity Securities (a)	0.05%			12,931
US Equity Commingled Funds				
BlackRock Russell 1000 Index Fund		74,637		2,042,450
BlackRock Russell Growth Index Fund		27,208		621,439
Other US Equity Commingled Funds				5,407
	10.23%			2,669,296
Total US Equity	28.60%		**$**	**7,465,204**

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

Condensed Schedule of Investments (continued)
As of September 30, 2014
($ 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			
Roche Holdings AG		247	$ 73,208
Bayer AG		455	63,773
Novartis AG		649	61,275
Other Non-US Common Stock			5,066,640
	20.17%		5,264,896
Non-US Preferred Stocks	0.30%		78,677
Non-US Equity Commingled Funds			
BlackRock MSCI EAFE Equity Index Fund		15,462	321,739
BlackRock EAFE Growth Index Fund		13,382	232,291
BlackRock EAFE Value Index Fund		20,562	232,175
BlackRock World ex-US Small Cap Equity Index Fund		5,948	103,780
BlackRock MSCI Equity Index Fund (Canada)		1,244	103,724
Other Non-US Equity Commingled Funds			802
	3.81%		994,511
Total Non-US Equity	24.28%		**$ 6,338,084**

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

Condensed Schedule of Investments (continued)
As of September 30, 2014
($ 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		$ 32,375	$ 104,708
McCoy Investments LP		64,433	98,078
Warburg Pincus X, LP		45,741	89,325
TCV VII, LP		30,031	82,494
First Reserve Fund XII, LP		71,985	81,809
Carlyle Partners V, LP		26,880	80,613
Providence Equity Partners VI, LP		43,888	72,967
Energy & Minerals Group Fund II, LP		37,800	67,699
Blackstone Capital Partners VI, LP		46,408	64,462
CVC European Equity Partners V (C), LP		26,222	63,489
Apollo Investment Fund VII, LP		-	60,787
Other Private Equity			1,357,821
Total Private Equity	8.52%		**2,224,252**
Total Global Equity (cost $12,040,541)	61.40%		**$ 16,027,540**

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

Condensed Schedule of Investments (continued)
As of September 30, 2014
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income			
Government Notes and Bonds			
US Treasury Notes, 1.0%, 9/15/17		$ 97,158	$ 97,006
US Treasury Notes, 2.5%, 5/15/24		64,400	64,440
Other Government Notes and Bonds			1,918,149
	7.97%		2,079,595
Corporate Bonds	5.66%		1,476,722
Government Sponsored Entity Mortgage - Backed Securities ("MBS")	1.96%		512,738
Short Term Bills and Notes			
US Treasury Bills, 10/16/14		$ 65,560	65,560
Other Short Term Bills and Notes			125,789
	0.73%		191,349
Asset Backed Securities	0.41%		107,328
Index-Linked Government Bonds	0.41%		107,250
Commercial Mortgage-Backed Securities	0.39%		101,151
Non-Government Collateralized Mortgage Obligations	0.37%		96,937
Government Agencies	0.33%		86,167
Municipal Bonds	0.25%		64,262
Other Fixed Income Securities (b)	0.03%		$ 8,776

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

Condensed Schedule of Investments (continued)
As of September 30, 2014
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Fixed Income (continued)			
Fixed Income Commingled Funds			
MKP Credit Offshore Ltd Class C		47	$ 264,417
Blue Mountain Credit Alternatives		2,632	270,030
GAM Global Rates Inc		1,754	200,414
King Street Capital Ltd Class A		564	95,047
Bluebay Emerging Market Fixed Income Opportunistic Ltd Class A		880	91,361
Other Fixed Income Commingled Funds			77,393
	3.83%		998,662
Total Global Fixed Income (cost $5,634,665)	22.34%		**5,830,937**
Global Real Assets			
Private Real Estate			
Blackstone Real Estate Partners VII, LP		$ 89,078	148,045
Campbell Opportunity Timber Fund, LP		99,341	81,408
Blackstone Real Estate Partners VI TE 2, LP		15,843	65,581
DRA Growth & Income Fund VII		46,947	60,667
Berkshire Multifamily Value Fund II		29,733	55,222
Other Private Real Estate			925,905
	5.12%		1,336,828
Commodities			
Blenheim Commodity Fund		108	338,145
Schroder Commodity Portfolio		215,000	176,539
Armajaro Commodities Ltd Class C		638	108,956
Krom River Commodity Fund		361	58,421
Other Commodities			35,043
	2.75%		717,104
Total Global Real Assets (cost $1,680,851)	7.87%		**$ 2,053,932**

