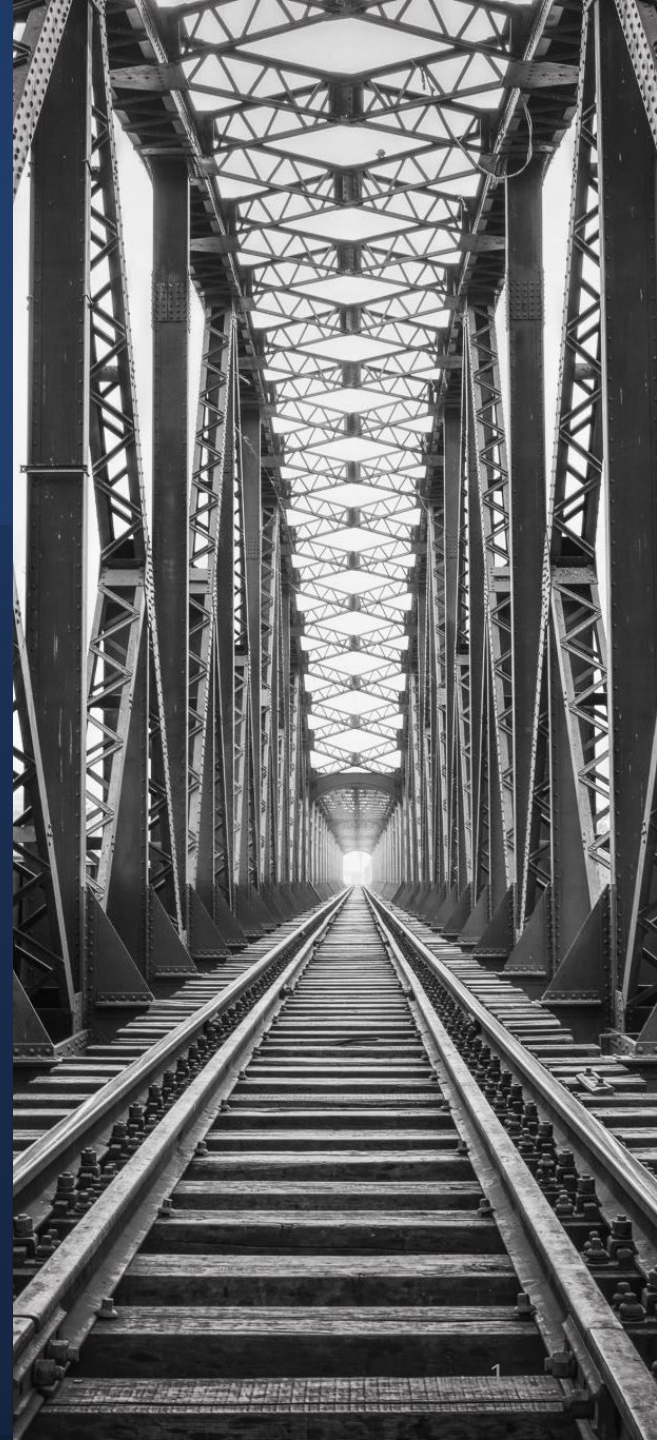


National Railroad
Retirement
Investment Trust



Background: Railroad Retirement Program

- Established by Congress in 1930s to provide retirement benefits for rail workers.
- A pay-as-you-go system funded by contributions from rail employers and employees.
- Managed entirely by the Railroad Retirement Board, a federal agency, until 2002.

Railroad Retirement Reform

- Declining rail industry employment burdened the pay-as-you-go retirement benefits system.
- Investment of assets limited to government securities.
 - Historical returns significantly lower than traditional pension plans.

Railroad Retirement Reform

- Some called for privatization of Railroad Retirement.
 - ERISA requirements would have bankrupted the railroads.
 - Rail labor insisted on government program – provided a sense of security.
- Rail management and rail labor worked together to come up with a solution.

NRRIT: History and Purpose

- In December 2001, Congress passed the Railroad Retirement and Survivors' Improvement Act creating the National Railroad Retirement Investment Trust (NRRIT).
 - Sole purpose: manage and invest Railroad Retirement assets
 - Tax-exempt entity
 - Located in Washington, DC
- Not a federal agency and is independent from the federal government.
- NRRIT-managed assets used to help fund benefit payments

NRRIT: History and Purpose

- NRRIT began its work in February 2002, focused on:
 - building a management team;
 - establishing procedures and guidelines;
 - exploring relationships with financial and other service providers.
- The U.S Treasury transferred Railroad Retirement assets to the Trust for investment in 2002-2003.

