PLAN SUMMARY

State of Vermont 940050

Presented by: Gabriel D'Ulisse Vice President and Managing Director

As Of: September 30, 2021

Report contains information up through the last business day of end period.

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Section I Plan Summary

PLAN SUMMARY AND BENCHMARK TRENDS

Plan Summary

Historical Plan Statistics

	10/1/2017 - 9/30/2018	10/1/2018 - 9/30/2019	10/1/2019 - 9/30/2020	10/1/2020 - 9/30/2021
Total Participants Balances	$497,798,091	$507,675,796	$545,383,698	$658,047,333
Contributions*	$15,550,406	$29,355,463	$27,527,432	$29,086,249
Distributions*	($21,925,058)	($34,868,591)	($29,078,244)	($31,293,267)
Cash Flow	($6,374,653)	($5,513,128)	($1,550,812)	($2,207,019)
Market Value Gain / Loss**	$505,033,926	$21,792,184	$42,362,919	$117,507,078
Account Balances				
Average Participant Balance	$67,016	$66,121	$68,922	$81,210
National Average Benchmark**	$97,903	$102,586	$103,108	$110,278
Participation / Deferrals				
Participation Rate	80.3%	83.4%	82.8%	82.0%
National Average Benchmark***	79.3%	79.2%	78.9%	79.0%
Total Participants with a Balance	7,428	7,678	7,913	8,103
Asset Allocation				
% of Plan Assets in Stable Value	19.5%	20.3%	20.6%	17.5%
Prudential % of Plan Assets in Stable Value	*24.5%*	*25.8%*	*22.1%*	*20.7%*
% of Plan Assets for GoalMaker Participants	5.4%	9.5%	12.1%	14.0%
Participation Rate in GoalMaker	11.9%	19.7%	23.7%	27.1%
Number of Participants in GoalMaker	881	1,513	1,875	2,197
Number of Participants in One Fund	1,775	1,764	1,850	1,882
Number of Participants in Four or More Funds	4,185	4,515	4,731	4,925
Distributions				
Number of Distributions*	2,184	3,623	3,605	3,275
Termination	$17,920,020	$26,578,998	$20,974,394	$23,827,376
Hardship	$11,771	$131,803	$58,718	$18,727
In Service	$51,622	$135,765	$243,372	$6,830
Coronavirus-Related Withdrawal	$0	$0	$609,105	$442,283
Amount of Distributions	$21,925,058	$34,868,591	$29,078,244	$31,293,267
Amount of Distributions Representing Rollovers	$15,525,921	$22,877,814	$17,825,540	$20,549,406
% of Assets Distributed*	4.4%	6.9%	5.3%	4.8%

**Includes Rollovers, Coronavirus-Related Distributions & Repayments, and Qualified Birth or Adoption Distributions & Repayments if applicable on the plan.*

***This is not the equivalent of a plan level return on investment due to the timing of additions, distributions and underlying investment performance.*

****External Benchmark Source: PLANSPONSOR Defined Contribution Annual Survey*

Plan Summary

Plan Demographics Summary

	1/1/2020-9/30/2020	1/1/2021-9/30/2021
Total Participants*	7,913	8,103
Active Participants	5,761	5,815
Terminated Participants	2,139	2,273
Other Participants**	0	1
Multiple Status Participants***	13	14
Average Participant Balance	$68,922	$81,210
Average Account Balance for Active Participants	$57,948	$68,836
Median Participant Balance	$25,161	$28,909
Median Participant Balance for Active Participants	$20,761	$24,666
Participants Age 50 and Over	4,625	4,738
Total Assets for Participants Age 50 and Over	$456,343,391	$549,930,062
Total (Contributions + Rollovers In)	$21,113,258	$22,344,873
Employee Contributions	$19,006,473	$20,040,031
Rollovers In	$2,106,785	$2,304,842
Total Distributions	($21,020,717)	($23,125,813)
Percentage of Assets Distributed	3.9%	3.5%
Market Value Gain / Loss****	$39,722,147	$115,749,417
Total Participant Balances	$545,383,698	$658,047,333

**Participant(s) with an account balance greater than $0.*

***Participant(s) who are not active, terminated or suspended, but have an account balance greater than $0 (e.g. break-in-service, rehire, etc.).*

**** Participant(s) with an account balance greater than $0 in more than one participant status category (e.g. Active status in one subplan but Terminated status in another subplan).*

*****This is not the equivalent of a plan level return on investment due to the timing of additions, distributions and underlying investment performance.*

Rollovers In is the total dollars credited to participant accounts within the period defined that originated in other qualified retirement plan accounts.

Plan Summary

Plan Features

GoalMaker	9/30/2020	9/30/2021
Plan Assets for Participants in GoalMaker	$65,946,706	$91,966,555
% of Plan Assets for GoalMaker Participants	12.1%	14.0%
# of Participants in GoalMaker	1,875	2,197
Participation Rate in GoalMaker	23.7%	27.1%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	9/30/2020	9/30/2021
Roth Assets	$16,671,253	$24,231,344
# of Participants in Roth	1,623	1,784
Participation Rate in Roth	20.5%	22.0%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

Stable Value	9/30/2020	9/30/2021
Participation Rate in Stable Value	60.1%	58.6%
% of Plan Assets in Stable Value	20.6%	17.5%
Prudential % of Plan Assets in Stable Value - As of 12/31/2020	20.7%	

eDelivery	9/30/2020	9/30/2021
# of Participants Enrolled in eDelivery	4,201	4,572
# of Participants Affirmatively Elected eDelivery	4,201	4,555
# of Participants Defaulted into eDelivery	0	17
% of Participants in eDelivery	52.7%	55.8%
Prudential % of Participants in eDelivery - As of 12/31/2020	50.4%	

Enrollment by Age Group

1/1/2021-9/30/2021								
	Less than 25	25-34	35-44	45-54	55-64	65+	Unknown	Grand Total
Total	38	152	117	79	42	4	1	433

Participant Activity

Call Center	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021
Total Call Volume	1,595	1,643

Transaction Summary

Transactions	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021
Total Enrollees*	287	433
Number of Participants with Transfers	2,357	4,645
Distributions	2,457	2,442

*Number of participants that were enrolled into the plan within the reporting period. This can include those individuals who self enrolled or auto enrolled, if applicable on the plan. Rehires may not be included if their original enrollment date falls outside the reporting period.

eDelivery by Document Type	9/30/2020	9/30/2021
Statements	4,111	4,468
Confirms	4,195	4,554
Tax Forms	4,123	4,474
Plan Related Documents	N/A	4,538

Plan Summary

Benchmark Trends – Plan Features

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2020**	Plan Sponsor Survey 2021***
Auto Enrollment (Administered Through Prudential)	N/A	56.2%	34.6%	48.2%	49.1%
Auto Enrollment Default Rate	N/A	3% (43.5% of Plans)	16.7%	39.5%	36.0%
Contribution Accelerator (Administered Through Prudential)	N/A	56.1%	34.0%	40.0%	42.3%
GoalMaker®	Yes	65.1%	N/A	N/A	N/A
Investment Options	24.0	13.5	20.2	22.9	22.7
IncomeFlex®	N/A	26.5%	20.0%	9.2%	11.1%
Loans	N/A	63.5%	66.0%	82.0%	80.5%
Plan Allows Roth	Yes	34.0%	72.0%	76.9%	81.1%
Plan Allows Catch-Up Contributions (Administered Through Prudential)	Yes	48.1%	N/A	N/A	N/A
Default eDelivery	No	N/A	N/A	N/A	N/A