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, 2014
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Absolute Return			
Absolute Return Funds			
Bridgewater Pure Alpha II Ltd Class B		163	$ 313,009
Carlson Double Black Diamond Ltd Series E		1,453	168,537
Davidson Kempner International Ltd Class C		1,219	160,661
Bridgewater All Weather Portfolio Ltd Class B		98	135,836
BlueCrest AllBlue Ltd Class A		527	108,672
Fir Tree International Value Fund		100,000	106,612
Mason Capital Ltd Class F		47	103,960
Kepos Alpha Ltd C1 F-R Ser 6		72	100,911
CQS Directional Opportunities Feeder Fund Ltd Class A		17	82,455
Elliott International Class B		56	60,049
Other Absolute Return Funds			134,874
Total Absolute Return (cost $1,183,128)	5.65%		**1,475,576**
Total Investments (cost $20,539,185)	97.25%		**25,387,985**
Other Assets less Liabilities	2.75%		**717,508**
Net Assets	100%		**$ 26,105,493**

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 Government Issued Commercial Mortgage Backed Securities, Collateralized Bonds and Index Linked Corporate Bonds.

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, 2014
($ in thousands)

Income		
Dividends	$	250,466
Interest		183,580
Total income		434,046
Expenses		
Investment management fees		64,513
Compensation and benefits		4,343
Investment related fees and expenses		1,968
Professional fees		1,943
Network, software and systems		738
Trustee fees and expenses		119
Custodial fees		104
Other expenses		1,702
Total expenses		75,430
Net Investment Income		358,616
Realized and Unrealized Gain from Investments		
Net realized gain from investments and foreign currency		1,365,389
Net change in unrealized gain on investments and foreign currency		775,774
Net Realized and Unrealized Gain from Investments		2,141,163
Net increase in net assets resulting from operations	**$**	**2,499,779**

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, 2014
($ in thousands)

Cash flows from operating activities:	
Change in net assets resulting from operations	$ 2,499,779
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Proceeds from sales and maturities of long-term investments	21,043,471
Purchase of long-term investments	(19,554,283)
Net realized (gain)/loss from investments and foreign currency	(1,365,389)
Net increase in unrealized gain on investments and foreign currency	(775,774)
Change in payable for investments purchased	(182,225)
Change in receivable for investments sold	182,076
Proceeds from principal paydowns of asset-backed securities	116,837
Net proceeds from purchases/sales of short-term investments	(80,925)
Net decrease in cash from swap contract transactions	(20,103)
Change in other accrued expenses and liabilities	4,167
Change in interest receivable	3,856
Change in accrued investment management fees	(1,355)
Change in dividends receivable	891
Change in other assets	(839)
	1,870,184
Cash flows from financing activities:	
Assets transferred to the Treasury	(1,429,000)
	(1,429,000)
Net change in Cash, Cash Equivalents and Foreign Currency	441,184
Beginning Balance	493,906
Ending Balance	$ 935,090

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, 2014
($ in thousands)

Increase in net assets from operations:		
Net investment income	$	358,616
Net realized gain (loss) from investments and foreign currency		1,365,389
Net change in unrealized gain (loss) on investments and foreign currency		775,774
Net increase in net assets resulting from operations		2,499,779
Assets transferred to the Treasury		(1,429,000)
Net Assets:		
Beginning of year		25,034,714
End of year	$	26,105,493

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 assets in the Trust's portfolio are held by custodians appointed by the Trust, or transfer agents in the case of commingled funds.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation — The Trust qualifies as an investment company and follows the accounting and reporting requirements of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), including but not limited to ASC 946.

Valuation of Investments — The Trust follows FASB ASC Topic 820, *Fair Value Measurement.* 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 certain disclosures about fair value. The Topic defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. See Note 3 for further information on fair value.

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.

Security Transactions, Accrued Income, and Expense — The Trust records purchases and sales of investment securities on a trade-date basis. 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, 2014, the Trust held approximately $20.2 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-traded or over-the-counter ("OTC") 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 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 a receivable or payable 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.

Foreign securities are valued as of the close of each foreign security's market wherein each security trades. 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.

Forward Foreign Currency Exchange Contracts — The Trust may use forward foreign currency exchange contracts to hedge against foreign currency exchange rate fluctuations related to portfolio holdings or concentrations of such holdings. The Trust may also 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. Differences in currency exchange rates can adversely impact the value associated with the purchasing or selling of investment securities denominated in a foreign currency.