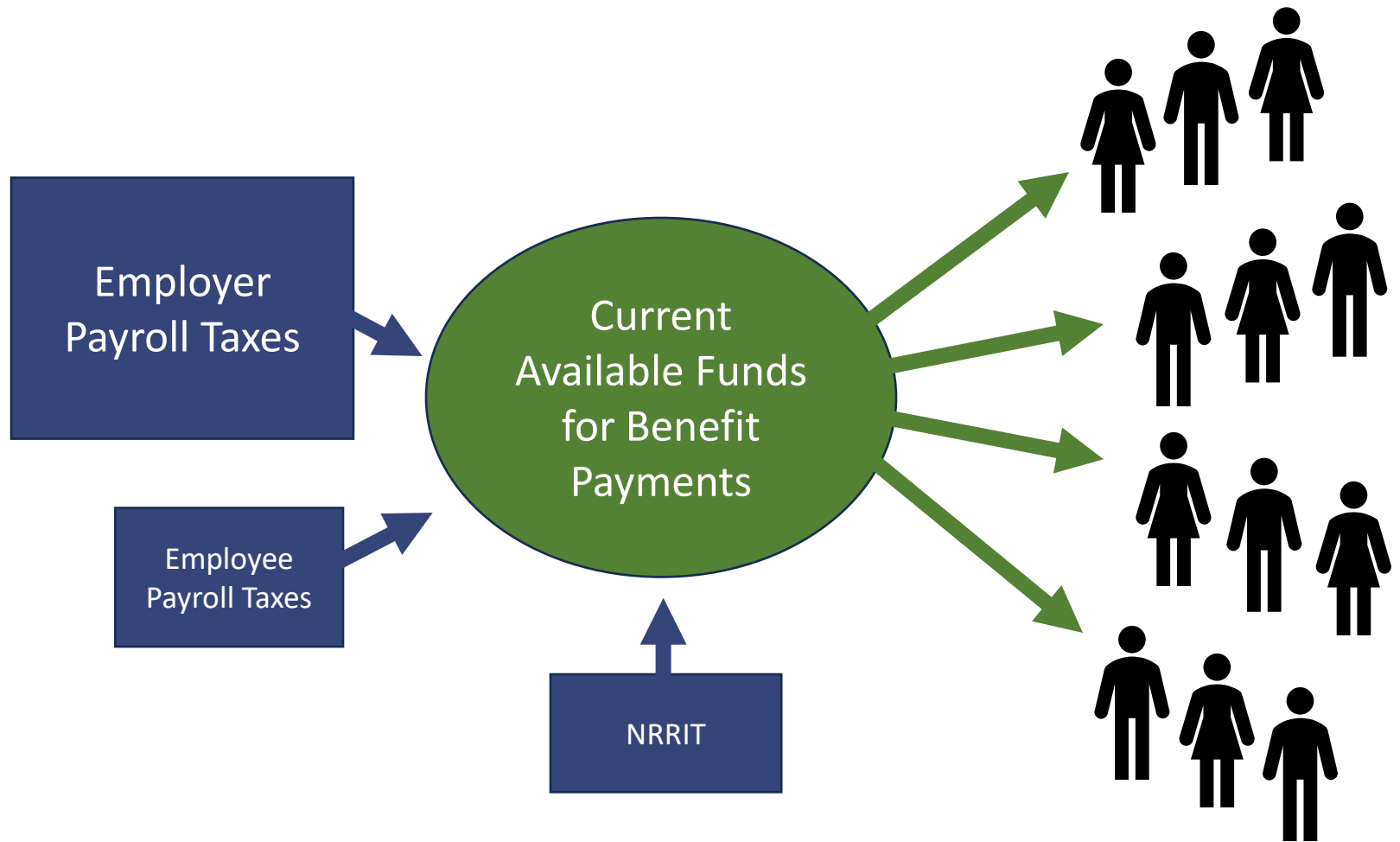
Relationship between the RRB and the Trust

- NRRIT and the RRB are separate entities.
 - RRB administers all aspects of Railroad Retirement benefits.
 - NRRIT manages and invests assets.
- Frequent, regular communication.
 - Monthly: senior staff discuss NRRIT performance, required transfer amounts for benefit payments, industry employment, and related matters.
 - Quarterly: senior staff review NRRIT Board of Trustees meetings.
 - Semiannual meetings between NRRIT's Board of Trustees and RRB Members.

NRRIT Reporting Requirements

- Under the Act, the financial statements of the Trust are required to be audited annually by an independent public accountant.
- The Trust must submit an annual management report to Congress and the Administration, together with its audited financial statements.
 - These reports, as well as quarterly updates on Trust activities, are posted on the RRB's website (www.rrb.gov).