Prudential's Book of Business averages are as of 12/31/2020

External Benchmark Source: **PLANSPONSOR Defined Contribution Annual Survey**

*Annual Survey, 2021 (Industry Specific Results) – Government Municipal

**2020 Annual Survey, 2020 (Overall)

***2021 Annual Survey, 2021 (Overall)

Plan Summary

Benchmark Trends – Participant Behavior

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2020**	Plan Sponsor Survey 2021***
Participation Rate	81.2%	70.5%	76.6%	78.9%	79.0%
Average Contribution Rate (%)	N/A	7.7%	6.8%	7.1%	7.5%
Average Account Balance	$81,210	$80,721	$89,180	$103,108	$110,278
Median Account Balance	$28,909	$77,565	$67,239	$79,970	$83,441
% of Plan Assets in Stable Value	17.5%	20.7%	0.0%	N/A	N/A
% of Plan Assets in Day One Funds	N/A	1.3%	0.0%	N/A	N/A
Average # of Funds Held	5.3	5.2	6.7	6.3	5.0
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.1%	0.0%	N/A	N/A
% of Participants Utilizing GoalMaker®	27.1%	52.2%	0.0%	N/A	N/A
% of Participants have Outstanding Active Loans	N/A	12.2%	18.3%	14.2%	12.8%
Average Loan Balance	N/A	$7,891	$9,939	$10,121	$10,709
% of Participants Utilizing eDelivery	55.8%	50.4%	N/A	N/A	N/A

Prudential's Book of Business averages are as of 12/31/2020

External Benchmark Source: **PLANSPONSOR Defined Contribution Annual Survey**

*Annual Survey, 2021 (Industry Specific Results) – Government Municipal

**2020 Annual Survey, 2020 (Overall)

***2021 Annual Survey, 2021 (Overall)

Plan Summary

Asset Allocation/Net Activity By Age

January 1, 2021 to September 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	$338,623	$13,898,666	$46,160,890	$126,067,147	$208,600,132	$262,981,875	$658,047,333
% Assets	0.1%	2.1%	7.0%	19.2%	31.7%	40.0%	100.0%
Average Contribution Rate ($)	$0	$40	$52	$196	$298	$406	$246
Contributions	$148,929	$1,940,108	$3,420,571	$5,805,161	$7,013,085	$1,712,178	$20,040,031
Rollovers In*	$4,763	$554,485	$240,895	$688,039	$278,399	$538,261	$2,304,842
Total (Contributions + Rollovers In)	$153,691	$2,494,592	$3,661,466	$6,493,200	$7,291,484	$2,250,439	$22,344,873
Cash Distributions	($7,267)	($123,710)	($221,219)	($1,162,564)	($2,091,773)	($4,662,140)	($8,268,674)
Rollovers Out	($1,536)	($241,921)	($183,598)	($1,418,941)	($6,180,661)	($6,830,482)	($14,857,138)
Total (Cash Distributions + Rollovers Out)	($8,803)	($365,632)	($404,818)	($2,581,505)	($8,272,433)	($11,492,622)	($23,125,813)
Net Activity	$144,888	$2,128,961	$3,256,649	$3,911,695	($980,949)	($9,242,183)	($780,940)
Total Participants**	82	1,019	1,447	1,879	2,010	1,668	8,105
Average Account Balance	$4,130	$13,640	$31,901	$67,093	$103,781	$157,663	$81,190
Prudential Avg. Account Balance as of 12/31/2020	*$3,940*	*$17,635*	*$49,972*	*$97,117*	*$136,242*	*$138,917*	*$80,721*
Median Account Balance	$1,995	$6,568	$15,585	$29,765	$53,930	$79,124	$28,909
Prudential Median Account Balance as of 12/31/2020	*$4,404*	*$14,335*	*$34,065*	*$58,607*	*$86,341*	*$121,113*	*$77,565*

*Rollovers In is the total dollars credited to participant accounts within the period defined that originated in other qualified retirement plan accounts.

**Total column for participant count is a sum of participants across each age group. E.g. If a participant has both a main account and beneficiary account within different age groups (decedent's date of birth), that participant will be counted twice.

RETIREMENT READINESS

Plan Summary

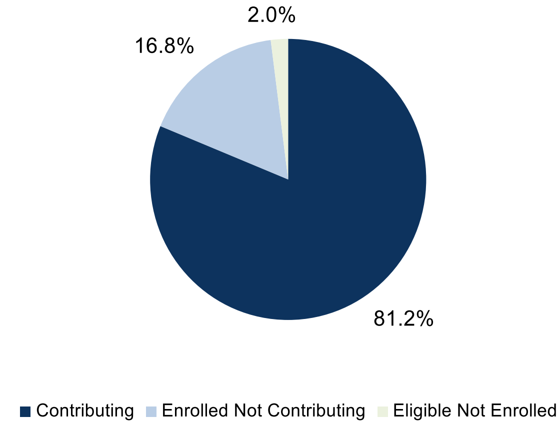
Participation Rate

	1/1/2020-9/30/2020	1/1/2021-9/30/2021
Total Eligible To Contribute Population	**5,970**	**6,045**
Contributing (A)	4,897	4,908
Enrolled Not Contributing (B)	937	1,015
Eligible Not Enrolled (C)	136	122

	1/1/2020-9/30/2020	1/1/2021-9/30/2021
Participation Rate *	**82.0%**	**81.2%**
Prudential Book of Business 12/31/2020	70.5%	
Plan Sponsor Survey 2021 - National Average	79.0%	

** Participation Rate is calculated by A/(A+B+C)*

1/1/2021-9/30/2021



Definitions:

Contributing – Count of participants who are active/eligible and have a contribution rate (%) or amount ($) greater than zero (as of close of business on the last business day of the period).

Enrolled Not Contributing – An individual who is enrolled in the plan, but does not have a contribution rate (%, $) greater than zero (as of close of business on the last business day of the period).

Eligible Not Enrolled – An individual who meets the requirements to join the plan, but has not enrolled in the plan (as of close of business on the last business day of the period).

