

FINANCIAL SECTION

Notes to Basic Financial Statements

December 31, 2017 and 2016

At December 31, 2017 and 2016, SERS investments measured at fair value are shown in the following tables:

Investments Measured at Fair Value (2017)

(\$ thousands)

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---------------------------------------|---------------------|---------------------|--------------------|--------------------|
| Fixed income | | | | |
| Government | \$1,854,617 | \$ - | \$1,854,617 | \$ - |
| Corporates | 896,679 | - | 872,672 | 24,007 |
| Asset- and mortgage-backed securities | 758,489 | - | 757,267 | 1,222 |
| Private placements | 448,747 | - | 424,304 | 24,443 |
| Sovereign debt | 258,701 | - | 258,701 | - |
| Agencies | 66,718 | - | 66,718 | - |
| Total fixed income | 4,283,951 | - | 4,234,279 | 49,672 |
| Equity | | | | |
| Domestic common and preferred stocks | 8,947,544 | 8,942,091 | 5,154 | 299 |
| Commingled equity funds | 5,396,139 | 5,396,139 | - | - |
| Foreign common and preferred stocks | 2,066,814 | 2,061,998 | 279 | 4,537 |
| Total equity | 16,410,497 | 16,400,228 | 5,433 | 4,836 |
| Real estate | | | | |
| Value add/opportunistic SMA | 1,055,583 | - | - | 1,055,583 |
| Real estate securities | 235,370 | 235,370 | - | - |
| Total real estate | 1,290,953 | 235,370 | - | 1,055,583 |
| Other investments | | | | |
| Other investments | (599) | (657) | (8) | 66 |
| Total | \$21,984,802 | \$16,634,941 | \$4,239,704 | \$1,110,157 |