Funding of Railroad Retirement Benefit Payments



NRRIT's Directives

- Invest Railroad Retirement assets in a diversified portfolio - same manner as public and private sector retirement plans.
- Act solely in the interests of program participants and beneficiaries.
- Maintain liquidity for timely benefit payments.
- Achieve long-term returns, at appropriate risk, to enhance financial strength of Railroad Retirement system.

NRRIT's Board of Trustees

- NRRIT's Board of Trustees is authorized to:
 - adopt rules to govern its operations;
 - employ professional staff;
 - contract with outside advisors and service providers as necessary.
- Statute calls for seven Trustees:
 - Three selected by railroad labor unions;
 - Three selected by railroad companies;
 - An Independent Trustee selected by the other six.
- The Trustees' terms are for three years and are staggered. Trustees may be appointed for multiple terms.

Current Members of the Board of Trustees

Rail Management Trustees	Rail Labor Trustees
Mary S. Jones (Union Pacific Corp.)	Dean Devita (National Conference of Firemen & Oilers – SEIU)
Beth Miller (BNSF Railway Company)	Leo McCann (American Train Dispatchers Association)
Chris Neikirk (Norfolk Southern Corp.)	William C. Walpert (Brotherhood of Locomotive Engineers and Trainmen)
Independent Trustee	
Douglas Brown (Former Sr. VP & CIO of Exelon Corp.)	

NRRIT's Mission Statement

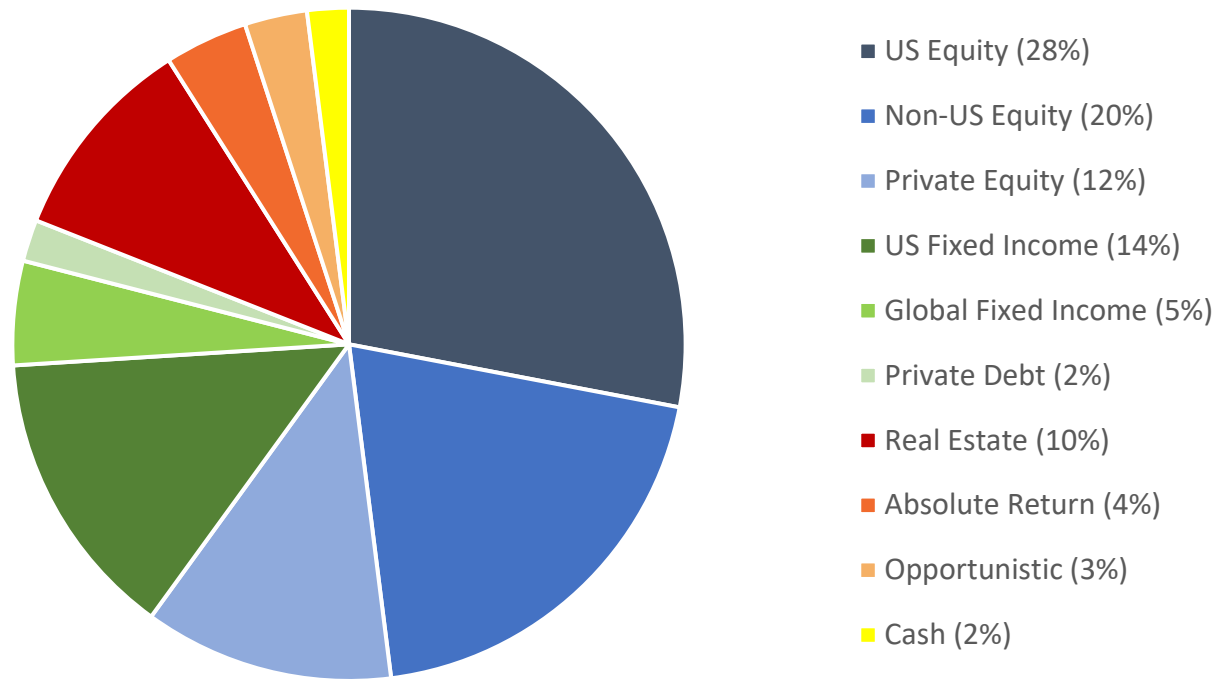
The mission of the National Railroad Retirement Investment Trust is to help secure the retirement benefits of all participants of the railroad retirement system. Through the diligent oversight and prudent investment of railroad retirement assets, and an adherence to the highest ethical and professional standards within the industry, NRRIT's trustees and investment professionals contribute to the financial security of rail workers, retirees, and their families, and the strength of the American rail industry.

