

NRRIT

National Railroad Retirement Investment Trust

MAY 2006

QUARTERLY UPDATE FOR THE PERIOD ENDING MARCH 31, 2006

The National Railroad Retirement Investment Trust (the "Trust") issues a Quarterly Update to provide current information on the Trust's operations and activities relating to its investment operations. This Update reports on the Trust's activities for the quarter ending March 31, 2006. Copies of the Trust's Annual Management Report and each Quarterly Update are available on the website of the Railroad Retirement Board ("RRB"), <http://www.rrb.gov>.

As of March 31, 2006, the Trust had received a total of \$21.3 billion from the Treasury for investment. Most of this amount was transferred to the Trust periodically during the first six months of its 2003 fiscal year beginning in October 2002. No transfers were received in the fiscal quarter just ended. In the quarter ended March 31, 2006, the Trust continued to transfer monies back to the Treasury to help fund benefit payments and administrative expenses of the Railroad Retirement Account ("RRA"). Transfers to the Treasury during the quarter amounted to \$437 million. Since the Trust's inception, it has transferred a total of \$3.3 billion to the Treasury.

Investment Diversification

At the outset of its investment activities, the Trust adopted a policy of investing its assets in indexed accounts targeted to its major asset class allocation. During fiscal year 2003, the Trust developed an Investment Plan and Procedures Manual which defines the process for diversifying the Trust's assets by using active investment strategies. The Trust began implementing active investment strategies in April 2004. At the end of the quarter, approximately 39.7% of the Trust's US equity assets, 64.0% of its fixed income assets and 21.1% of its non US equity assets were invested in active investment strategies, while the remaining funds continue to be invested in index funds. The Trust expects to increase its use of active investment management strategies in the future.

As the Trust continues to diversify its investment portfolio by adding active investment management strategies to its portfolio of index funds, its portfolio performance is expected to deviate from the performance of its target indices. Through the proper selection of active

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management strategies in conjunction with appropriate investment allocations to these strategies, the Trust expects to be able to add value relative to the target indices over reasonable investment periods. This diversification process will likely take several years to fully integrate across all asset classes, so the Trust's performance relative to its target indices should vary only marginally at the outset but gradually increase over time.

Investment Performance

Performance of the Trust's target indices for its major asset classes were mixed in the quarter ended March 31, 2006. Performance information for the quarter and the market value of assets managed by the Trust, as well as assets held in reserve by the RRB, are shown in the following table.

Performance for the Quarter ended March 31, 2006

Trust-managed assets	4.6%
The Trust's target asset class indices:	
Dow Jones Wilshire 5000 Index	5.4%
MSCI World ex-US Index	9.3%
Lehman Brothers Aggregate Bond Index	-0.6%

Market Value of Assets
(Asset values are in billions of dollars)

Trust-managed assets	
As of March 31, 2006	\$28.9
As of December 31, 2005	\$28.1
Change for quarter ended March 31, 2006	\$ 0.8
Trust-managed assets and RRB assets held in reserve	
As of March 31, 2006	\$30.3
As of December 31, 2005	\$29.2
Change for quarter ended March 31, 2006	\$ 1.1
As of February 1, 2002 (Trust inception)	\$20.7
Change since inception	\$ 9.6

Annual Report

The Trust's Annual Management Report for Fiscal Year 2005, issued in January 2006, contains additional information regarding the Trust's investment activities as well as other financial information. This report can be found on the Railroad Retirement Board's website at <http://www.rrb.gov>.

Staffing Update

In the months ahead, there will be a leadership change in the investment staff at the Trust. Enos T. Throop, Jr. the Chief Investment Officer of the Trust will be retiring. William J. Raver will be assuming the position of Chief Executive Officer & Chief Investment Officer of the Trust.

Mr. Throop was the first employee of the Trust, joining the staff in August 2002. Under his leadership, the Trust has developed its Investment Plan and taken major steps towards its implementation. Mr. Throop has also led the effort to recruit investment staff, secure office space, develop an administrative infrastructure, and put in place policies and procedures that have guided the operations of the Trust in its initial years. His contribution has been instrumental to the development of the organization.

Under Mr. Throop's leadership, the growth in Trust assets has been quite significant. At the end of the most recent quarter, March 31, 2006, the total value of the railroad retirement system assets stood at \$30.3 billion. This balance is almost \$10 billion more than the total value of assets held by the system at the time the Trust began its investment activities and does not factor in an additional \$3.3 billion transferred from the Trust to the Treasury for benefit payments during this period.

When Mr. Throop joined the Trust in 2002, he committed to a four-year term. Last fall, as he began his fourth year of service, he informed the Board of the Trust that he planned to retire in 2006. At that time, the Board retained Russell Reynolds Associates to conduct a nationwide search to identify Mr. Throop's replacement. As a result of this search process, the Board has voted unanimously to select Mr. Raver to succeed Mr. Throop.

Mr. Raver has served as Chief Operating Officer of Verizon Investment Management Corp. (VIMCO) since 2003. In that role he is responsible for development of the investment policy and directs investment activities for the retiree life, health, savings and affiliate plans sponsored by Verizon Communications Corporation. The plans overseen by VIMCO have assets of approximately \$65 billion. As Chief Operating Officer, Mr. Raver also oversees the regulatory, compliance, and corporate staff functions of Verizon's wholly owned SEC-registered investment advisor, VIMCO. From 1997 to 2003, Mr. Raver served as VIMCO's Managing Director in charge of externally-managed public and private investment portfolios.

Mr. Raver brings to the Trust the necessary expertise and experience to continue the strong leadership demonstrated by Mr. Throop during his years of service. Mr. Raver will be joining the investment staff of the Trust on July 1, 2006.