Due to rounding, pie chart may not equal 100%

PLAN ACTIVITY

Plan Summary

Contributions by Fund

INVESTMENT OPTIONS	1/1/2020 - 9/30/2020	%	1/1/2021 - 9/30/2021	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	$2,493,614	13.1%	$2,600,696	13.0%	$107,082	4.3%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$1,735,389	9.1%	$2,001,046	10.0%	$265,657	15.3%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$1,451,838	7.6%	$1,602,807	8.0%	$150,969	10.4%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$1,369,623	7.2%	$1,537,388	7.7%	$167,765	12.2%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$1,425,255	7.5%	$1,460,472	7.3%	$35,217	2.5%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,344,219	7.1%	$1,410,967	7.0%	$66,748	5.0%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,345,347	7.1%	$1,331,153	6.6%	($14,194)	-1.1%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$1,154,057	6.1%	$1,169,074	5.8%	$15,017	1.3%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$1,021,114	5.4%	$1,101,194	5.5%	$80,080	7.8%
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$0	0.0%	$984,943	4.9%	$984,943	N/A
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$1,008,586	5.3%	$926,794	4.6%	($81,793)	-8.1%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,468,696	7.7%	$677,586	3.4%	($791,110)	-53.9%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$571,397	3.0%	$639,694	3.2%	$68,297	12.0%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$456,768	2.4%	$504,480	2.5%	$47,712	10.4%
DODGE & COX BALANCED FUND	$444,670	2.3%	$444,892	2.2%	$222	0.0%
DODGE & COX INTERNATIONAL STOCK FUND	$432,541	2.3%	$389,225	1.9%	($43,316)	-10.0%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$243,879	1.3%	$251,987	1.3%	$8,109	3.3%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$285,560	1.5%	$241,675	1.2%	($43,884)	-15.4%
CALVERT BOND FUND CLASS I	$184,030	1.0%	$178,906	0.9%	($5,124)	-2.8%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$151,722	0.8%	$152,016	0.8%	$294	0.2%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$108,713	0.6%	$118,392	0.6%	$9,679	8.9%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$84,339	0.4%	$116,798	0.6%	$32,459	38.5%
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$101,531	0.5%	$99,564	0.5%	($1,967)	-1.9%
FPA NEW INCOME FUND	$123,588	0.7%	$98,284	0.5%	($25,304)	-20.5%
Total Assets Contributed	$19,006,473	100.0%	$20,040,031	100.0%	$1,033,558	5.4%

Plan Summary

Interfund Transfers

1/1/2021 to 9/30/2021

INVESTMENT OPTIONS	IN	OUT	NET
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$61,472,251	($2,730,800)	$58,741,451
STATE OF VERMONT STABLE VALUE FUND	$8,856,562	($6,089,178)	$2,767,384
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$4,452,677	($3,016,036)	$1,436,641
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$2,360,280	($1,436,841)	$923,439
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$998,132	($422,961)	$575,171
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$3,343,541	($3,095,606)	$247,935
FPA NEW INCOME FUND	$642,051	($418,472)	$223,578
DODGE & COX BALANCED FUND	$1,243,307	($1,128,421)	$114,887
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$364,527	($271,887)	$92,640
CALVERT BOND FUND CLASS I	$579,863	($525,614)	$54,249
SELF DIRECTED BROKERAGE ACCOUNT	$56,917	($10,500)	$46,417
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$569,572	($555,306)	$14,266
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$241,783	($268,690)	($26,907)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$912,475	($1,044,690)	($132,216)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$159,044	($293,013)	($133,969)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$373,773	($667,304)	($293,532)
DODGE & COX INTERNATIONAL STOCK FUND	$537,386	($891,319)	($353,933)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$436,423	($838,628)	($402,205)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,555,293	($2,004,057)	($448,764)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,041,298	($1,497,752)	($456,454)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$722,700	($1,252,781)	($530,081)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$2,654,646	($3,189,276)	($534,630)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$1,032,513	($1,605,483)	($572,969)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$1,704,823	($2,987,801)	($1,282,978)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,959,784	($62,029,203)	($60,069,420)
TOTAL	$98,271,620	($98,271,620)	$0

Plan Summary

Participant Distribution Statistics

	Amount of Withdrawals Taken				# of Withdrawals			
Distribution Type	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021	Change	% Change	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021	Change	% Change
Termination	$15,869,958	$17,353,909	$1,483,951	9%	918	872	(46)	(5%)
Death Distribution	$1,568,708	$1,859,718	$291,010	19%	55	62	7	13%
Direct Transfer	$940,874	$1,230,835	$289,961	31%	24	40	16	67%
Installment Payment	$1,375,864	$1,598,208	$222,344	16%	1,279	1,315	36	3%
Required Minimum Distribution	$480,123	$899,782	$419,659	87%	80	140	60	75%
Coronavirus-Related Distribution	$609,105	$0	($609,105)	(100%)	29	0	(29)	(100%)
QDRO	$326	$159,373	$159,046	48,717%	2	3	1	50%
In-Service Withdrawal	$104,826	$6,830	($97,995)	(93%)	4	3	(1)	(25%)
Hardship Withdrawal	$45,343	$15,227	($30,116)	(66%)	6	2	(4)	(67%)
Return of Excess Deferrals/Contributions	$25,574	$99	($25,475)	(100%)	59	1	(58)	(98%)
Gross Adjustment	$16	$1,832	$1,816	11,105%	1	4	3	300%
Grand Total	**$21,020,717**	**$23,125,813**	**$2,105,096**	**10%**	**2,457**	**2,442**	**(15)**	**(1%)**

1/1/2021 - 9/30/2021						
	Amount of Withdrawals Taken			# of Withdrawals		
Distribution Sub-Type	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	$914,669	$13,942,470	$14,857,138	35	124	159
Cash	$626,663	$7,642,012	$8,268,674	50	2,233	2,283
Grand Total	**$1,541,331**	**$21,584,481**	**$23,125,813**	**85**	**2,357**	**2,442**

Termination - A withdrawal that is taken when the participant is active and terminating from employment or is already in a 'Terminated' status.

Death Distribution - Distribution taken by a beneficiary. This could include required minimum distributions, installment payments, etc.

Direct Transfer - Non-taxable transfer of participant assets from one type of tax-deferred retirement plan or account to another.

Installment Payment - An Installment distribution is a payment option that disburses funds over time (i.e. monthly, quarterly, yearly).

Required Minimum Distribution - Minimum amounts that a participant must withdraw annually upon reaching a certain age or retirement. This would exclude any beneficiary or QDRO accounts.

Coronavirus-Related Distribution - A distribution that is requested by a participant in which they meet certain qualifications under the CARES Act. Note, the 59 ½ early withdrawal tax penalty does not apply.

QDRO - Distribution taken by the recipient of a QDRO. This could include required minimum distributions, installment payments, etc.

In-Service Withdrawal - A distribution that is taken while the participant is still active, before termination from employment.

Hardship Withdrawal - A distribution which is requested by a participant because of an immediate and heavy financial need that cannot be satisfied from other resources.

Return of Excess Deferrals/Contributions - Could include Actual Contribution Percentage (ACP), Actual Deferral Percentage (ADP), Excess Deferrals, Excess Annual Editions and/or Ineligible Contributions.

Gross Adjustment - The total of all adjustments made to an account or plan in absolute terms, regardless of whether or not the adjustments were positive or negative.