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 and/or 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.

Repurchase Agreements — The Trust may engage in repurchase agreement transactions, whereby a security is simultaneously purchased and sold under a master forward agreement. There were no repurchase agreements outstanding as of September 30, 2014.

Income Taxes — The Trust is exempt from federal income 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.

Counterparty Risk and Collateral — The Trust invests in derivatives that are transacted and settle directly with a counterparty and thereby expose the Trust to counterparty risk. To mitigate this risk, the Trust's third party investment managers have entered into master netting arrangements with certain counterparties that permit net settlement under specified conditions and, for certain counterparties, also provide collateral agreements. The Trust accounts for derivatives on a gross basis. It does not offset the fair value of derivative liabilities against the fair value of derivative assets in its financial statements.

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 — Investments that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date. The types of investments generally included in this category are exchange traded common and preferred stock, futures contracts, and foreign currency. The fair value of these securities is generally based on quotations obtained from national securities exchanges.

Level 2 — Investments valued using observable inputs such as quoted prices for identical securities in inactive markets or quoted prices for similar securities in active markets. Where securities are not listed on an exchange, quotations may be obtained from brokerage firms. Other observable inputs may include such factors as interest rates, credit spreads, prepayment speeds, and credit risk, among other relevant factors. Level 2 investments generally included in this category are bonds, commingled funds that the Trust has the ability to redeem at Net Asset Value ("NAV") in the near term, swap contracts, foreign currency exchange contracts, and options contracts.

Level 3 — Investments valued using pricing inputs which are both unobservable and significant to the valuation. Level 3 investments generally included in this category are commingled funds that the Trust does not have the ability to redeem at NAV in the near term, as well as private equity and real estate limited partnerships.

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 table 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*	$ 4,782,749	$ 2,679,644	$ 2,811	$ 7,465,204
Non-US Equity*	5,329,427	1,007,021	1,636	6,338,084
Private Equity	-	-	2,224,252	2,224,252
Global Fixed Income	7,009	5,414,806	409,122	5,830,937
Global Real Assets	-	717,104	1,336,828	2,053,932
Absolute Return Mandates	-	923,047	552,529	1,475,576
Total investments in securities	$ 10,119,185	$ 10,741,622	$ 4,527,178	$ 25,387,985
Swap contracts, at fair value	$ -	$ 4,005	$ -	$ 4,005
Futures contracts**	629	-	-	629
Foreign currency exchange contracts	-	68,471	-	68,471
Foreign currency	28,184	-	-	28,184
Liabilities				
Swap contracts, at fair value	$ -	$ 19,363	$ -	$ 19,363
Futures contracts**	726	-	-	726
Foreign currency exchange contracts	-	51,018	-	51,018
Written options***	-	1,974	-	1,974

*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, 2014 totaled $2,669,296 and $993,709 for US Equity and Non-US Equity, respectively.

**Amounts represent cumulative gross gains and losses on open futures contracts, translated into US dollars, as of September 30, 2014. Only the current day's variation margin is included in Other Assets and Other Liabilities in the Statement of Assets and Liabilities.

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

The Trust uses a third party pricing agent to value its securities. When determining the reliability of third party pricing information, the Trust reviews the valuation policies of the third party and conducts due diligence on the execution of the third party's pricing procedures. External investment managers reconcile valuations to the third party on a monthly basis, and discrepancies are investigated and resolved.

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 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 fixed income 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.

Commingled 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 Funds are determined after consideration of net asset valuations provided by the external investment managers. The valuation of these Funds may involve estimates, appraisals, assumptions, and methods that are reviewed by management.

Private Equity and Real Estate limited partnership assets ("Partnerships") are valued by the Trust at fair value after consideration of net asset valuations provided by each Partnership's general partner. The valuation of these Partnerships may involve estimates, appraisals, assumptions, and methods that are reviewed by management.

