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National Railroad Retirement Investment Trust

Annual Management Report for Fiscal Year 2013
Required by Public Law 107-90,
The Railroad Retirement and Survivors' Improvement Act of 2001

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ANNUAL MANAGEMENT REPORT OF THE NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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) ADMINISTRATIVE COMMITTEE CHARTER

H) AUDIT 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 2014 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 2012 continued into fiscal year 2013 (October 1, 2012 – September 30, 2013). In this environment, the National Railroad Retirement Investment Trust ("Trust") achieved an investment return of 12.8% (net of fees). This investment return compares with the return on the Trust's benchmark of 11.4% over the same period.

Overall, during fiscal year 2013, the net asset value of Trust-managed assets increased from $23.7 billion on October 1, 2012 to $25.0 billion on September 30, 2013. The Trust realized this increase in asset value even after factoring in the transfer of $1.6 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, 2012		$23.7
Transfers from Trust to Treasury	$(1.6)	
Net Change in value	2.9	
Net Increase/(Decrease)		1.3
September 30, 2013		$25.0

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 eleven years of investment operations, the Trust has transferred $15.2 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 $26.7 billion as of the end of fiscal year 2013. 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	$ (15.2)	
Change in value*	21.2	
Net increase/(decrease)		6.0
September 30, 2013		$26.7

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

b) Portfolio Diversification

Over the past eleven 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 continued to monitor the Trust's asset allocation structure, though this review did not result in any changes to the Trust's *Investment Guidelines*.

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 twelfth Annual Management Report. In addition, the Board's Audit and Administrative Committees met periodically to consider matters within their areas of responsibility. During the year, the Administrative Committee adopted a charter to codify its duties. A copy of the Administrative Committee Charter as approved by the Board on May 22, 2013 is contained at Appendix G. A copy of the Audit Committee Charter setting forth the duties of that Committee, as last revised and approved by the Board on November 17, 2010, 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 2013, the Trust announced the appointment of two Trustees and the reappointment of its Chair for the period beginning February 1, 2013. Railroad management appointed Mr. James A. Hixon, Executive Vice President Law and Corporate Relations of Norfolk Southern Corporation, to a three-year term that expires on January 31, 2016. Railway labor unions appointed Mr. William C. Walpert, National Secretary-Treasurer of the Brotherhood of Locomotive Engineers and Trainmen (BLET), to a new three-year term that expires on January 31, 2016. In addition, the Trustees reappointed Mr. William F. Quinn, chairman and founder of American Beacon Advisors, whose term as the Independent Trustee expires on January 31, 2014, as the Chair of the Board of Trustees for the period February 1, 2013-January 31, 2014.

Mr. Hixon, Mr. Walpert, and Mr. Quinn joined the following four members on the Board: for terms expiring on January 31, 2014, Mr. Richard G. Patsy, Assistant Vice President Pensions and Investments of CSX Corporation, and Mr. Joel Parker, Special Assistant to the President and International Vice President of the Transportation Communications International Union/IAM; and 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.

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.

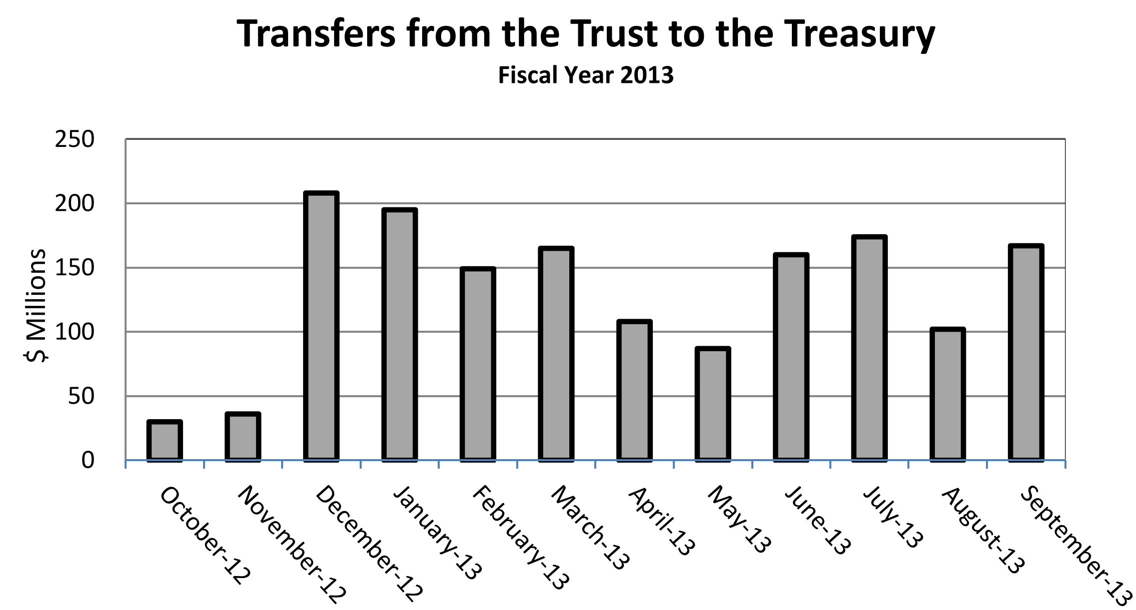
Pursuant to its established practice of periodic meetings with the RRB, during fiscal year 2013, the Trustees, the Chief Executive Officer/Chief Investment Officer, and Trust legal counsel held periodic meetings and telephone conferences with the Members of the RRB and its General Counsel and Chief Financial 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 2013, 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, 2012, 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.