Plan Summary

Participant Transaction Statistics

	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021	7/1/2021 - 9/30/2021
Call Center				
Unique Callers	323	375	326	324
Total Call Volume	511	573	526	544
Participant Website				
Registered Participants	5,702	5,723	5,745	5,759
Unique Web Logins	2,606	3,042	2,906	2,924
Total Web Logins	35,108	37,625	43,823	43,948

Call Center Reason Category	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021	7/1/2021 - 9/30/2021
Account Explanations	124	136	136	121
Allocation Changes & Exchange	6	10	7	10
Contributions	19	23	22	23
Disbursements	256	287	266	285
Enrollments	2	1	2	2
Forms	20	3	2	4
Fund Information	3	7	6	7
Hardships	5	9	15	10
IFX	0	0	0	0
IVR or Web Assistance	15	17	13	19
Loans	3	3	0	3
Other	24	24	19	19
Payment Questions	0	0	0	0
Plan Explanations	10	13	16	22
Regen Reg Letter	0	0	0	0
Status of Research	2	2	4	2
Tax Information	0	20	7	0
Website Processing	22	18	11	17
Total	511	573	526	544

Definitions:

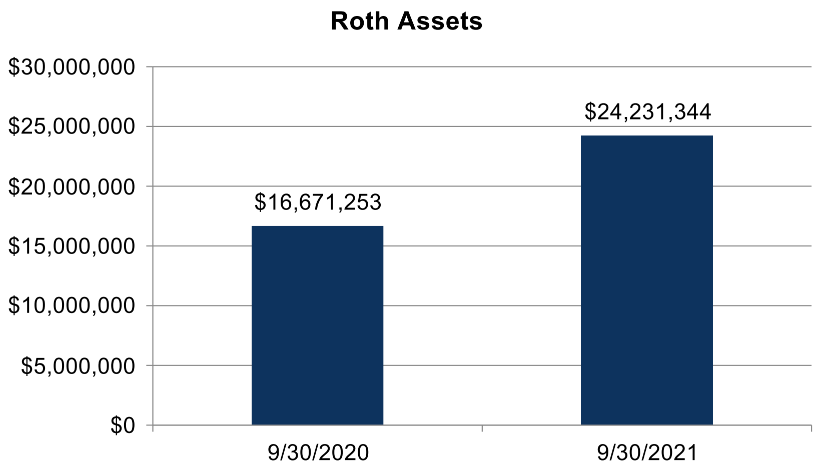
Unique Callers – The number of individuals that spoke to a Participant Service Center Representative during the reporting period (e.g., If the same individual called five times during the reporting period, they would only be counted once).

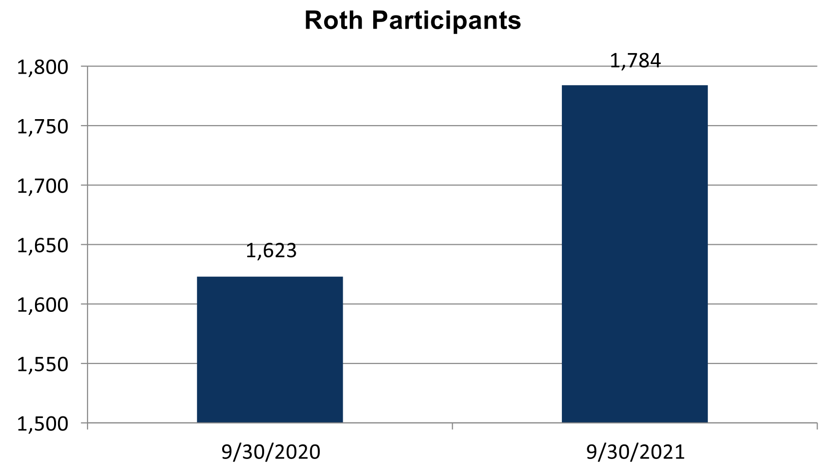
Total Call Volume – The number of calls to a Participant Service Center Representative during the reporting period (e.g., If the same individual called five times during the reporting period, they would be counted five times).

Registered Participants - The total number of individuals that established an account as of the reporting end date, for which they can access their retirement plan via the Participant Website.

Plan Summary

Roth Summary



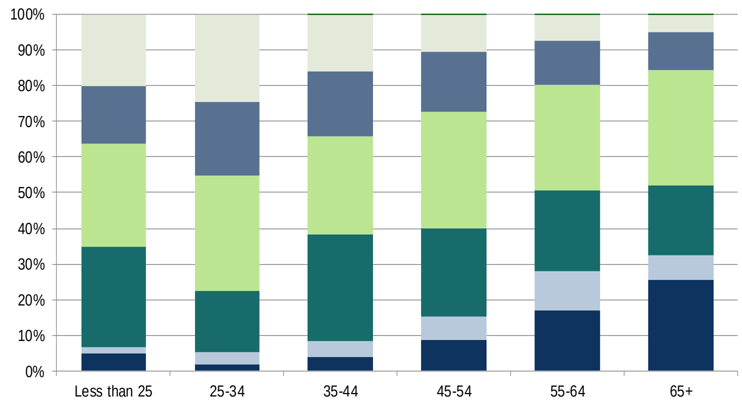


	9/30/2020	9/30/2021
Roth Assets	$16,671,253	$24,231,344
# of Participants in Roth	1,623	1,784
Partcipation Rate in Roth	20.5%	22.0%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

INVESTMENT DIVERSIFICATION

Plan Summary

Assets by Asset Class and Age
As of September 30, 2021



Asset Allocation

Asset Class	Your Plan Assets as of 9/30/2021	Your Plan % as of 9/30/2021
Stable Value	$115,475,018	17.6%
Fixed Inc-Domestic	$52,063,507	7.9%
Allocation	$146,833,957	22.3%
Equity - U.S. Large	$204,943,076	31.1%
Equity - U.S. Mid/Small	$85,598,243	13.0%
Equity - Glbl / International	$52,171,551	7.9%
Alternative / Other	$961,979	0.2%
Total Participant Balances	$658,047,333	100.0%

Fund Utilization By Age
As of September 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	25	214	314	393	455	482	1,883
Average # of Funds per Participant	4.1	5.8	6.2	5.6	5.1	4.1	5.3
Prudential Participants Avg. # of Funds per Participant as of 12/31/2020	*5.1*	*5.3*	*5.4*	*5.4*	*5.2*	*4.2*	*5.2*
% of Plan Assets in Stable Value	5.0%	1.9%	3.8%	8.6%	17.0%	25.5%	17.5%
Prudential % of Plan Assets in Stable Value as of 12/31/2020	*7.4%*	*6.7%*	*9.0%*	*13.8%*	*24.0%*	*38.3%*	*20.7%*
Self Directed Brokerage Account # of Participants	0	0	2	3	5	3	13

