

Note 7. Investments

Investments as of September 30, 2021					
(In billions of dollars)	Level 1	Level 2	Level 3	Other	Total
Pension Benefit Guaranty Corporation:					
Asset backed/mortgage backed securities.....	-	8.7	-	-	8.7
Corporate bonds and other	-	24.4	-	-	24.4
International fixed maturity securities	-	7.9	-	-	7.9
Equity securities	2.5	0.1	-	13.2	15.8
Pooled funds.....	0.1	-	-	5.9	6.0
Real estate and real estate investment trusts	1.7	-	-	0.5	2.2
Other securities.....	-	7.3	0.2	2.7	10.2
Total Pension Benefit Guaranty Corporation	4.3	48.4	0.2	22.3	75.2
National Railroad Retirement Investment Trust:					
U.S. equity	8.4	-	-	-	8.4
Non-U.S. equity.....	6.8	-	-	-	6.8
Private equity	-	-	-	4.0	4.0
Global fixed income	0.1	2.7	-	0.5	3.3
Global real assets.....	0.5	-	-	2.2	2.7
Absolute return mandates	-	-	-	0.9	0.9
Opportunistic mandates	-	-	-	0.7	0.7
Total National Railroad Retirement Investment Trust	15.8	2.7	-	8.3	26.8
Tennessee Valley Authority:					
Commingled funds measured at net asset value.....	-	-	-	3.0	3.0
Equity securities	1.6	-	-	-	1.6
Corporate debt securities	-	1.8	-	-	1.8
Private equity measured at net asset value	-	-	-	1.7	1.7
Private real assets measured at net asset value	-	-	-	1.0	1.0
Private credit measured at net asset value	-	-	-	0.4	0.4
Other securities.....	1.5	1.5	0.1	0.5	3.6
Total Tennessee Valley Authority	3.1	3.3	0.1	6.6	13.1
Department of the Treasury.....	5.3	-	-	-	5.3
Department of Defense	-	-	-	11.4	11.4
Smithsonian Institution	0.5	-	-	2.4	2.9
All other	-	-	0.1	0.4	0.5
Total investments	<u>29.0</u>	<u>54.4</u>	<u>0.4</u>	<u>51.4</u>	<u>135.2</u>

Investments as of September 30, 2020					
(In billions of dollars)	Level 1	Level 2	Level 3	Other	Restated Total
Pension Benefit Guaranty Corporation:					
Asset backed/mortgage backed securities.....	-	5.3	-	-	5.3
Corporate bonds and other	-	20.6	-	-	20.6
International fixed maturity securities	-	9.2	-	-	9.2
Equity securities	2.8	0.9	-	20.2	23.9
Pooled funds.....	0.1	-	-	0.8	0.9
Real estate and real estate investment trusts	1.5	-	-	1.3	2.8
Other securities.....	-	10.3	-	2.4	12.7
Total Pension Benefit Guaranty Corporation	4.4	46.3	-	24.7	75.4
National Railroad Retirement Investment Trust:					
U.S. equity	6.0	-	-	-	6.0
Non-U.S. equity.....	6.0	-	-	-	6.0
Private equity	-	-	-	2.8	2.8
Global fixed income	0.1	3.6	-	0.4	4.1
Global real assets.....	0.9	-	-	2.2	3.1
Absolute return mandates	-	-	-	1.6	1.6
Total National Railroad Retirement Investment Trust	13.0	3.6	-	7.0	23.6
Tennessee Valley Authority:					
Commingled funds measured at net asset value.....	-	-	-	2.4	2.4
Equity securities	2.2	-	-	-	2.2
Corporate debt securities	-	1.8	-	-	1.8
Private equity measured at net asset value	-	-	-	1.2	1.2
Private real assets measured at net asset value	-	-	-	0.8	0.8
Private credit measured at net asset value	-	-	-	0.2	0.2
Other securities.....	0.6	1.1	0.1	0.6	2.4
Total Tennessee Valley Authority	2.8	2.9	0.1	5.2	11.0
Department of the Treasury.....	5.8	-	-	-	5.8
Department of Defense	-	-	-	11.4	11.4
Smithsonian Institution	0.4	-	-	1.8	2.2
All other	-	-	-	0.4	0.4
Total investments	<u>26.4</u>	<u>52.8</u>	<u>0.1</u>	<u>50.5</u>	<u>129.8</u>

PBGC, NRRIT, TVA, and Smithsonian Institution apply financial accounting and reporting standards issued by FASB and such entities, as permitted by SFFAS No. 47, *Reporting Entity* are consolidated into the U.S. government's consolidated financial statements without conversion to accounting and reporting standards issued by the FASAB. PBGC, NRRIT, and TVA also hold investments in Treasury securities which are not included in the above tables, as such investments are eliminated in consolidation.

In FY 2021, a change in presentation occurred to provide clarity and traceability. The investment table reports security level detail using FV measurement by entity and the table reporting securities as held-to-maturity, available-for-sale, and trading securities was removed.

DOD restated their FY 2020 other investments to \$11.4 billion due to the investments being understated by \$7.9 billion previously. The correction was due to recording of the value of real property non-cash assets conveyed under long-standing MHPI agreements, generally at the beginning of the individual agreement.

PBGC ensures pension benefits of participants in covered single-employer and multiemployer defined benefit pension plans and values its financial assets at estimated FV consistent with the standards issued by FASB for pension plans. PBGC's investments are used to pay future benefits of covered participants.

NRRIT on behalf of the RRB, manages and invests railroad retirement assets that are to be used to pay retirement benefits to the nation's railroad workers under the RRP. As an investment company, NRRIT is subject to accounting standards for investment companies issued by FASB.

TVA's investments consist of amounts held in the Nuclear Decommissioning Trust, Asset Retirement Trust, Supplemental Executive Retirement Plan, and Deferred Compensation Plan. TVA's qualified benefit pension plan is funded with qualified plan assets.

Treasury's investments consist of foreign currency holdings invested in interest bearing securities issued or held through foreign governments or monetary authorities and include held-to-maturity debt and equity securities that are valued at net investment.

Certain other investments reported by DOD represent joint ventures with private developers constructing or improving military housing on behalf of the department.

Please refer to PBGC, NRRIT, TVA, Treasury, DOD, and Smithsonian's financial statements for additional information on these investments and FV measurement.

Fair Value Measurement

Investments are recorded at FV and have been categorized based upon a FV hierarchy, in accordance with FASB ASC Topic 820. FV is a market-based measurement. For some assets, observable market transactions or market information might be available. For other assets, observable market transactions and market information might not be available. However, the objective of a FV measurement in both cases is the same--to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions.

When a price for an identical asset is not observable, a reporting entity measures FV using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because FV is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset, including assumptions about risk. As a result, a reporting entity's intention to hold an asset is not relevant when measuring FV.

The measurement of FV of an asset is categorized with different levels of FV hierarchy as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.
- Level 2—Inputs other than quoted prices included with Level 1 that are observable for the asset, either directly or indirectly.
- Level 3—Unobservable inputs for the asset.
- Other—This category is not part of the FV hierarchy and contains certain investments that are measured at FV using NAV per share useful method, joint ventures, and held to maturity debt securities measured at amortized cost. Please refer to PBGC, NRRIT, and TVA's financial statements for additional information on investments priced by NAV share (or its equivalent) practical expedient and DOD's financial statements for additional information about joint ventures.