

## Note 7. Investments

<b>Investments as of September 30, 2023</b>					
(In billions of dollars)	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Other</b>	<b>Total</b>
<b>Pension Benefit Guaranty Corporation:</b>					
Asset backed/mortgage backed securities	-	11.6	-	-	11.6
Corporate bonds and other	-	17.2	-	-	17.2
International fixed maturity securities	-	6.2	-	-	6.2
Equity securities	3.5	0.1	-	9.8	13.4
Pooled funds	-	-	-	1.3	1.3
Real estate and real estate investment trusts	1.1	-	-	0.5	1.6
Other securities	-	7.3	0.3	2.1	9.7
Total Pension Benefit Guaranty Corporation	4.6	42.4	0.3	13.7	61.0
<b>National Railroad Retirement Investment Trust:</b>					
U.S. equity	7.1	-	-	-	7.1
Non-U.S. equity	5.5	-	-	-	5.5
Private equity	-	-	-	3.6	3.6
Global fixed income	0.1	2.2	-	0.5	2.8
Global real assets	0.3	-	-	2.6	2.9
Absolute return mandates	-	-	-	0.9	0.9
Opportunistic mandates	-	-	-	0.6	0.6
Total National Railroad Retirement Investment Trust	13.0	2.2	-	8.2	23.4
<b>Department of the Treasury:</b>					
Investments in Special Purpose Vehicles	-	-	15.1	-	15.1
Other Investments	3.8	-	2.9	-	6.7
Total Department of the Treasury	3.8	-	18.0	-	21.8
<b>Tennessee Valley Authority:</b>					
Commingled funds measured at net asset value	-	-	-	2.1	2.1
Equity securities	1.3	-	-	-	1.3
Corporate debt securities	-	1.4	-	-	1.4
Private equity measured at net asset value	-	-	-	2.4	2.4
Private real assets measured at net asset value	-	-	-	1.5	1.5
Private credit measured at net asset value	-	-	-	0.9	0.9
Other securities	0.6	1.3	0.1	0.5	2.5
Total Tennessee Valley Authority	1.9	2.7	0.1	7.4	12.1
Department of Defense	-	-	-	9.4	9.4
Smithsonian Institution	0.5	-	-	2.0	2.5
All other	-	-	-	0.6	0.6
Total investments	23.8	47.3	18.4	41.3	130.8

<b>Investments as of September 30, 2022</b>					
(In billions of dollars)	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Other</b>	<b>Total</b>
<b>Pension Benefit Guaranty Corporation:</b>					
Asset backed/mortgage backed securities	-	9.7	-	-	9.7
Corporate bonds and other	-	18.3	-	-	18.3
International fixed maturity securities	0.1	5.8	-	-	5.9
Equity securities	2.8	-	-	9.7	12.5
Pooled funds	-	-	-	2.2	2.2
Real estate and real estate investment trusts	1.1	-	-	0.4	1.5
Other securities	-	4.8	0.3	2.3	7.4
Total Pension Benefit Guaranty Corporation	4.0	38.6	0.3	14.6	57.5
<b>Department of the Treasury:</b>					
Investments in Special Purpose Vehicles	-	-	17.8	-	17.8
Other Investments	3.9	-	2.9	-	6.8
Total Department of the Treasury	3.9	-	20.7	-	24.6
<b>National Railroad Retirement Investment Trust:</b>					
U.S. equity	6.4	-	-	-	6.4
Non-U.S. equity	4.9	-	-	-	4.9
Private equity	-	-	-	3.8	3.8
Global fixed income	-	2.1	-	0.5	2.6
Global real assets	0.3	-	-	2.5	2.8
Absolute return mandates	-	-	-	1.0	1.0
Opportunistic mandates	-	-	-	0.7	0.7
Total National Railroad Retirement Investment Trust	11.6	2.1	-	8.5	22.2
<b>Tennessee Valley Authority:</b>					
Commingled funds measured at net asset value	-	-	-	2.4	2.4
Equity securities	1.2	-	-	-	1.2
Corporate debt securities	-	1.4	-	-	1.4
Private equity measured at net asset value	-	-	-	1.9	1.9
Private real assets measured at net asset value	-	-	-	1.5	1.5
Private credit measured at net asset value	-	-	-	0.6	0.6
Other securities	0.7	1.3	0.1	0.5	2.6
Total Tennessee Valley Authority	1.9	2.7	0.1	6.9	11.6
Department of Defense	-	-	-	11.4	11.4
Smithsonian Institution	0.5	-	-	2.1	2.6
All other	-	-	0.1	0.3	0.4
Total investments	21.9	43.4	21.2	43.8	130.3

PBGC, NRRIT, TVA, and Smithsonian 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 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.

PBGC insures 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. 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 Railroad Retirement System. As an investment company, NRRIT is subject to accounting standards for investment companies issued by FASB.

Treasury's investments consist of foreign currency holdings invested in interest bearing securities issued or held through foreign governments or monetary authorities, SPVs, and common stock warrants that include non-federal investment holdings acquired pursuant to the establishment of emergency relief programs in response to the COVID-19 pandemic that are valued at FV. Common stock warrants provide Treasury with the right to purchase shares of common stock of either publicly or non-publicly traded air carriers.

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

Certain other investments reported by DOD represent joint ventures with private developers constructing or improving military housing on behalf of the department. Refer to Note 28—Public-Private Partnerships for additional information.

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

### Investments in Special Purpose Vehicles

The SPVs were established by FRBNY and FRBB for the purpose of making loans, purchasing debt, and other commercial paper of eligible entities affected by COVID-19. The valuation to estimate the investment's FV incorporates forecasts, projections, and cash flow analyses. Changes in valuation, including impairments, are deemed usual and recurring and thus are recorded as exchange transactions on the Statement of Net Cost and investments on the Balance Sheet. For additional information regarding the recording of revenue and the changes in valuation refer to Treasury's financial statements.

Certain lending facilities were implemented through SPVs, which consist of the MSF, MLF, and TALF. The MSF supports lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic and have good post-pandemic prospects. The MLF helps state and local governments manage cash flow pressures while continuing to serve households and businesses in their communities. The TALF supports the flow of credit to consumers and businesses for purposes of stabilizing the U.S. financial system. As of January 8, 2021, the SPVs have ceased purchasing of loan participations, eligible notes, and no new credit extensions have been made. For additional information regarding the SPVs refer to Treasury's financial statements and to Note 27—Disclosure Entities and Related Parties.

### 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 based on observable market data (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets), or that are either directly or indirectly observable for substantially the full term of the asset or liability.
- Level 3—Inputs that are both unobservable and significant to the overall FV measurement.
- Other—This category contains investments in certain commingled funds and partnerships that are measured at FV using NAV practical expedient that are not classified within the FV hierarchy and joint ventures. Please refer to PBGC, NRRIT, TVA, and Smithsonian's financial statements for additional information on investments priced by

NAV per share (or its equivalent) practical expedient and DOD's financial statements for additional information about joint ventures.