NRRIT's Investment Decision-Making Process

- Pursuant to the Act, Trustees have adopted Investment Guidelines that address key processes, e.g., asset allocation and diversification.
 - Set out the criteria for investments.
 - Regularly updated to be responsive to the ever-changing investment environment.
 - Implemented by the Trust's professional staff and outside investment managers.
- Investment performance is carefully monitored by the Trust's CIO and staff and is subject to regular oversight by the Board of Trustees.

NRRIT Manages a Diversified Portfolio

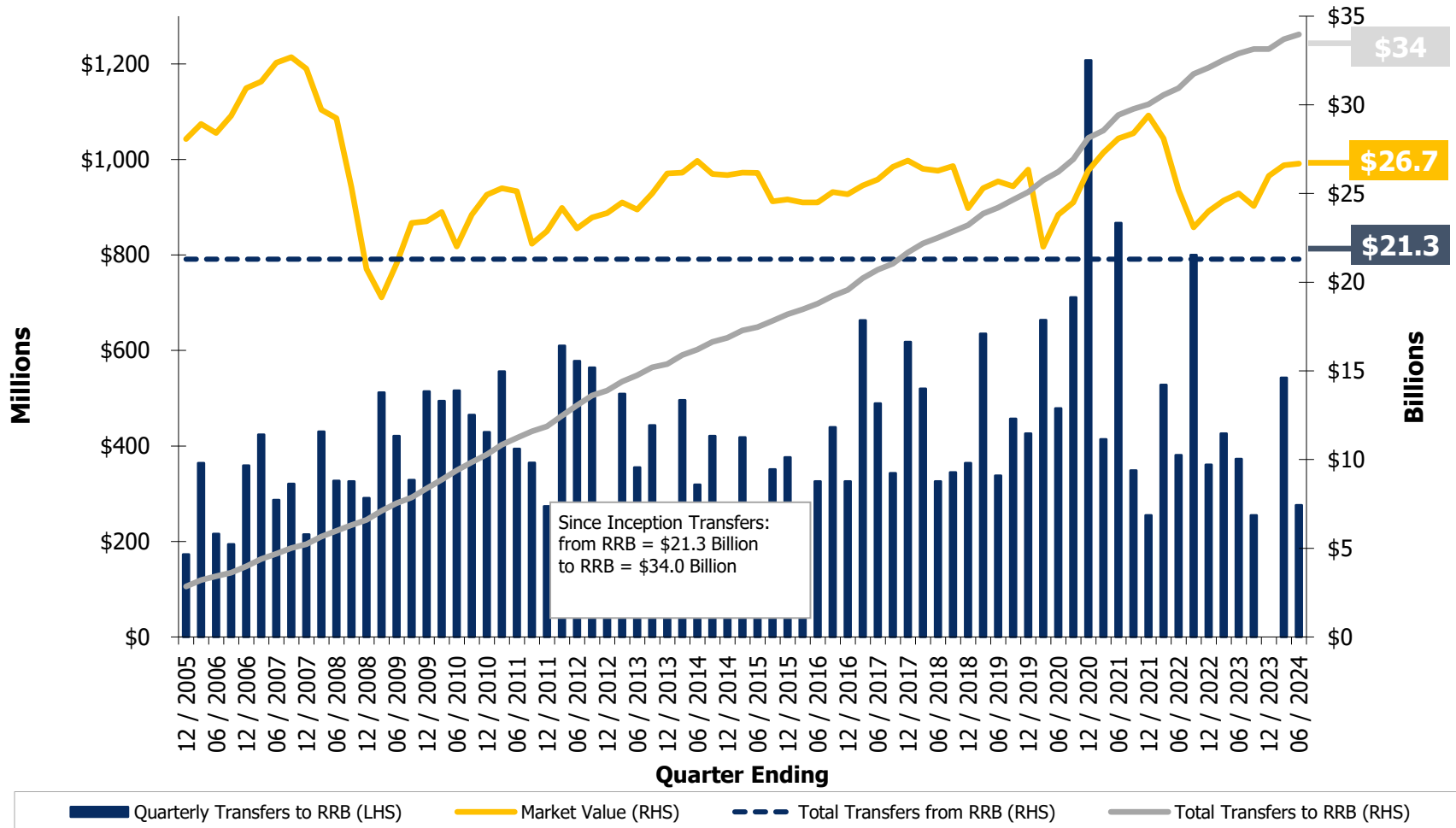
Current NRRIT Asset Allocation



Maintaining Sufficient Reserves

- The Act created a mechanism to ensure Railroad Retirement reserves remain sufficient to pay benefits.
- An automatic “tax ratchet” adjusts employer and employee tax rates up or down each year depending on the amount of assets held in reserve to pay future benefits.
 - Rates increase if reserves fall below 4 years of payments.
 - Rates decrease if reserves exceed 6 years of payments.
 - Tax rate ranges:
 - Employees, 0-4.9%;
 - Employers, 8.2%-22.1%.

