

Note 7. Securities and Investments

Securities and Investments as of September 30, 2020, and 2019

| (In billions of dollars) | 2020 | | | 2019 | | |
|---|-------|------------|--------------|-------|------------|------------|
| | Cost | Adjustment | Book Value | Cost | Adjustment | Book Value |
| Held-to-Maturity | | | | | | |
| Debt securities: | 0.1 | - | 0.1 | 0.1 | - | 0.1 |
| Equity securities: | 3.5 | - | 3.5 | 3.6 | - | 3.6 |
| Total held-to-maturity (net investment) | 3.6 | - | 3.6 | 3.7 | - | 3.7 |
| Available-for-Sale: | | | | | | |
| Debt securities: | 1.3 | 0.2 | 1.5 | 2.4 | 0.1 | 2.5 |
| Total available-for-sale (fair value) | 1.3 | 0.2 | 1.5 | 2.4 | 0.1 | 2.5 |
| Trading Securities: | | | | | | |
| Debt securities: | | | | | | |
| Non-U.S. government..... | 9.4 | 0.1 | 9.5 | 13.0 | 0.4 | 13.4 |
| Commercial | 0.4 | - | 0.4 | 0.3 | - | 0.3 |
| Mortgage/asset backed | 5.7 | 0.2 | 5.9 | 5.1 | 0.2 | 5.3 |
| Corporate and other bonds..... | 23.2 | 2.9 | 26.1 | 16.5 | 1.5 | 18.0 |
| All other debt securities | 1.7 | 6.4 | 8.1 | 6.2 | 4.8 | 11.0 |
| Equity securities: | | | | | | |
| Unit trust | 13.8 | 7.9 | 21.7 | 13.6 | 7.8 | 21.4 |
| Common stocks..... | 2.1 | 0.2 | 2.3 | 2.3 | 0.1 | 2.4 |
| All other equity securities..... | 18.1 | 1.1 | 19.2 | 15.3 | 0.2 | 15.5 |
| Total trading securities (fair value) | 74.4 | 18.8 | 93.2 | 72.3 | 15.0 | 87.3 |
| | | | Total | | | |
| | | | 2020 | | | |
| | | | Total | | | |
| | | | 2019 | | | |
| Total securities and investments categorized as held-to-maturity, available-for-sale or trading | 98.3 | | | 93.5 | | |
| Total NRRIT securities and investments (fair value) | 23.6 | | | 24.8 | | |
| Total securities and investments | 121.9 | | | 118.3 | | |

Certain significant consolidated entities 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 financial and reporting standards issued by the FASAB. PBGC, NRRIT, TVA, and Smithsonian Institution securities and investments are recorded at fair value and have been categorized based upon a fair value hierarchy, in accordance with FASB ASC Section 820, Fair Value Measurement.

Fair Value Measurement

Fair value 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 fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset 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 fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value 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 fair value.

The measurement of fair value of an asset is categorized with different levels of fair value 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 —The category contains certain investments that are measured at fair value using NAV per share useful method and have not been categorized in the fair value hierarchy. Investments in “other” represent certain commingled funds, partnerships, real estate and real estate investment trusts which are considered trading securities.

Securities and Investments as of September 30, 2020

(In billions of dollars)

| | Level 1 | Level 2 | Level 3 | Other | Total |
|--|---------|---------|---------|-------|-------|
| Fair Value: | | | | | |
| Pension Benefit Guaranty Corporation | 4.4 | 46.3 | - | 24.7 | 75.4 |
| National Railroad Retirement Investment Trust .. | 13.0 | 3.6 | - | 7.0 | 23.6 |
| Tennessee Valley Authority | 2.8 | 2.9 | 0.1 | 5.2 | 11.0 |
| Smithsonian Institution | 0.4 | - | - | 1.8 | 2.2 |
| Total fair value measurements..... | 20.6 | 52.8 | 0.1 | 38.7 | 112.2 |
| All other*: | | | | | |
| Total all other | - | - | - | 9.7 | 9.7 |
| Total securities and investments | 20.6 | 52.8 | 0.1 | 48.4 | 121.9 |

*Levels not applicable due to entities in this category being FASAB reporters.

Securities and Investments as of September 30, 2019

(In billions of dollars)

| | Level 1 | Level 2 | Level 3 | Other | Total |
|--|---------|---------|---------|-------|-------|
| Fair Value: | | | | | |
| Pension Benefit Guaranty Corporation | 3.7 | 39.7 | - | 27.0 | 70.4 |
| National Railroad Retirement Investment Trust .. | 13.6 | 4.7 | - | 6.5 | 24.8 |
| Tennessee Valley Authority | 2.8 | 3.1 | - | 4.7 | 10.6 |
| Smithsonian Institution | 0.4 | - | - | 1.5 | 1.9 |
| Total fair value measurements..... | 20.5 | 47.5 | - | 39.7 | 107.7 |
| All other*: | | | | | |
| Total all other | - | - | - | 10.6 | 10.6 |
| Total securities and investments | 20.5 | 47.5 | - | 50.3 | 118.3 |

*Levels not applicable due to entities in this category being FASAB reporters.

PBGC's "other" investments measured at NAV consists of real estate, private equity and pooled funds. PBGC's investments are primarily categorized in the hierarchy of Level 2. PBGC's Level 2 investments consist of securities lending collateral, fixed maturity, commercial paper, asset backed, pooled funds, corporate bonds and domestic equity securities.

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 different accounting standards that do not require the classifications presented in the Securities and Investments table above. NRRIT's investments consists of certain U.S. Equity, Non-U.S. Equity and Global Fixed Income securities.

TVA's investments consist of amounts held in the Nuclear Decommissioning Trust, Asset Retirement Trust, Supplemental Executive Retirement Plan, and Deferred Compensation Plan. These investments are primarily U.S. and international equities, real estate investment trusts, fixed income investments, high-yield fixed income investments, commodities, currencies, derivative instruments, and other investments. TVA's qualified benefit pension plan is funded with qualified plan assets. These investments include global public equities, private equities, fixed income securities, public real assets, and private real assets.

Please refer to PBGC, NRRIT, TVA and Smithsonian Institution's financial statements for additional information on these investments and fair value measurement.