

## Relationship between the RRB and the Trust

The Trust and the RRB are separate entities. The RRB remains a federal agency and continues to have full responsibility for administering the Railroad Retirement System, including eligibility determinations and the calculation of beneficiary payments. The Trust has no powers or authority over the administration of Railroad Retirement benefits. Although the RRB does not have authority with respect to day-to-day activities of the Trust, the RRB may bring legal action to enforce any provision of the Act in the event it should ever become necessary.

## Additional Information about the Trust

Under the Act, the financial statements of the Trust are required to be audited annually by an independent public accountant. In addition, the Trust must submit an annual management report to Congress on its operations, including a statement of financial position, statement of cash flows, a statement on internal accounting and administrative control systems, the independent auditor's report, and any other information necessary to inform Congress about the operations and financial condition of the Trust. These reports, as well as Quarterly Updates on Trust activities, are posted on the RRB's website ([www.rrb.gov](http://www.rrb.gov)).

*(June 2008)*

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# Facts about the National Railroad Retirement Investment Trust ....

**U.S. Railroad Retirement Board**

## History and Purpose of the National Railroad Retirement Investment Trust

In December 2001, Congress passed the Railroad Retirement and Survivors' Improvement Act ("the Act") creating the National Railroad Retirement Investment Trust ("the Trust"). The Trust is a tax-exempt entity independent from the federal government whose sole purpose is to manage and invest Railroad Retirement System assets.

Under the Act, the Trust is authorized to invest the assets transferred from the Railroad Retirement Account ("RRA") in a diversified investment portfolio in the same manner as those of private sector retirement plans, including stocks, bonds and other investments. Previously, investments were limited to U.S. government securities. Earnings from the Trust's investments help fund benefit payments. To carry out its mandate, the Trust's Board of Trustees ("the Board") is authorized to adopt rules to govern its operations, employ professional staff, and contract with outside advisors to provide legal, accounting, investment advisory or other services necessary for the proper administration of the Trust.

As provided by the Act, the Trust began its work on February 1, 2002. Initially, the Trust focused on building a management team and establishing procedures and guidelines for the investment of Railroad Retirement System assets. In September 2002, the Treasury began transferring Railroad Retirement System assets available for investment to the Trust. The majority of these transfers were completed by March 2003.

## The Board of Trustees

The Trust's Board is comprised of seven Trustees, three of whom are selected by railroad

labor unions and three by railroad companies. The seventh Trustee is an independent Trustee selected by the other six Trustees. The Trustees' terms are for three years and are staggered. For 2008, the members of the Board are as follows:

*Trustees selected by the rail labor unions:* Walter A. Barrows, Secretary-Treasurer, Brotherhood of Railroad Signalmen (Chair); George Francisco, Jr., President of the National Conference of Firemen and Oilers - SEIU; and Joel Parker, Special Assistant to the President and International Vice President, Transportation Communications Union.

*Trustees selected by the railroad carriers:* Bernie Gutschewski, Vice President - Taxes, Union Pacific Corporation; Linda Hurt, Vice President - Investor Relations, Burlington Northern Santa Fe Corporation; and William H. Sparrow, CSX Corporation (Retired).

The Independent Trustee is John MacMurray, a pension fund professional with more than 30 years of experience in the investment management field.

Under the Act, the Trustees are required to discharge their duties solely in the interest of the Railroad Retirement Board ("RRB"), and through it, the participants and beneficiaries in the Railroad Retirement System.

## Railroad Retirement System's Assets Managed by the Trust

The Trust is responsible for investing assets transferred to it from the RRB. The Trust funds Railroad Retirement tier 2 benefits (which are similar to a private defined benefit pension plan), supplemental annuities, and certain aspects of tier 1 benefits (which generally are like Social Security) that exceed Social Security levels. An example of such a benefit is early retirement. The

additional cost of providing full retirement benefits to 30-year service employees at age 60 instead of the normal tier 1/Social Security retirement age (currently transitioning from age 65 to 67) is paid from funds managed by the Trust.

## How the Trust Makes Decisions on the Investment of Railroad Retirement System Assets

Pursuant to the Act, the Trustees have adopted Investment Guidelines that address such issues as the diversification of Trust assets into broad asset classes. These include US equity, non-US equity, private equity, investment grade bonds and high yield bonds. The Guidelines set out the criteria for investments made by the Trust and are regularly updated to ensure that they are responsive to the ever-changing investment environment. The Trust employs a staff of investment professionals to direct and oversee the investment of Railroad Retirement System assets pursuant to the Guidelines. Catherine A. Lynch, CFA, serves as the Trust's Chief Executive Officer and Chief Investment Officer. Since joining the Trust in 2003, she has served as Senior Investment Officer and, most recently, as interim Chief Executive Officer/Chief Investment Officer. Prior to joining the Trust, Ms. Lynch was at The George Washington University where she was responsible for managing the University's endowment.

## Investment Performance

Railroad Retirement System assets have increased substantially under the Trust's management. By December 31, 2007, the \$21.3 billion that had been transferred to the Trust for investment had grown to \$32.0 billion. In addition to this balance, the Trust also transferred an additional \$5.2 billion in earnings back to the Treasury for making benefit payments to participants in the Railroad Retirement System.