

NRRIT

National Railroad Retirement Investment Trust

JANUARY 2006

QUARTERLY UPDATE FOR THE PERIOD ENDING DECEMBER 31, 2005

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 December 31, 2005. 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 December 31, 2005, 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 December 31, 2005, 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 \$173 million. Since the Trust's inception, it has transferred a total of \$2.8 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 close of the quarter ended December 31, 2005, approximately 39.8% of the Trust's US equity assets, 63.9% of its fixed income assets and 20.5% 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.

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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 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 positive in the quarter ended December 31, 2005. 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 December 31, 2005

Trust-managed assets	2.2%
The Trust's target asset class indices:	
Dow Jones Wilshire 5000 Index	2.2%
MSCI World ex-US Index	3.9%
Lehman Brothers Aggregate Bond Index	0.6%

Market Value of Assets

(Asset values are in billions of dollars)

Trust-managed assets	
As of December 31, 2005	\$28.1
As of September 30, 2005	\$27.7
Change for quarter ended December 31, 2005	\$ 0.4
Trust-managed assets and RRB assets held in reserve	
As of December 31, 2005	\$29.2
As of September 30, 2005	\$29.0
Change for quarter ended December 31, 2005	\$ 0.2
As of February 1, 2002 (Trust inception)	\$20.7
Change since inception	\$ 8.5

Annual Report

The Trust's Annual Management Report for Fiscal Year 2005, expected to be issued in January 2006, contains additional information regarding the Trust's investment activities as well as other financial information.