As a practical expedient, the Trust relies on the NAV of Funds and Partnerships as their fair value. The NAVs that have been provided by investees are derived from the fair values of the underlying investments as of the reporting date. All investments for which NAV is used as fair value (a) do not have a readily determinable fair value and (b) either prepare financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Funds and Partnerships that can be redeemed at NAV by the Trust on the measurement date or in the near term are classified as Level 2. Those that cannot be redeemed on the measurement date or in the near term are classified as Level 3. The following table lists investments in Funds and Partnerships by major category ($ in thousands):

Asset Class	Strategy	Level 2 Valued at NAV	Level 3 Valued at NAV	Unfunded Commitments	Note
US Equity	Includes passively managed funds tracking major US Equity indices	$ 2,669,296	$ -	$ -	(a)
Non-US Equity	Includes passively managed funds tracking major Non-US Equity indices	993,709	-	-	(a)
Private Equity	Includes Venture Capital, Leveraged Buyout, and Corporate Finance investment funds	-	2,224,252	1,025,948	(b)
Global Fixed Income	Includes US Investment Grade, High Yield, and Global Government Bond and Currency investment funds	627,053	371,609	-	(c)
Global Real Assets	Includes Commodities, Natural Resources, and Private Real Estate investment funds	717,104	1,336,828	982,970	(d)
Absolute Return	Includes multi-asset class strategies that offer an attractive risk-adjusted return and have a low correlation with other Trust investments	923,047	552,529	154,758	(e)
		$ 5,930,209	$ 4,485,218	$ 2,163,676	

(a) Investments may have redemption restrictions that limit the days when redemption requests can be made 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.

(c) Investments can generally be redeemed on either a monthly or quarterly basis with the exception of one fund which may impose redemption fees, and one fund which may impose gate provisions.

(d) Private Real Estate and Natural Resources investment funds are generally held for the life of the investment. Commodities fund investments can be redeemed on either a monthly or quarterly basis with up to 90 days advance notice.

(e) Absolute Return investments can generally be redeemed on either a monthly, quarterly or annual basis after the expiration of an initial lock-up period of up to three years.

The following table lists level 3 securities valued using the NAV practical expedient, and those valued using other unobservable inputs, by asset class ($ in thousands):

Asset Class	Valued at NAV	Other Level 3	Total Level 3
US Equity	$ -	$ 2,811	$ 2,811
Non-US Equity	-	1,636	1,636
Private Equity	2,224,252	-	2,224,252
Global Fixed Income	371,609	37,513	409,122
Global Real Assets	1,336,828	-	1,336,828
Absolute Return	552,529	-	552,529
	$ 4,485,218	$ 41,960	$ 4,527,178

The majority of the Trust's Level 3 investments are Funds and Partnerships valued using the NAV practical expedient. The remaining Level 3 investments consist primarily of corporate bonds and certain foreign government bonds. The significant unobservable inputs used in the fair value measurement of these securities are predominantly uncorroborated non-binding broker quotes, and extrapolated data points in security pricing models. These prices are provided by third-party pricing services, and the range of unobservable inputs applied by these sources is not readily available or cannot be reasonably estimated. Significant changes in any of those inputs could result in a significantly different fair value measurement. Measurement uncertainty has less relevance for the investments which are valued using the NAV practical expedient.

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

	US Equity	Non-US Equity	Private Equity	Global Fixed Income	Global Real Assets	Absolute Return	Total Level 3
Balance — September 30, 2013	$ 2,739	$ 10,200	$ 1,936,530	$ 500,462	$ 1,067,055	$ 336,832	$ 3,853,818
Purchases and other acquisitions	4,583	1,308	367,990	241,129	394,711	232,999	1,242,720
Sales and other redemptions	(4,667)	(1,663)	(524,447)	(331,832)	(317,687)	(1,756)	(1,182,052)
Net change in unrealized gain (loss)	(3,901)	(144)	300,690	8,262	174,645	34,886	514,438
Net realized gain (loss)	4,057	204	143,489	18,993	18,104	-	184,847
Transfers into Level 3	-	1,133	-	17,365	-	-	18,498
Transfers out of Level 3	-	(9,402)	-	(45,257)	-	(50,432)	(105,091)
Balance — September 30, 2014	$ 2,811	$ 1,636	$ 2,224,252	$ 409,122	$ 1,336,828	$ 552,529	$ 4,527,178
Change in unrealized gain (loss)*	$ (3,311)	$ 84	$ 300,690	$ 62,691	$ 174,645	$ 34,886	$ 569,685

*Represents the total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to level 3 investments still held at September 30, 2014.

For the year ended September 30, 2014, there were no significant changes to the Trust's fair value methodologies. Certain Non-US Equity and Fixed Income securities were transferred between the Level 2 and 3 categories due to changes in the availability of significant observable inputs in the valuation of these securities. In addition, an absolute return commingled fund was transferred from a Level 3 category to a Level 2 category due the fund's liquidity and the Trust's ability to redeem the investment in a timely manner.

4. DERIVATIVE INSTRUMENTS

As of September 30, 2014, 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, 2014 ($ in thousands).

