

# NRRIT

## National Railroad Retirement Investment Trust

**AUGUST 2008**

### **QUARTERLY UPDATE FOR THE PERIOD ENDING JUNE 30, 2008**

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 June 30, 2008. 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 June 30, 2008, 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 June 30, 2008, 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 \$327 million. Since the Trust's inception, it has transferred a total of \$6.0 billion to the Treasury.

#### **Investment Objectives**

The Trust's primary investment objectives are to establish a portfolio that will achieve a long-term rate-of-return on assets sufficient to enhance the financial strength of the railroad retirement system and to do so in a diversified manner that minimizes the risk of large losses. Achievement of these objectives will facilitate the payment of benefits under the Act by the Railroad Retirement Board and the United States Treasury. To further these objectives the Trust has established an asset allocation policy and will seek to add value by obtaining returns that are in the aggregate greater than the returns of its strategic policy benchmark for this asset allocation. In addition, the Trust will take such other steps as may be appropriate to manage investment risk and volatility effectively.

In 2002, the Trust conducted its first comprehensive asset allocation study for the purpose of analyzing alternative asset allocation strategies for the Trust. The study analyzed the long-term expected return, risk, and return correlation of various asset classes, as well as the expected return and risk of various portfolios of these asset classes. In 2004, 2006, and 2008, the Trust took steps to review and update its asset allocation. As a result of these reviews, the Trustees have refined periodically the Trust's asset allocation policy and strategic policy benchmark.

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#### **TRUSTEES:**

**Chair** Walter A. Barrows  
International Secretary-Treasurer  
Brotherhood of Railroad  
Signalmen

George J. Francisco, Jr.  
President  
National Conference of  
Firemen and Oilers - SEIU

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Vice President - Tax  
Union Pacific Corporation

Linda Hurt  
Vice President Investor Relations  
Burlington Northern Santa Fe Corporation

John W. MacMurray  
Independent Trustee

Joel Parker  
Special Assistant to the President  
and International Vice President  
Transportation Communications  
International Union (TCU/IAM)

William Sparrow  
CSX Corporation (Retired)

The Trust's long-term target asset allocation as of June 30, 2008 is as follows:

<b>Trust Asset Allocation</b>	
<b>Asset Class</b>	<b>Target Allocation %</b>
US Equity	40%
Non-US Equity	28%
<b>Global Equity</b>	<b>68%</b>
US Fixed Income	16%
High Yield Debt	5%
Non-US Fixed Income	7%
Convertibles	2%
<b>Global Fixed Income</b>	<b>30%</b>
<b>Cash</b>	<b>2%</b>
<b>TOTAL FUND</b>	<b>100%</b>

The investment performance for the Trust and the change in market value of Trust-managed and RRB-held assets for the most recent quarter are summarized below.

<b>Investment Performance for the Quarter ended June 30, 2008</b>	
<b>Trust-Managed Assets:</b>	-0.6%
<b>Strategic Policy Benchmark:</b>	-1.4%

<b>Market Value of Assets</b> (Asset values are in billions of dollars)	
<b>Trust-managed assets</b>	
As of June 30, 2008	\$29.2
As of March 31, 2008	\$29.7
Change for quarter ended March 31, 2008	\$ -0.5
<b>Trust-managed assets and RRB assets held in reserve</b>	
As of June 30, 2008	\$30.6
As of March 31, 2008	\$31.0
Change for quarter ended June 30, 2008	\$ -0.4
As of February 1, 2002 (Trust inception)	\$20.7
Change since inception	\$9.9

### **Annual Report**

The Trust's Annual Management Report for Fiscal Year 2007, issued in January 2008, 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>.