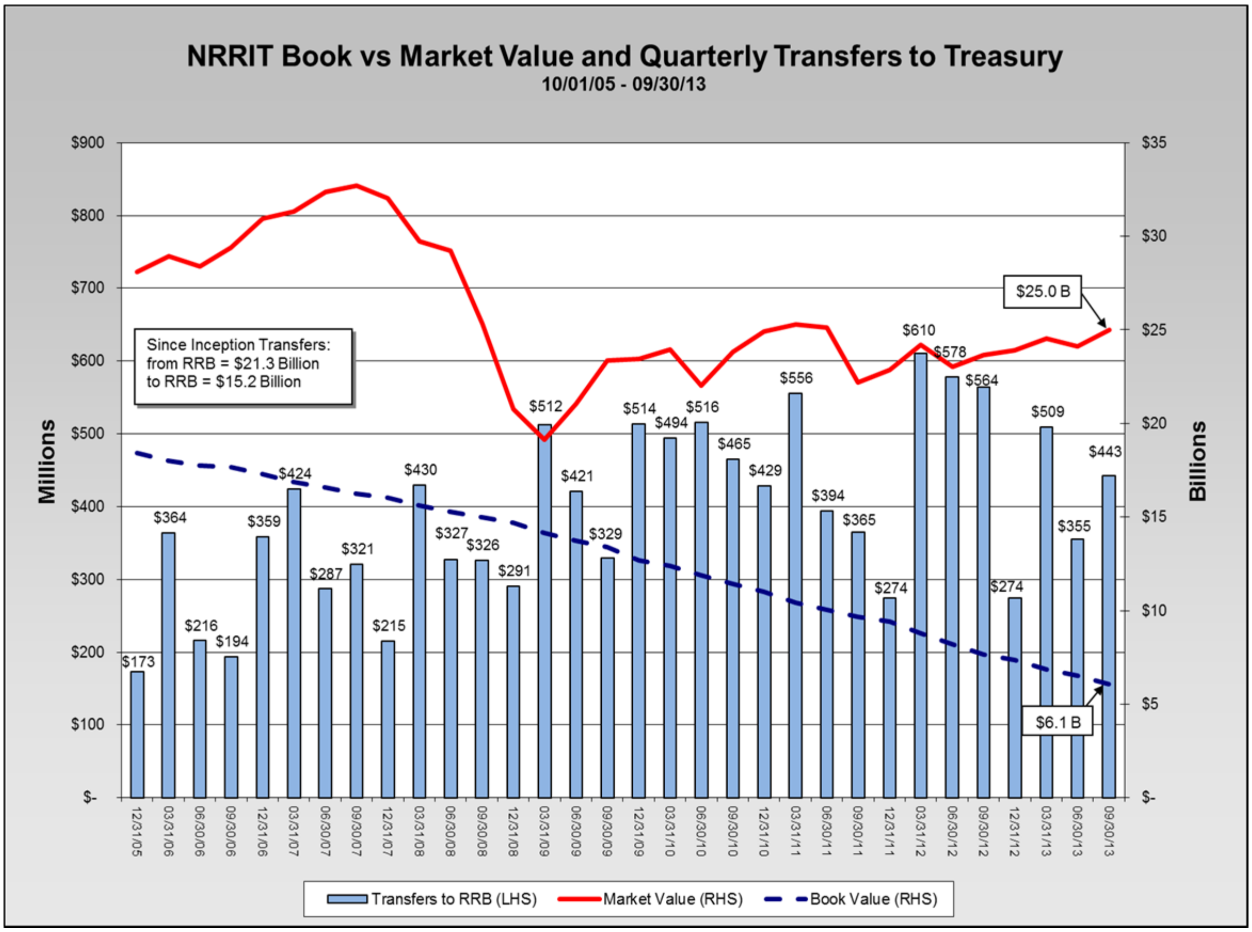
The Act also provides for the transfer from the Trust to the Treasury of amounts necessary to pay RRA benefits under the Act. During fiscal year 2013, the Trust transferred a total of $1.6 billion to the Treasury for payment of RRA benefit obligations. The following chart displays the individual transfers from the Trust to the Treasury in fiscal year 2013.



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, 2013, the Trust received $21.3 billion from the Treasury and transferred $15.2 billion to the Treasury. The net book value of funds received from the Treasury since inception, therefore, is $6.1 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, 2013, the net asset value of the Trust-managed assets totaled $25.0 billion, representing an increase of $18.9 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 eight 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 2013 and certified the ratio to the Secretary of the Treasury on October 31, 2013. The Secretary determined the AABR for fiscal year 2013 and on November 27, 2013 published a notice in the Federal Register of the tier 2 employer and employee tax rates for calendar year 2014. Copies of the RRB certification letter and the Treasury notice are contained in Appendix J. The ABR increased from 4.96 for fiscal year 2012 to 5.12 for fiscal year 2013. The ten-year AABR declined from 6.4 at September 30, 2012 to 6.2 at September 30, 2013.

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 2013, the investment return, net of fees, on Trust-managed assets was 12.8% while the Trust's strategic benchmark returned 11.4%. 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 equity-related: US equity, non-US equity and private equity, which returned 24.0%, 18.1% and 15.9% 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 fiscal year 2011 and resulted in minor revisions to the previous target allocations and ranges reflecting changes in capital market expectations since the previous asset allocation study. The Trust's

Investment Guidelines are included in Appendix B.