Plan Summary

Utilization by Fund

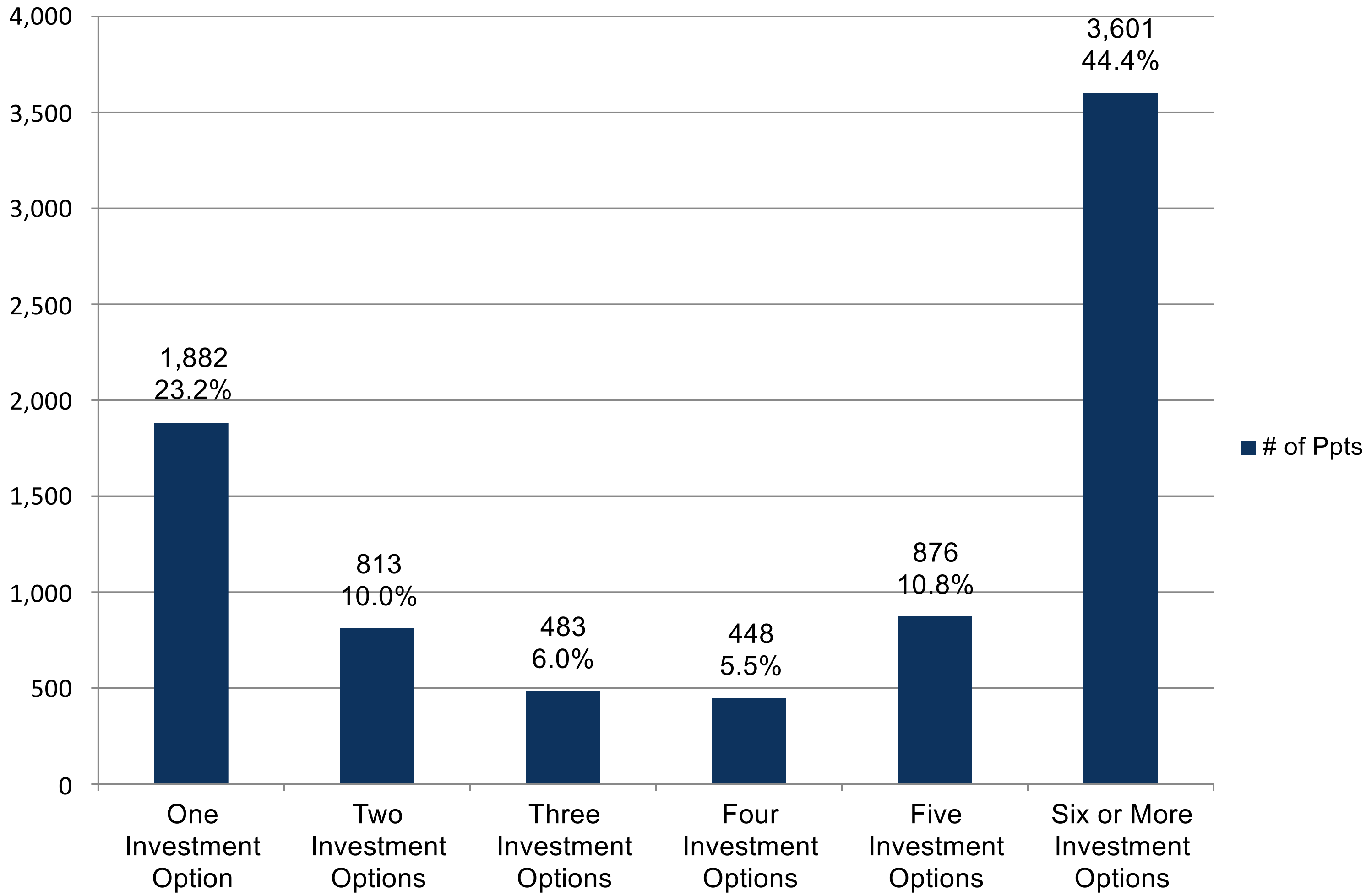
as of September 30, 2021

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	$115,475,018	17.5%	4,747	514
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$73,588,048	11.2%	2,370	88
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$60,096,125	9.1%	4,417	19
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$46,408,881	7.1%	4,400	8
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$42,847,093	6.5%	4,299	9
DODGE & COX BALANCED FUND	$40,321,248	6.1%	977	47
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$39,189,362	6.0%	4,378	13
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$32,687,375	5.0%	525	212
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$32,623,401	5.0%	3,112	8
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$28,952,872	4.4%	3,677	0
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$28,745,695	4.4%	613	254
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$28,411,811	4.3%	658	33
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$19,797,415	3.0%	539	268
DODGE & COX INTERNATIONAL STOCK FUND	$13,107,289	2.0%	1,681	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$11,269,940	1.7%	248	95
FPA NEW INCOME FUND	$7,147,169	1.1%	334	6
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$6,787,127	1.0%	1,583	7
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$6,671,892	1.0%	1,542	2
CALVERT BOND FUND CLASS I	$5,621,046	0.9%	1,273	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$5,327,406	0.8%	229	40
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$5,298,670	0.8%	389	249
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$3,386,209	0.5%	197	2
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$3,324,263	0.5%	565	3
SELF DIRECTED BROKERAGE ACCOUNT	$961,979	0.1%	13	0
Total	$658,047,333	100.0%		

*The funds in **bold** type denote inclusion in the GoalMaker® product.*

Plan Summary

Investment Utilization
as of September 30, 2021



Due to rounding, bar graph may not equal 100%

Plan Summary

GoalMaker® Participation

as of 9/30/2021

	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Plan Assets for Participants in GoalMaker	$75,671,401	$81,793,067	$89,075,987	$91,966,555
# of Participants in GoalMaker	1,922	2,022	2,125	2,197
Participation Rate in GoalMaker	24.2%	25.3%	26.4%	27.1%
% of Plan Assets for GoalMaker Participants	12.6%	13.0%	13.5%	14.0%

Prudential Book of Business For Plans Offering GoalMaker – As of 12/31/2020

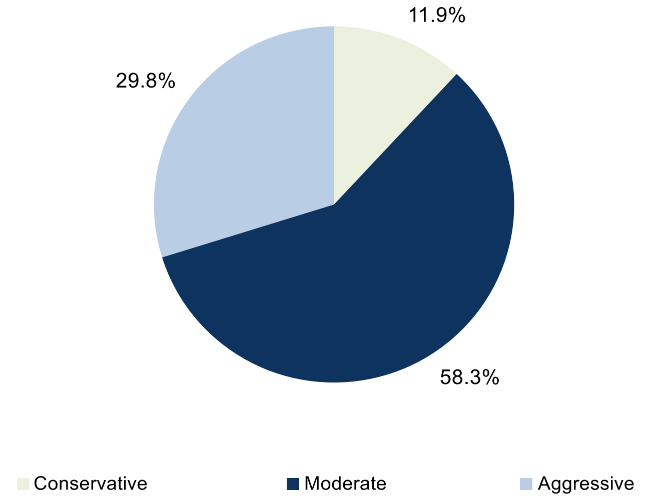
The participation rate in GoalMaker is 52.2%.

The percentage of plan assets for GoalMaker participants is 20.9%.

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	2	0	9	2	26	9	48
25-34	23	1	172	17	264	21	498
35-44	29	2	234	15	216	15	511
45-54	41	4	286	23	166	14	534
55-64	74	15	279	25	89	9	491
65+	20	13	47	24	7	4	115
Total	189	35	1,027	106	768	72	2,197

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	$11,739	$0	$26,690	$11,689	$118,789	$15,628	$184,536
25-34	$118,657	$7,494	$1,934,222	$145,193	$3,672,093	$255,752	$6,133,410
35-44	$459,479	$21,136	$4,643,008	$171,950	$5,645,436	$206,716	$11,147,725
45-54	$1,427,689	$208,118	$12,503,592	$851,029	$7,511,421	$779,118	$23,280,966
55-64	$3,890,833	$1,060,303	$19,564,667	$2,326,934	$6,581,897	$1,355,763	$34,780,397
65+	$2,037,547	$1,717,396	$5,848,226	$5,569,378	$925,477	$341,497	$16,439,521
Total	$7,945,943	$3,014,446	$44,520,404	$9,076,173	$24,455,114	$2,954,475	$91,966,555

