

Note 7. Debt and Equity Securities

Debt and Equity Securities as of September 30, 2019 and 2018

(In billions of dollars)	2019			Restated 2018		
	Cost	Adjustment	Book Value	Cost	Adjustment	Book Value
Held-To Maturity						
Debt securities:						
Mortgage/asset backed	0.1	-	0.1	0.2	-	0.2
Equity Securities:						
All other equity securities.....	3.6	-	3.6	3.5	-	3.5
Total Held-To-Maturity (Net Investment)	3.7	-	3.7	3.7	-	3.7
Available-for-Sale:						
Debt Securities:	2.4	0.1	2.5	3.5	0.2	3.7
Total Available-for-Sale (Fair Value)	2.4	0.1	2.5	3.5	0.2	3.7
Trading Securities:						
Debt Securities:						
Non-U.S. government.....	13.0	0.4	13.4	12.9	(0.2)	12.7
Commercial	0.3	-	0.3	0.2	-	0.2
Mortgage/asset backed	5.1	0.2	5.3	3.8	(0.1)	3.7
Corporate and other bonds.....	16.5	1.5	18.0	15.9	(0.2)	15.7
All other debt securities	6.2	4.8	11.0	2.5	(1.0)	1.5
Equity Securities:						
Unit Trust	13.6	7.8	21.4	16.3	9.5	25.8
Common Stocks	2.3	0.1	2.4	2.0	0.3	2.3
All other equity securities.....	15.3	0.2	15.5	16.2	0.9	17.1
Total Trading Securities (Fair Value)	72.3	15.0	87.3	69.8	9.2	79.0
			Total 2019			Total 2018
Total debt and equity securities categorized as held-to-maturity, available-for-sale or trading			93.5			86.4
Total NRRIT debt and equity securities (Fair Value)			24.8			25.8
Total debt and equity securities.....			118.3			112.2

Note: PBGC, NRRIT and TVA primarily invest in trading securities. Treasury invests in held-to-maturity, available-for-sale and trading securities.

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 debt and equity securities 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.

Debt and Equity Securities 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 debt and equity securities	<u>20.5</u>	<u>47.5</u>	<u>-</u>	<u>50.3</u>	<u>118.3</u>
*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 Debt and equity securities table. NRRIT's investments consists of certain U.S. Equity, Non-U.S. Equity and Global Fixed Income securities. Please refer to NRRIT's financial statements for more detailed information concerning these investments.

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 more detailed information on Fair Value Measurement.

In fiscal year 2019, a misstatement related to Smithsonian Institution resulted in an increase of \$1.9 billion to the Trading securities-All other equity securities line and a decrease to Note 9—Other assets for fiscal year 2018.