Current Long-Term Target Asset Allocation

(Approved September 20, 2011)

Asset Class	Target	Range
US Equity	23.0%	18-28%
Non-US Equity	21.0%	16-26%
Private Equity	10.0%	2-15%
US Fixed Income	13.5%	9-18%
Non-US Fixed Income	8.5%	5-15%
Real Estate	10.0%	2-15%
Commodities	5.0%	2-8%
Absolute Return	8.0%	2-10%
Cash	1.0%	0-3%
	100.0%	

c) Investment Plan: Implementation

US Equity: During the fiscal year, the Trust terminated four and added two active manager accounts, ending fiscal year 2013 with 15 active US equity managers, one of which manages two separate accounts, and one US equity index manager managing three products. 63% 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 one passive manager account and added three active manager accounts. The Trust ended fiscal year 2013 with 11 active non-US equity managers, two of which manage two separate accounts each, and one index manager which manages five products in non-US equity. 84% of the Trust's non-US equity allocation was actively managed. Additionally, the Trust continued to employ three active managers for the currency overlay program.

US Fixed Income: During the fiscal year, the Trust terminated one specialist manager account and one specialist manager fund reached the end of its life. At the end of the fiscal year, this asset class had 14 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 2013. At the end of the fiscal year, this asset class had ten active/specialist managers, and 100% of the Trust's non-US fixed income allocation was actively managed.

Commodities: During fiscal year 2013, the Trust added one specialist manager account in commodities. 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 79% of the Trust's allocation to commodities was actively managed.

Absolute Return: During fiscal year 2013, one specialist manager account was terminated and five specialist manager accounts were added. At the end of the fiscal year, this asset class had ten active managers, three of which manage two separate portfolios each for the Trust. This allocation is 100% actively managed.

Private Equity: During fiscal year 2013, the Trust continued its private equity program implementation with five new private equity funds, of which four were with existing managers, whose investment period began during the year, bringing the total number of active partnerships in the private equity portfolio to 70 at the end of the fiscal year. These 70 partnerships are actively managed by 40 managers. Additionally, commitments were made to two new partnerships with existing managers scheduled to begin their investment period during fiscal year 2014.

Real Assets: Five new real estate partnerships began their investment period during fiscal year 2013, bringing the total number of active partnerships in Real Assets to 39. These 39 partnerships are actively managed by 29 managers. Additionally, commitments were made to six new partnerships, of which five were with existing managers, scheduled to begin their investment period during fiscal year 2014. 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 6.3% of the total, or $1.7 billion out of $26.7 billion as of September 30, 2013, 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 84% 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 2013

Fiscal Year	Expense Ratio (%)
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 five meetings during fiscal year 2013. During the year, the Committee engaged Deloitte & Touche LLP to perform an audit of the Trust's Statement of Assets and Liabilities as of December 31, 2012. 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 2013, the Committee issued Requests for Proposals ("RFPs") for the completion of the Trust's financial statement audits. After an extensive RFP process and review of the proposals received, the Committee met with three candidate firms to hear their presentations discuss their proposals. After careful consideration of the finalist firms, the Committee elected to retain KPMG LLP ("KPMG") as its independent auditor.

The Committee engaged KPMG to perform the annual audit of the Trust's financial statements for the fiscal year ended September 30, 2013. 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 2013, 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.

In addition, Trust staff updated its Accounting Policies and Procedures Manual during the fiscal year and presented the updates in detail to the Audit Committee. These updates consisted primarily of addressing new financial statement disclosure requirements, and enhanced control procedures around the recorded values of private equity and private real estate investments.

6) Financial Status of the Trust

a) Financial Statements and Independent Auditors' Report

National Railroad Retirement Investment Trust

Financial Statements as of and for the Fiscal Year Ended September 30, 2013, 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, 2013, 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, 2013, 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 15, 2013

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Statement of Assets and Liabilities
As of September 30, 2013
($ in thousands)

Assets		
Investments in securities — at fair value (cost $20,671,958)	$	24,785,184
Cash and cash equivalents (including restricted cash of $8,631)		454,260
Receivable for investments sold		398,347
Unrealized gain on foreign currency exchange contracts		84,905
Interest receivable		44,151
Cash denominated in foreign currency — at fair value (cost $39,334)		39,646
Dividends receivable		17,950
Tax reclaims receivable		10,959
Swap contracts, at fair value		6,331
Other assets		6,234
Total assets		25,847,967
Liabilities		
Payable for investments purchased		661,930
Unrealized loss on foreign currency exchange contracts		107,938
Accrued management fees		19,363
Swap contracts, at fair value		14,568
Other liabilities		9,454
Total liabilities		813,253
Net Assets	$	25,034,714

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

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST

Condensed Schedule of Investments
As of September 30, 2013
($ in thousands)

	% of Net Assets	Number of Units, Shares or Par Value (000)	Fair Value
Global Equity			
US Equity			
US Common Stocks			
Google Inc		93	$ 81,142
Exxon Mobil Corp		678	58,375
Other US Common Stocks			4,463,912
	18.39%		4,603,429
Other US Equity Securities (a)	0.03%		6,625
US Equity Commingled Funds			
BlackRock Russell 1000 Index Fund		89,142	2,050,219
BlackRock Russell Growth Index Fund		29,463	564,734
Other US Equity Commingled Funds			14,537
	10.50%		2,629,490
Total US Equity	28.92%		**$ 7,239,544**