NRRIT-Only Asset Value and Quarterly Transfers to Treasury

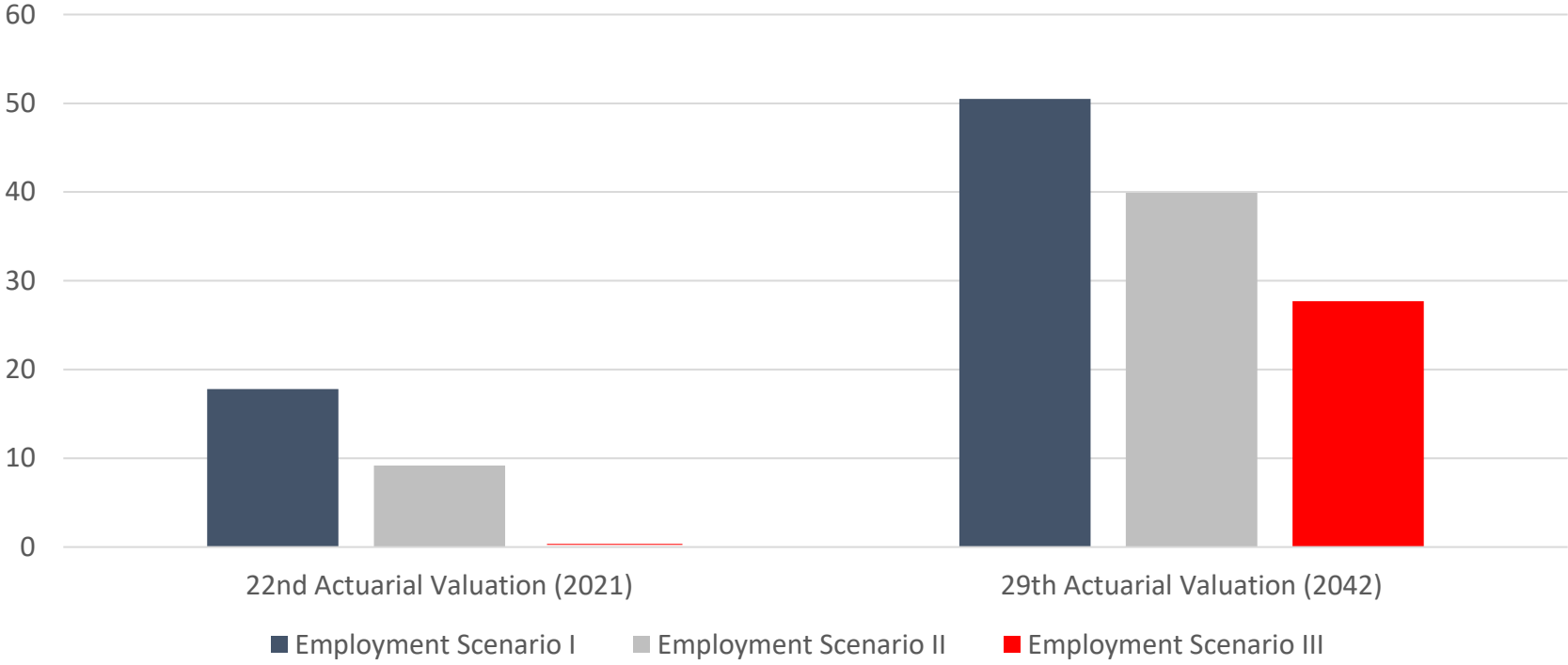


NRRIT Has Provided Significant Benefits

- Significant cumulative tax savings since NRRIT's inception.
 - 16.1% employer tax rate pre-2002 vs. 12.1%-13.1% post-NRRIT.
 - 4.9% employee tax rate pre-2002 vs. 3.9%-4.9% post-NRRIT.
- Early retirement -- full benefits at age 60 w/ 30 yrs service.
- Expanded benefits for widowers.
- Vesting requirement reduced from 10 to 5 years.
- Improvement in long-term financial health of Railroad Retirement benefit system.

Improvement in Long-Term System Health

**Projected Combined NRRIT & RRA Balance 20 Years Into Future
In \$Billions**



Source: 22nd Actuarial Valuation (12/31/2001); 29th Actuarial Valuation (12/31/2022).