Percentage of Assets by GoalMaker® Participation Portfolio As of 9/30/2021



2.3 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

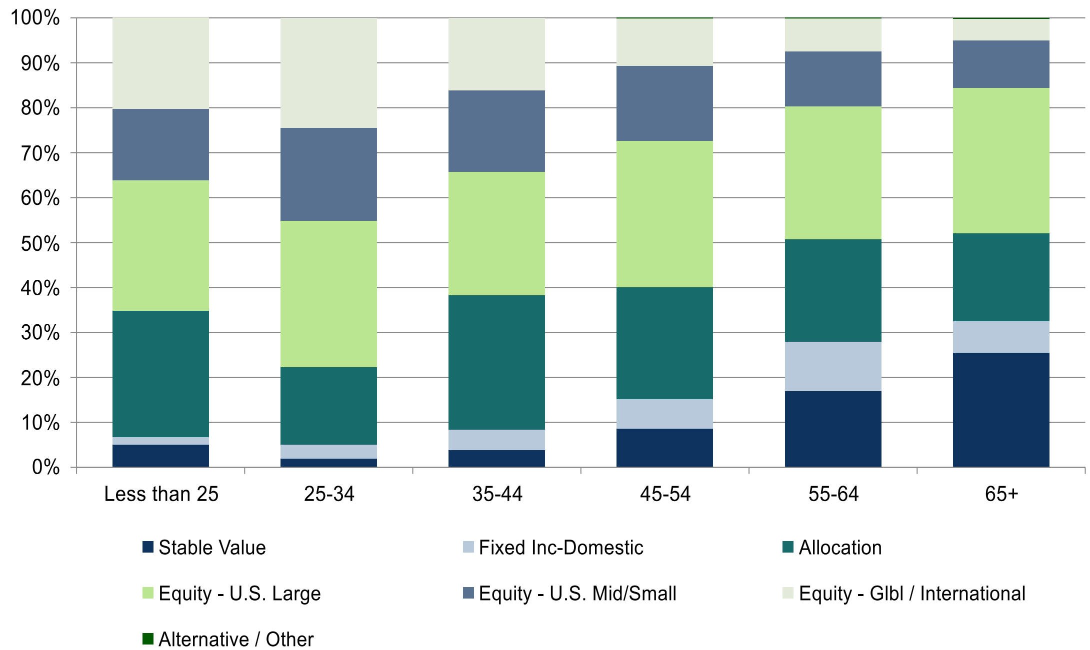
27.1%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

Plan Summary

Asset Allocation by Age Group



As of September 30, 2021

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	$17,023	$265,648	$1,766,996	$10,853,598	$35,409,471	$67,162,282	$115,475,018
Fixed Inc-Domestic	$5,642	$445,730	$2,102,760	$8,270,159	$22,850,453	$18,388,763	$52,063,507
Allocation	$95,469	$2,388,384	$13,837,826	$31,446,858	$47,638,524	$51,426,897	$146,833,957
Equity - U.S. Large	$97,972	$4,528,884	$12,636,187	$40,981,645	$61,592,076	$85,106,312	$204,943,076
Equity - U.S. Mid/Small	$53,958	$2,872,454	$8,386,890	$21,124,222	$25,423,656	$27,737,063	$85,598,243
Equity - Glbl / International	$68,558	$3,397,566	$7,417,108	$13,210,828	$15,445,089	$12,632,402	$52,171,551
Alternative / Other	$0	$0	$13,121	$179,838	$240,864	$528,157	$961,979
Total Assets	$338,623	$13,898,666	$46,160,889	$126,067,147	$208,600,132	$262,981,875	$658,047,333
% of Assets	0.1%	2.1%	7.0%	19.2%	31.7%	40.0%	100.0%
Total Participants	82	1,019	1,447	1,879	2,010	1,668	8,105
Avg Account Balance	$4,130	$13,640	$31,901	$67,093	$103,781	$157,663	$81,190

Plan Summary

Rep Stats

	10/1/2020-12/31/2020	1/1/2021-3/31/2021	4/1/2021-6/30/2021	7/1/2021-9/30/2021	Total
Group Presentations	14	17	10	9	50
Individual Participant Meetings	480	748	841	794	2,863
New Enrollments as a result of Group/Individual Meeting*	50	95	122	122	389
GoalMaker as a result of Group/Individual Meeting*	56	106	111	101	374
Contribution Rate Increases	96	177	120	120	513
Number of Rollovers	17	20	25	13	75
Rollover Dollars	$131,000	$601,000	$978,000	$452,000	$2,162,000

*Enrollments above obtained by TDA Education Representatives

Plan Summary

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 9/30/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	$3,890,074	150	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$522,835	71	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$4,922,735	1,115	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$423,015	8	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$450,559	13	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$4,577	1	
940050 - 457b Plan					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$3,324,263	565	
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	$3,386,209	197	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$6,671,892	1,542	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	$28,411,811	658	

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 9/30/2021

Market-to-Book Value Ratio 102.22%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	9/30/2021	
1 MONTH	0.16%	0.01%
3 MONTH	0.51%	0.01%
YTD	1.55%	0.04%
1 YEAR	2.12%	0.07%
3 YEAR	2.40%	1.18%
5 YEAR	2.36%	1.16%
10 YEAR	2.39%	0.63%
SINCE INCEPTION	2.47%	N/A

Plan Summary

Assets and contributions reflect actual participant account balances and do not include outstanding loan balances, forfeitures, and / or expense account assets.

Customer should promptly report any inaccuracy or discrepancy to the brokerage firm(s).

All oral communications should be re-confirmed in writing to protect the customer's legal rights, including rights under the Securities Investor Protection act (SIPA).

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Section II Economic Outlook

Prudential
Bring Your Challenges®

Economic Perspective

October 4, 2021

QUARTERLY ECONOMIC REVIEW AND OUTLOOK

by **Robert F. DeLucia, CFA**
Consulting Economist

Summary and Major Conclusions:

Following a decade of balance sheet deleveraging, households are in extremely strong financial health. The consumer sector is crucial for a sustained revival in GDP growth. Purchases of consumer goods will be sparked by resolved supply bottlenecks, while consumer services will benefit from improved public health conditions. Households will allocate a larger share of spending from goods to services over the next two years. Overall, private consumption should grow by 4% in 2022 and 2.5% in 2023.

- Both the US and global economies experienced a considerable loss of momentum during the third quarter because of the direct and indirect impact of the raging fourth wave of the COVID-19 pandemic.

- Weakness in retail sales can be attributed to shortages of vital materials and components in the production of consumer durable goods, most notably autos, major appliances, and electronic goods.

- Spending on consumer services has been even more severely impacted by the pandemic. Retrenchment by consumers is manifested in ongoing weakness in hotel bookings, restaurant attendance, airline travel, and spending for personal care and hygiene services.

- The labor market has been negatively impacted by the Delta variant of COVID-19, as manifested in acute shortages of both skilled and unskilled workers, thereby contributing to lost production and sales along with artificially slow growth in hiring.

- I have downgraded my forecast for third quarter real GDP growth from 6.5% to 4%. Weakness in final demand could be offset by strength in business investment along with increased manufacturing production to rebuild inventories from exceptionally low levels.