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

Condensed Schedule of Investments (continued)
As of September 30, 2013
($ 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			
Toyota Motor Corp.		1,047	$ 66,908
Bayer AG		511	60,310
Other Non US Common Stock			5,281,856
	21.61%		5,409,074
Non US Preferred Stocks	0.43%		108,824
Non US Equity Commingled Funds			
BlackRock MSCI EAFE Equity Index Fund		15,470	308,045
BlackRock EAFE Growth Index Fund		13,633	229,468
BlackRock EAFE Value Index Fund		20,947	223,248
BlackRock World ex-US Small Cap Equity Index Fund		8,387	141,443
BlackRock MSCI Equity Index Fund (Canada)		1,256	93,849
	3.98%		996,053
Total Non US Equity	26.02%		**$ 6,513,951**

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, 2013
($ 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		77,382	$	122,124
McCoy Investments LP		75,287		89,023
Carlyle Partners V, LP		49,215		84,796
First Reserve Fund XII, LP		75,520		83,948
Providence Equity Partners VI, LP		69,663		83,684
Warburg Pincus X, LP		65,637		82,903
Apollo Investment Fund VII, LP		3,704		66,280
TCV VII, LP		39,376		61,865
CVC European Equity Partners V (C), LP		25,467		57,822
Apollo Investment Fund VI, LP		14,874		54,556
First Reserve Fund XI, LP		41,420		54,090
GTCR Fund IX		22,569		51,104
Advent International GPE VI-A, LP		24,075		49,935
Other Private Equity				994,400
Total Private Equity	7.74%			**1,936,530**
Total Global Equity (cost $12,210,205)	62.67%		**$**	**15,690,025**

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, 2013
($ 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, 1.5%, 8/31/18		125,231	$ 126,063
US Treasury Notes, 0.375%, 1/15/16		68,196	68,153
Other Government Notes and Bonds			1,638,735
Government Notes and Bonds	7.32%		1,832,951
Corporate Bonds	6.25%		1,564,839
Government Sponsored Entity Mortgage - Backed Securities ("MBS")			
FNMA Single Family Mortgage, 4%, 30 Years		61,000	63,983
Other Government Sponsored Entity MBS			570,253
	2.53%		634,236
Short Term Bills and Notes	1.10%		275,582
Government Agencies	0.59%		147,491
Commercial Mortgage-Backed Securities	0.43%		108,847
Asset Backed Securities	0.36%		90,902
Non-Government Collateralized Mortgage Obligations	0.33%		83,463
Index-Linked Government Bonds	0.31%		76,499
Municipal Bonds	0.28%		69,264
Other Fixed Income Securities (b)	0.10%		$ 25,693

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, 2013
($ 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		58	$ 290,826
Blue Mountain Credit Alternatives		2,440	256,867
GAM Global Rates Inc		1,754	188,259
King Street Capital Ltd Class A		779	120,723
Bluebay Emerging Market Fixed Income Opportunistic Ltd Class A		869	90,370
Other Fixed Income Commingled Funds			69,531
	4.06%		1,016,576
Total Global Fixed Income (cost $5,729,660)	23.67%		**5,926,343**
Global Real Assets			
Private Real Estate			
Blackstone Real Estate Partners VII, LP		69,966	99,476
Campbell Opportunity Timber Fund, LP		99,341	82,179
Blackstone Real Estate Partners VI TE 2, LP		33,994	64,854
Berkshire Multifamily Value Fund II, LP		35,509	52,377
Lone Star Real Estate II, LP		41,944	52,024
Other Private Real Estate			716,145
	4.26%		1,067,055
Commodities			
Blenheim Commodity Fund		126	354,955
Schroder Commodity Portfolio		290,000	265,834
Armajaro Commodities Ltd Class C		638	121,847
Krom River Commodity Fund		361	57,999
Other Commodities			29,390
	3.32%		830,025
Total Global Real Assets (cost $1,705,805)	7.58%		**$ 1,897,080**

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, 2013
($ 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		203	$ 372,003
Bridgewater All Weather Portfolio Ltd Class B		135	172,748
Davidson Kempner International Ltd Class C		1,219	148,525
Carlson Double Black Diamond Ltd Series E		1,002	105,909
Mason Capital Ltd Class F		47	102,883
BlueCrest AllBlue Ltd Class A		527	100,374
Kepos Alpha Ltd C1 F-R Ser 6		72	88,803
Fir Tree International Value Fund		50,000	55,534
CQS Directional Opportunities Feeder Fund Ltd Class A		12	52,351
Other Absolute Return Funds			72,606
Total Absolute Return (cost $1,026,288)	5.08%		**1,271,736**
Total Investments in Securities (cost $20,671,958)	99.00%		**24,785,184**
Other Assets less Liabilities	1.00%		**249,530**
Net Assets	100%		**$ 25,034,714**

Note: The Condensed Schedule of Investments presents the investments of the National Railroad Retirement Investment Trust within each asset class while identifying the largest 50 holdings in the portfolio.

(a) Includes Purchased Options, Preferred Stock, and Rights/Warrants.