Risk Exposure	Location within Statement of Assets and Liabilities	Derivative Assets	Derivative Liabilities
Credit			
Credit Default Swaps	Swap contracts, at fair value	$ 1,831	$ (63)
Currency			
Foreign Currency Exchange Contracts	Unrealized gain/loss on foreign currency exchange contracts	68,471	(51,018)
Purchased Options	Investments - at fair value	7,531	-
Written Options	Other liabilities	-	(1,974)
Equity			
Total Return Swaps	Swap contracts, at fair value	-	(17,837)
Interest Rate			
Interest Rate Swaps	Swap contracts, at fair value	2,174	(1,463)
Futures Contracts	Other assets	3,120	(41)

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
Credit		
Credit Default Swaps	1,031	(3,232)
Currency		
Foreign Currency Exchange Contracts	38,564	(13,599)
Options Contracts	2,879	(10,416)
Equity		
Total Return Swaps	-	(31,522)
Interest Rate		
Interest Rate Swaps	1,811	(3,623)
Options Contracts	157	767
Futures Contracts	-	(1,979)

The following table summarizes the long and short notional exposure of derivative contracts as of September 30, 2014 ($ in thousands):

Risk Exposure	**Long Exposure**	**Short Exposure**
Credit		
Credit Default Swaps	$ 33,784	$ 4,963
Currency		
Foreign Currency Exchange Contracts	1,910,655	2,339,785
Options Contracts	896,701	440,116
Interest Rate		
Interest Rate Swaps	104,492	53,441
Futures Contracts	151,538	236,897

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 $16.6 billion has been transferred to the Treasury by the Trust. During the fiscal year ended September 30, 2014, approximately $1.4 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 $1.2 million in legal fees during the fiscal year ended September 30, 2014. 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, 2014.

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, 2014, the Trust made contributions of approximately $257 thousand to the Plan on behalf of the employees.

7. INDEMNIFICATIONS

In the ordinary course of business, the Trust may enter into contracts or agreements that contain indemnifications. Future events could occur that lead to the execution of these provisions against the Trust. The Trust's maximum exposure under these contracts or agreements is unknown. No such claims have occurred, nor are they expected to occur and the Trust expects the risk of loss to be remote.

8. COMMITMENTS

Office Space Lease — In October 2012, the Trust entered into an eleven year operating lease agreement with respect to its principal office space in Washington, DC.

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

Fiscal Years Ending September 30	Amount
2015	$ 442,471
2016	451,333
2017	460,361
2018	469,535
2019	483,665
Thereafter	2,374,007
Total	$ 4,681,372

Investments — 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 investment invests the committed dollars during the investment period and harvests the portfolio during the remainder of the term. The amounts of these commitments are disclosed in the table in Note 3.

9. FINANCIAL HIGHLIGHTS

The financial ratios noted below encompass the net of all funds received by the Trust through September 30, 2014.

	October 1, 2013 — September 30, 2014
FINANCIAL RATIOS [(1)]:	
Expense to average net assets	0.29%
Net investment income to average net assets	1.38%
TOTAL RETURN [(2)] — Total return	10.24%

(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.

10. 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.

The following table is a summary of the Trust's concentration of investments by geographic region ($ in thousands):

Geographic Region	US Equity	Non-US Equity	Private Equity	Global Fixed Income	Global Real Assets	Absolute Return	Total
North America	$ 7,465,204	$ 658,450	$ 2,049,394	$ 3,458,393	$ 1,240,863	$ 546,403	$ 15,418,707
Europe	-	2,688,379	104,187	943,997	76,795	-	3,813,358
Asia	-	1,915,753	-	343,974	17,215	-	2,276,942
Australia	-	189,977	-	190,327	-	-	380,304
South America	-	151,678	-	180,287	-	-	331,965
Central America		65,633		196,982	-	-	262,615
Africa	-	100,024	-	77,049	-	-	177,073
Multi-Region / Global	-	568,190	70,671	439,928	719,059	929,173	2,727,021
	$ 7,465,204	$ 6,338,084	$ 2,224,252	$ 5,830,937	$ 2,053,932	$ 1,475,576	$ 25,387,985

11. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2013, the FASB issued ASU 2013-08, *Amendments to the Scope, Measurement, and Disclosure Requirements for Investment Companies*. This update modifies the criteria used to define an investment company under GAAP. The update also sets forth certain measurement guidance and disclosure requirements. The amendments in this update are effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. The adoption of the guidance will not have a material impact on the Trust's operations or financial position.

12. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through November 14, 2014, 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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