- The corporate sector continues to benefit from the reopening of the economy, growth in spending and output, and tight controls over costs. Third quarter earnings increased by an estimated 25% to 30% with revenue growth of 10% to 15%.

- Net profit margins stabilized at an estimated 13.0% in Q3, comparable to the previous quarter, and the highest level on record. Many companies are reporting that they can raise selling prices to offset rising input costs.

- Official data on inflation continue to reflect widespread increases in selling prices, albeit at a slower pace than earlier in the year. The core Consumer Price Index rose at an annual rate of 3.5% in the third quarter, a decline from the 6% spike in Q2.

- Average hourly earnings of production workers rose at a 6% annual rate in the quarter, well above the 12-month average increase of 4.5%. Inflation in goods, services, and wages during this year are rising at the fastest pace since the 1990s.

- The economy will remain hostage to COVID-19 until conditions begin to improve. While it is unlikely that the high level of infections and hospitalizations will derail the expansion, the future path of the pandemic will clearly influence the growth rates in spending, output, and employment.

- My forecast assumes that public health conditions will gradually improve over the next three to six months. The current fourth wave of the pandemic could peak in the fall and early winter, sparking a revival in economic activity early in the new year.

- The domestic economy is poised to strengthen significantly over the next year as the adverse effects of the pandemic fade. The most important driver of the economy over this period will be healthy growth in household income and employment.

- The extremely strong demand for labor reflects buoyant optimism in the business sector. This same optimism bodes well for business investment in equipment and software, supported by strong profits and cash flow and an extremely attractive cost of capital.

- Following a decade of balance sheet deleveraging, households are in extremely strong financial health. Debt and liquidity ratios are the most favorable in decades, cash savings are elevated, and wage and salary income is growing at a 10% annual rate.

- While monetary policy will ultimately shift from a tailwind to a headwind, the Federal Reserve should remain highly expansionary for another year, at a minimum. Because of normal time lags, monetary policy is unlikely to impact economic growth until 2023.

- The economic stimulus from fiscal policy could downshift significantly in 2022 and 2023 but should remain positive. Time lags associated with massive COVID-relief government payouts in spending are resulting in a shift in actual spending from 2021 to 2022.

- I have lowered my assumptions for economic growth for this year but raised my forecast for 2022, as lost spending and output will likely be pushed from 2021 to 2022. I expect US real GDP to increase by 5.5% this year and by 5% in 2022.

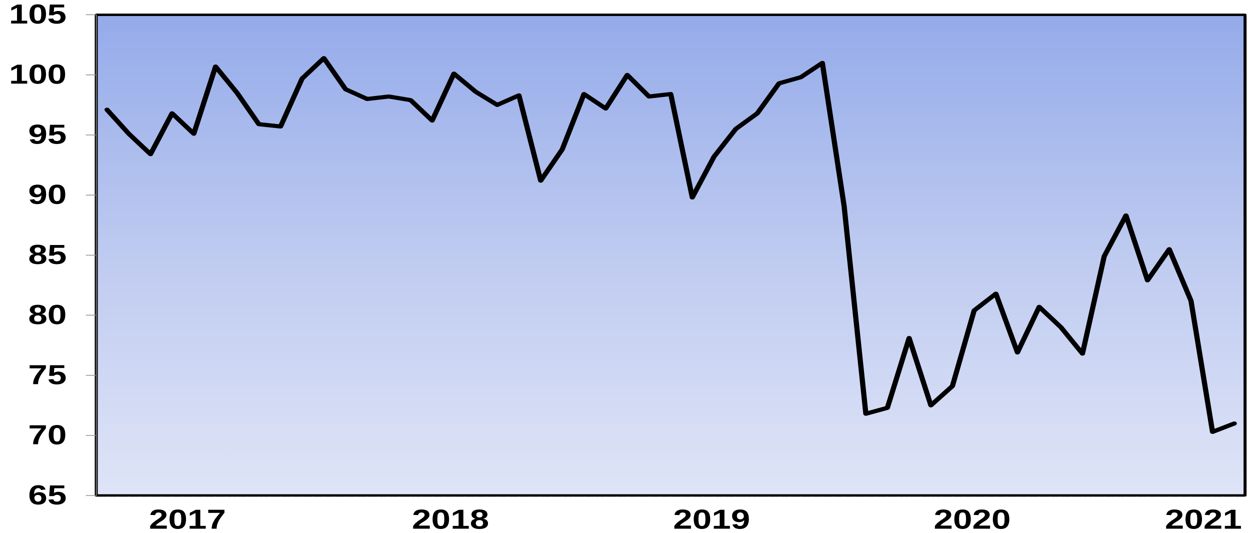
- My forecast for inflation is unchanged. I expect the recent surge in prices caused by supply-chain disruptions to moderate over the next year, ushering in a temporary period of disinflation. Inflation is likely to reverse direction once again in 2023 as the domestic economy reaches full employment.

- As in the US, the outlook for the global economy is heavily dependent upon the future path of the COVID-19 pandemic and the pace of vaccinations. Another driver of growth pertains to the outlook for consumer spending in China and the US, the two primary global growth engines and catalysts for world trade.

- World GDP is reliant on a resolution of the current widespread disruptions in distribution and output, mainly in Asia. A reopening of factories should ease supply-chain pressures and result in declines in shipping rates and world inflation in general, a prerequisite for healthy global growth.

- My forecast assumes world GDP growth of 6% this year followed by further growth of 5% in 2022 and 3.5% in 2023. The eurozone could grow by 5% this year and another 4.5% in 2022, its fastest growth rates in more than 20 years, and more than double its long-term average of 1.5%.

Chart 1: Delta Variant Triggers a Slide in Consumer Confidence
Index of Consumer Sentiment
Source: University of Michigan



ECONOMIC REVIEW

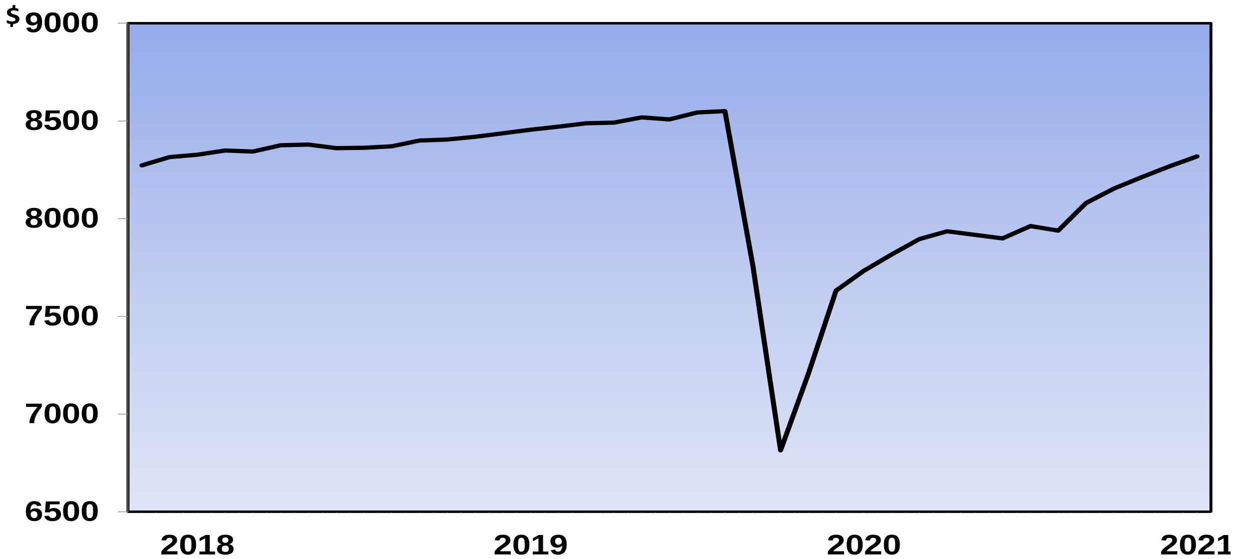
Both the US and global economies experienced a considerable loss of momentum during the third quarter because of the direct and indirect impact of the fourth wave of the COVID-19 pandemic. The economy is not growing as fast as seemed plausible earlier in the year. In the domestic economy, the significant deterioration in public health conditions resulted in sharply reduced growth rates in aggregate spending, output, and job creation. As was the case 18 months ago, the world economy is once again being held hostage by the surge in new infections, hospitalizations, and deaths, although to a far lesser extent.