(b) Includes Commercial Paper, Government Issued Commercial Mortgage Backed Securities, Guaranteed Fixed Income Contracts, Certificates of Deposit, Sukuk Financial Certificates, 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, 2013
($ in thousands)

Income	
Interest	$ 187,848
Dividends	233,443
Total income	421,291
Expenses	
Investment management fees	58,179
Compensation and benefits	5,087
Professional fees	2,333
Network, software and systems	799
Trustee fees and expenses	149
Custodial fees	108
Other expenses	2,734
Total expenses	69,389
Net Investment Income	351,902
Realized and Unrealized Gain (Loss) from Investments	
Net realized gain (loss) from investments and foreign currency	1,190,318
Net change in unrealized gain (loss) on investments and foreign currency	1,412,057
Net Realized and Unrealized Gain (Loss) from Investments	2,602,375
Net increase in net assets resulting from operations	**$ 2,954,277**

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, 2013
($ in thousands)

Cash flows from operating activities:		
Change in net assets resulting from operations	$	2,954,277
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		22,060,631
Purchase of long-term investments		(20,940,636)
Net increase in unrealized gain on investments and foreign currency		(1,412,057)
Net realized (gain)/loss from investments and foreign currency		(1,190,318)
Proceeds from principal paydowns of asset-backed securities		192,211
Net proceeds from purchases/sales of short-term investments		(141,949)
Change in receivable for investments sold		74,797
Change in securities purchased under agreements to resell		(40,737)
Net decrease in cash from swap contract transactions		(38,790)
Change in securities sold under agreements to repurchase		26,464
Net increase in cash from futures contract transactions		8,191
Change in interest receivable		7,544
Change in payable for investments purchased		(5,366)
Change in accrued management fees		4,376
Change in other accrued expenses and liabilities		(2,079)
Change in other assets		(901)
Change in dividends receivable		(379)
Net cash provided by operating activities		1,555,279
Cash flows from financing activities:		
Assets transferred to the Treasury		(1,581,000)
Cash used in financing activities		(1,581,000)
Net change in Cash, Cash Equivalents and Foreign Currency		(25,721)
Beginning Balance		519,627
Ending Balance	$	493,906

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, 2013
($ in thousands)

Increase in net assets from operations:	
Net investment income	$ 351,902
Net realized gain (loss) from investments and foreign currency	1,190,318
Net change in unrealized gain (loss) on investments and foreign currency	1,412,057
Net increase in net assets resulting from operations	2,954,277
Assets transferred to the Treasury	(1,581,000)
Net Assets:	
Beginning of year	23,661,437
End of year	$ 25,034,714

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

1. ORGANIZATION

Formation — The National Railroad Retirement Investment Trust (the "Trust") was created as a result of Federal legislation. The Railroad Retirement and Survivors' Improvement Act of 2001 (the "Act") established the Trust, the sole purpose of which is to manage and invest industry-funded Railroad Retirement assets as set forth in the Act. Domiciled in, and subject to the laws of the District of Columbia (to the extent not inconsistent with the Act), the Trust is a tax-exempt entity under section 501(c)(28) of the Internal Revenue Code of 1986, and is neither an agency nor instrumentality of the Federal Government. The Trust became effective on February 1, 2002.

The Railroad Retirement system was created as a Federal pension program during the 1930s to fund retirement benefits of railroad workers and their dependents. For more than 65 years, the Railroad Retirement Account ("RRA"), a Federal trust fund, has collected payroll taxes from railroad employers and employees and paid out benefits to beneficiaries. Railroad Retirement is funded as a pay-as-you-go system that is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA") funding rules.

The Act authorizes the Trust to manage and invest the assets of the Railroad Retirement system in the same array of investment alternatives available to private sector pension plans, and to pay administrative expenses of the Trust from the assets in the Trust. Prior to the Act, Railroad Retirement assets were limited to investment in US Government securities issued directly by the United States Treasury (the "Treasury"). Responsibility for administering the Railroad Retirement system, including eligibility determinations and the calculation of beneficiary payments, remains with the Railroad Retirement Board (the "Board"), a Federal agency.

Investment Management — The Trust's principal investment objective for its portfolio of investments ("portfolio") is to achieve a long term rate-of-return on assets for the portfolio sufficient to enhance the financial strength of the railroad retirement system and to provide timely funding to the Treasury for payment of benefit obligations and administrative expenses.

Except for limited partnership interests and derivative instruments owned by the Trust, generally all of the Trust's assets in the portfolio are held by custodians appointed by the Trust, or transfer agents in the case of commingled funds.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Trust in preparation of its financial statements. The policies conform to accounting principles generally accepted in the United States of America ("GAAP") for investment companies.

Basis of Accounting — The Trust applies the accrual method of accounting when preparing its financial statements.

Valuation of Investments — The Trust follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Fair Value Measurements and Disclosures Topic ("Topic 820"). The Topic establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Trust's investments, and requires additional disclosure about fair value. 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, 2013, the Trust held approximately $8.6 million of restricted cash, representing initial margin on futures contracts and pledged collateral received from counterparties for option, swap or forward contracts.

Options Contracts — The Trust may purchase or sell (write) exchange- (or OTC-) traded options contracts to hedge against risks associated with price fluctuations for certain securities.

When either a put or call option is purchased, the contract is recorded as an investment and the premium gets marked-to-market daily to reflect the current market value of the option contract. When a purchased option contract expires (unexercised), a loss is realized in the amount of the cost of (premium paid for) the option. If a closing sale contract is entered into, however, a gain or loss is realized, to the extent that the proceeds from the sale are greater or less than the cost of the option. If a put option is exercised, a gain or loss is realized from the sale of the underlying security by adjusting the proceeds from such sale by the amount of the premium paid for the put option. If a call option is exercised, the cost of the security purchased upon exercise is increased by the premium paid for the call option.

When either a put or call option is sold (written), an amount equal to the premium received is recorded as a liability. The liability gets marked-to-market daily to reflect the current market value of the written option. When a written option contract expires (unexercised), a gain is realized in the amount of the premium received for this option. If a closing purchase contract is entered into, however, a gain or loss is realized in the amount of the premium less the cost of the option. If a written put option is exercised, the amount of the premium originally received reduces the cost of the security, which is purchased upon exercise of the put option. If a sold (written) call is exercised, a gain or loss is realized from the sale of the underlying security, and the proceeds (if any) from such sale are increased by the premium received for the written call.

The Trust could be exposed to risk if the counterparties in options transactions were unable to meet the terms of the contracts. To mitigate this risk, the Trust requires its counterparties to these contracts to pledge either cash or securities as collateral against any default in these transactions.

Futures Contracts — The Trust may invest in financial futures contracts for the purpose of hedging its portfolio to counter fluctuations in value, to gain access to securities the Trust intends to purchase, and to manage overall portfolio risk as part of a broad risk management program.

The Trust is required to pledge an amount of cash, US government securities, or other assets, equal to a certain percentage of the futures contract amount (initial margin deposit) upon entering a financial futures contract. Subsequent payments, known as “variation margin,” are made (or received) by the Trust each day, depending on the daily fluctuations in the value of the underlying financial instrument. The Trust records an unrealized gain or loss equal to the daily variation margin. When the margin amount is received or paid in cash, the daily variation margins are recorded as a realized gain or loss. Futures contracts are valued at the last sales price quoted on the exchange on which they primarily trade.

The Trust’s use of financial futures transactions entails the risk of imperfect correlation in movements in the price of futures contracts and the value of the underlying hedged assets, and the risk associated with the possibility of an illiquid market. Should futures’ market conditions change unexpectedly, and the Trust takes no action to respond to such changes, the Trust may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. Potential losses associated with counterparty risk are mitigated by initial margin deposits either in the form of cash or securities and variation margins deposited daily.

Foreign Currency Translation — The Trust maintains accounting records in US dollars. All investments quoted in foreign currency are translated into US dollars at the prevailing foreign exchange spot rates on the date of valuation. Purchases and sales of securities, income receipts and trading expenses are translated into US dollars at the exchange rate on the date of the transactions.

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 currency contracts to hedge against fluctuations in currency exchange rates. The Trust enters forward foreign currency exchange contracts ("forward currency contracts") or spot currency contracts as part of its investment strategies when purchasing or selling investment securities denominated in a foreign currency. Differences in currency exchange rates can adversely impact the value associated with the purchasing or selling of investment securities denominated in a foreign currency.

The Trust may use spot currency contracts to hedge against foreign currency exchange rate fluctuations related to a specific portfolio transaction, such as the delay between a security transaction's trade date and settlement date. The Trust may also use forward currency contracts to hedge against foreign currency exchange rate fluctuations related to portfolio holdings or concentrations of such holdings.

Currency contracts are adjusted daily by the prevailing spot or forward rate of the underlying currency, and any appreciation or depreciation is recorded for financial statement purposes as unrealized until the contract settlement date, at which time the Trust records realized gains or losses equal to the difference between the value of the contract at the time the contract opened and the value at the time it closed.

The Trust could be exposed to risk if the counterparty is unable to meet the terms of a currency contract or if the value of the foreign currency changes unfavorably and the Trust does not alter its position in the transaction. To mitigate this risk, the Trust requires its counterparties to pledge either cash or corporate securities as collateral against default in these transactions.

Swap Contracts — The Trust may enter swap transactions for hedging purposes as well as in order to efficiently gain exposure to a particular asset class index.

Swaps are marked-to-market daily based upon values from third party vendors or quotations from counterparties. Unrealized appreciation is recorded as an asset and unrealized depreciation is recorded as a liability on the Statement of Assets and Liabilities. The change in value of swaps, including accruals of periodic amounts of interest to be paid or received on swaps, is recorded as unrealized appreciation or depreciation in the Statement of Operations. Payments received or made at the beginning of the measurement period represent payments made or received upon entering into the swap agreement to compensate for differences between the stated terms of the swap contracts and prevailing market conditions (credit spreads, currency exchange rates, interest rates, and other relevant factors). These upfront payments are included in the calculation of realized gain or loss in the Statement of Operations. A liquidation payment received or made at the termination of the swap is recorded as realized gain or loss in the Statement of Operations. Net periodic payments received by the Trust are included as part of the realized gain or loss in the Statement of Operations.

Entering into these contracts involves, to varying degrees, elements of credit, market and counterparty risk in excess of the amounts recognized in the Statement of Assets and Liabilities. Such risks involve the possibility that there will be no liquid market for these contracts, that the counterparty to the contracts may default on its obligations to perform or disagree as to the meaning of contractual terms in the contracts, and that there may be unfavorable changes in interest rates. At the time a swap contract reaches its scheduled termination (or contract expiration) date, there is risk that the Trust would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as the expiring transaction. The Trust's swap contracts consist of interest rate swaps, credit default swaps and total return swaps.

Repurchase Agreements — The Trust may engage in repurchase agreement transactions, whereby a security is simultaneously purchased and sold under a master forward agreement.

Income Taxes — The Trust is exempt from taxes under Section 501(c)(28) of the Internal Revenue Code of 1986 and from state and local taxes pursuant to Section 231(n)(j)(6) of the Railroad Retirement Act of 1974. As such, no provision for income taxes is included in the financial statements. The Trust files an annual informational return with the Internal Revenue Service ("IRS"). These returns are subject to examination by the IRS for a period of three fiscal years after they are filed.

Uncertain tax positions are evaluated in accordance with the Income Taxes Topic ("Topic 740") of the FASB ASC. The Trust has no material uncertain tax positions.

Investment Management Fees — The Trust has entered into investment management agreements with third party investment managers. These agreements provide for the payment of investment management fees, which are generally paid on a quarterly basis. The fees are calculated as a percentage of the weighted-average value of assets under management, with an additional performance fee in some instances.

Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

3. FAIR VALUE MEASUREMENT

The Trust's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB's guidance on fair value measurement.

The hierarchy of inputs is summarized below.

Level 1 — 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, and futures contracts. 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, option contracts and foreign currency.

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*	$ 4,603,486	$ 2,633,319	$ 2,739	$ 7,239,544
Non-US Equity*	5,503,355	1,000,396	10,200	6,513,951
Private Equity	-	-	1,936,530	1,936,530
Fixed Income	5,972	5,419,909	500,462	5,926,343
Real Assets	-	830,025	1,067,055	1,897,080
Absolute Return Mandates	-	934,904	336,832	1,271,736
Total investments in securities	$ 10,112,813	$ 10,818,553	$ 3,853,818	$ 24,785,184
Swap contracts, at fair value	$ -	$ 6,331	$ -	$ 6,331
Futures contracts**	1,630	-	-	1,630
Foreign currency exchange contracts	-	84,905	-	84,905
Foreign currency	39,646	-	-	39,646
Liabilities				
Swap contracts, at fair value	$ -	$ 14,568	$ -	$ 14,568
Futures contracts**	1,665	-	-	1,665
Foreign currency exchange contracts	-	107,938	-	107,938
Written options***	-	45	-	45

*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, 2013 totaled $2,629,383 and $996,053 for US Equity and Non-US Equity, respectively.

**Amounts represent cumulative gains and losses of open futures contracts, translated into US dollars, as of September 30, 2013. 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.

Equity securities that are traded on a national securities exchange or quoted on the NASDAQ National Market System ("NMS") are valued on their last reported sale price on the principal exchange (US or foreign) or official closing price as reported by NASDAQ. Options and futures contracts are valued at the last sales price quoted on the exchange on which they primarily trade. Securities traded on over-the-counter ("OTC") markets as well as listed securities for which no sales are reported are valued at the most recent bid quotation.

Fixed income securities (US and foreign) for which price quotations are readily available are valued at the most recent reported sales price. If no reported sales price is available, fixed income securities are valued at prices furnished by an independent pricing service, which considers yield or price of bonds of comparable quality, coupon, maturity, and type, as well as prices quoted by dealers who make markets in such securities.

The ability of issuers of the debt securities held by the Trust to meet their obligations may be affected by economic developments in a specific industry or region. The values of the securities can be significantly affected by changes in interest rates or in the financial condition of the issuer or market conditions generally. The Trust invests a portion of its assets in mortgage-backed securities and debentures. The value and related income of these securities is sensitive to change in economic conditions, including delinquencies and/or defaults.

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 valuations provided by the external investment managers adjusted for receipts, disbursements, and distributions through the date of the Statement of Assets and Liabilities. The valuation of these 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 as determined by the General Partner (“GP”) of the investment partnership in accordance with the terms of each partnership’s governing agreement. Fair values of these partnerships are determined after consideration of valuations provided by the GP’s adjusted for capital calls and distributions through the date of the Statement of Assets and Liabilities. The valuation of these 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	$ 2,629,383	$ -	$ -	(a)
Non-US Equity	Includes passively managed funds tracking major Non-US Equity indices	996,053	-	-	(a)
Private Equity	Includes Venture Capital, Leveraged Buyout, and Corporate Finance investment funds	-	1,936,530	1,007,540	(b)
Fixed Income	Includes US Investment Grade, High Yield, and Global Government Bond and Currency investment funds	637,115	379,461	10,000	(c)
Real Assets	Includes Commodities, Natural Resources, and Private Real Estate investment funds	830,025	1,067,055	1,004,267	(d)
Absolute Return	Includes multi-asset class strategies that offer an attractive risk-adjusted return and have a low correlation with other Trust investments	934,904	336,832	211,000	(e)
		$ 6,027,480	$ 3,719,878	$ 2,232,807	

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

(b) Private Equity investments are generally held for the life of the investment.

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

(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	$ -	$ 2,739	$ 2,739
Non-US Equity	-	10,200	10,200
Private Equity	1,936,530	-	1,936,530
Fixed Income	379,461	121,001	500,462
Real Assets	1,067,055	-	1,067,055
Absolute Return	336,832	-	336,832
	$ 3,719,878	$ 133,940	$ 3,853,818

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 asset backed securities. 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	Fixed Income	Real Assets	Absolute Return	Total Level 3
Balance — September 30, 2012	$ 4,019	$ 5,176	$ 1,984,298	$ 840,932	$ 787,695	$ 198,096	$ 3,820,216
Purchases and other acquisitions	2,676	2,407	236,850	111,418	306,453	256,186	915,990
Sales and other redemptions	(983)	(3,231)	(590,076)	(230,682)	(160,003)	(104)	(985,079)
Net change in unrealized gain (loss)	(2,798)	3,808	175,618	(10,589)	129,640	18,429	314,108
Net realized gain (loss)	(175)	390	129,840	53,475	3,270	-	186,800
Transfers into Level 3	-	5,304	-	17,564	-	-	22,868
Transfers out of Level 3	-	(3,654)	-	(281,656)	-	(135,775)	(421,085)
Balance — September 30, 2013	$ 2,739	$ 10,200	$ 1,936,530	$ 500,462	$ 1,067,055	$ 336,832	$ 3,853,818
Change in unrealized gain (loss)*	$ (2,861)	$ 3,440	$ 175,618	$ 25,316	$ 129,640	$ 18,436	$ 349,589

*Represents the total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to level 3 investments still held at September 30, 2013.

For the year ended September 30, 2013, there were no significant changes to the Trust's fair value methodologies. Certain foreign government agency bonds were transferred from a Level 3 category to a Level 2 category, due to the availability of significant observable inputs in the valuation of these securities. In addition, certain fixed income and absolute return commingled funds were transferred from a Level 3 category to a Level 2 category due the funds' liquidity and the Trust's ability to redeem such investments in a timely manner.

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.

4. DERIVATIVE INSTRUMENTS

As of September 30, 2013, 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, 2013 ($ in thousands).

Risk Exposure	Location within Statement of Assets and Liabilities	Derivative Assets	Derivative Liabilities
Credit			
Credit Default Swaps	Swap contracts, at fair value	$ 1,826	$ 3,516
Currency			
Foreign Currency Exchange Contracts	Unrealized gain/loss on foreign currency exchange contracts	84,905	107,938
Purchased Options	Investments in securities - at fair value	257	-
Written Options	Other liabilities	-	45
Equity			
Total Return Swaps	Swap contracts, at fair value	-	5,689
Interest Rate			
Interest Rate Swaps	Swap contracts, at fair value	4,505	5,363
Futures Contracts	Other assets	4,062	-

Risk Exposure	Location within the Statement of Operations	
	Net change in unrealized gain (loss) on investments and foreign currency	Net realized gain (loss) from investments and foreign currency
Commodity		
Options Contracts	$ 28	$ (29)
Credit		
Credit Default Swaps	1,696	(7,117)
Currency		
Foreign Currency Exchange Contracts	(16,187)	(12,084)
Options Contracts	(31)	(5,504)
Equity		
Total Return Swaps	50	(28,392)
Futures Contracts	-	707
Interest Rate		
Interest Rate Swaps	(7,777)	1,967
Options Contracts	(95)	1,381
Futures Contracts	-	7,479

The following table summarizes the long and short notional exposure of derivative contracts as of September 30, 2013 ($ in thousands):

Risk Exposure	Long Exposure	Short Exposure
Credit		
Credit Default Swaps	$ 44,226	$ 71,958
Currency		
Foreign Currency Exchange Contracts	3,154,294	3,529,096
Options Contracts	173,330	80,594
Interest Rate		
Interest Rate Swaps	127,595	112,185
Futures Contracts	243,032	150,898

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 $15.2 billion has been transferred to the Treasury by the Trust. During the fiscal year ended September 30, 2013, approximately $1.6 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 $1.5 million in legal fees during the fiscal year ended September 30, 2013. 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, 2013.

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, 2013, the Trust made contributions of $265,906 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
2014	$ 182,840
2015	442,471
2016	451,333
2017	460,361
2018	469,535
Thereafter	2,857,672
Total	$ 4,864,212

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, 2013.

	October 1, 2012 — September 30, 2013
FINANCIAL RATIOS [1]:	
Expense to average net assets	0.29%
Net investment income to average net assets	1.45%
TOTAL RETURN [2] — Total return	12.84%

[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	Fixed Income	Real Assets	Absolute Return	Total
North America	$ 7,239,544	$ 333,706	$ 1,691,741	$ 3,536,173	$ 1,000,964	$ 282,137	$ 14,084,265
Europe	-	2,792,795	181,901	1,015,241	37,032	-	4,026,969
Asia	-	1,920,467	-	320,611	-	-	2,241,078
South America	-	264,418	-	362,961	-	-	627,379
Australia	-	201,216	-	157,562	-	-	358,778
Africa	-	99,146	-	75,713	-	-	174,859
Multi-Region / Global	-	902,203	62,888	458,082	859,084	989,599	3,271,856
	$ 7,239,544	$ 6,513,951	$ 1,936,530	$ 5,926,343	$ 1,897,080	$ 1,271,736	$ 24,785,184

11. RECENTLY ISSUED ACCOUNTING STANDARDS

In May, 2011, the FASB and the International Accounting Standards Board ("IASB") published converged standards on fair value measurement and disclosure. This included FASB's issuance of ASU 2011-04 – *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")*. This standard updates the FASB Codification on fair value measurement and the IASB's issuance of IFRS 13 – Fair Value Measurement. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. The adoption of the guidance did not have a material impact on the Trust's financial position.

In December, 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. The update creates new disclosure requirements requiring entities to disclose both gross and net information for derivatives and other financial instruments that are either offset in the Statement of Assets and Liabilities or subject to an enforceable master netting arrangement or similar agreement. In January, 2013, the FASB issued ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This update clarifies that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815. These disclosure requirements are effective for fiscal years beginning on or after January 1, 2013. The adoption of the guidance will have no impact on the Trust's operations or financial position.

12. SUBSEQUENT EVENTS

The Trust has evaluated subsequent events through November 15, 2013, 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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