The World Economy: The global economy is currently in a desynchronized recovery, with strongest growth in the US, accelerating growth in Europe, and relatively sluggish growth in the Asia-Pacific region. Significant divergences in growth rates across different regions were caused primarily by differences in the spread of the Delta variant and vaccination rates.

- **Europe Performs Best:** Eurozone GDP increased at an estimated 7.5% annual rate in the quarter, the fastest pace among the major economies. Asian economies have suffered a setback in recent months because of implementation of new containment measures in response to a surge in infections of COVID-19. China has adopted a zero-tolerance policy and has imposed severe restrictions on its population to contain the spread of the virus. China's GDP growth slowed to 5% in the quarter.

Personal Consumption: Household sector spending has been impacted most severely by the surge in new cases and hospitalizations. The rapid spread of the Delta variant has impacted consumer spending in several ways, as reflected in the recent plunge in consumer confidence (see chart 1).

Chart 2: Consumer Services Spending Still Below Pre-Pandemic Levels
Spending on Consumer Services, $ Billions
Source: Bureau of Economic Analysis



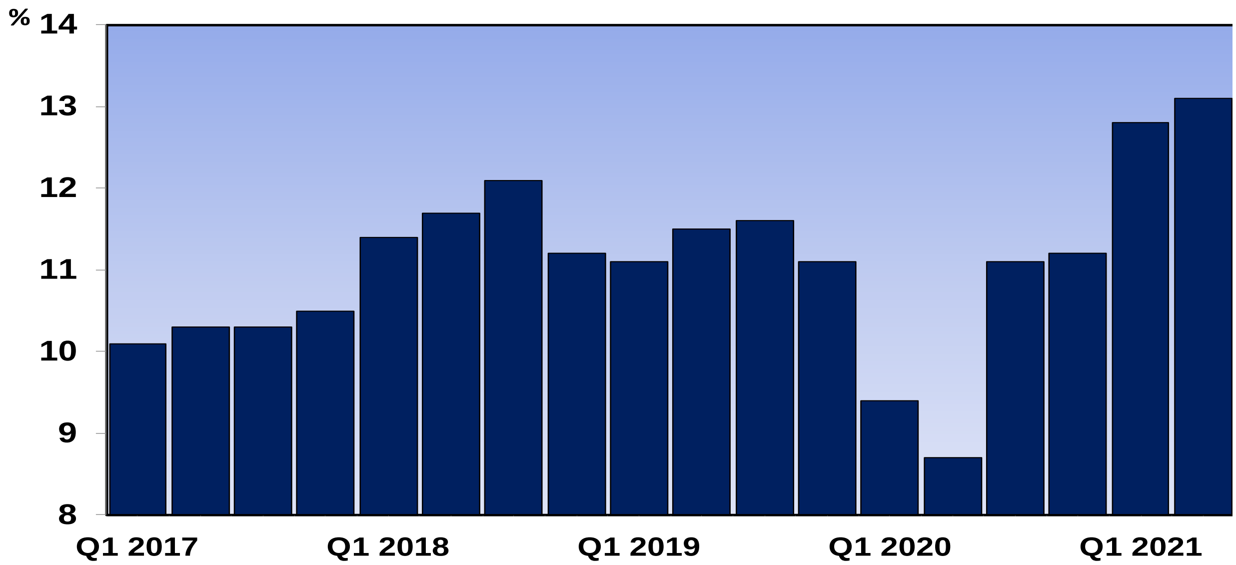
- **Consumer Goods:** Weakness in retail sales can be attributed to shortages of vital materials and components in the production of consumer durable goods. Supply rather than demand factors have been responsible for profound weakness in sales of autos, electronic goods, and major appliances. Supply-chain logjams have been especially acute in Asia.

- **Consumer Services:** The highly transmissible Delta variant reduced spending on consumer services. Retrenchment by consumers is reflected in ongoing weakness in hotel bookings, restaurant attendance, airline travel, and personal care and hygiene services (see chart 2).

- **Worker Shortages:** The labor market has been severely impacted by the fourth wave of the pandemic, as manifested in acute shortages of both skilled and unskilled workers, thereby contributing to lost output and sales.

As a result of these various disruptions, I have downgraded my estimate for third quarter GDP growth from 6.5% to 4%. Annualized growth in *consumer spending* is likely to decelerate from an average of 11.5% in the first two quarters of this year to less than 3% in Q3. Weakness in final sales could be offset by increased manufacturing production to rebuild inventories from exceptionally low levels. Strength in business investment in equipment and software should also support above-average growth in Q3 GDP.

Chart 3: US Profit Margins Rise to Record Highs
Net Profit Margin, S&P 500 Companies
Source: FactSet



Corporate Earnings: The corporate sector continues to benefit from growth in spending and output and tight controls over costs. Following growth of 90% in Q2, third quarter earnings increased by an estimated 25% to 30% with revenue growth of 10% to 15%. Economic sectors reporting the fastest year-over-year growth rates include companies in the financial, energy, materials, industrial, technology, and consumer discretionary sectors.

- **Profit Margins:** Net profit margins for companies in the S&P 500 stabilized at an estimated 13.0% in Q3, comparable to the previous quarter, and the highest level on record. Many companies are reporting that they can raise selling prices to offset rising input costs. Margin expansion can also be attributed to a surge in labor productivity (see chart 3).

Consumer Inflation: There were tentative signs of a leaking in inflation during the third quarter. Excluding the volatile food and energy components, the Consumer Price Index (CPI) rose at an estimated annual rate of 3.5% in the quarter, a sharp decline from the 6% spike in Q2. Core consumer prices have risen by 4.2% over the past year.

- **Wage Inflation:** Average hourly earnings rose at a 6% annual rate in the quarter, well above the 12-month increase of 4.5%. These increases so far in 2021 are the fastest since the 1990s. The surge in wage and price inflation can be attributed primarily to supply disruptions and bottlenecks in the market for goods and services.

ECONOMIC OUTLOOK

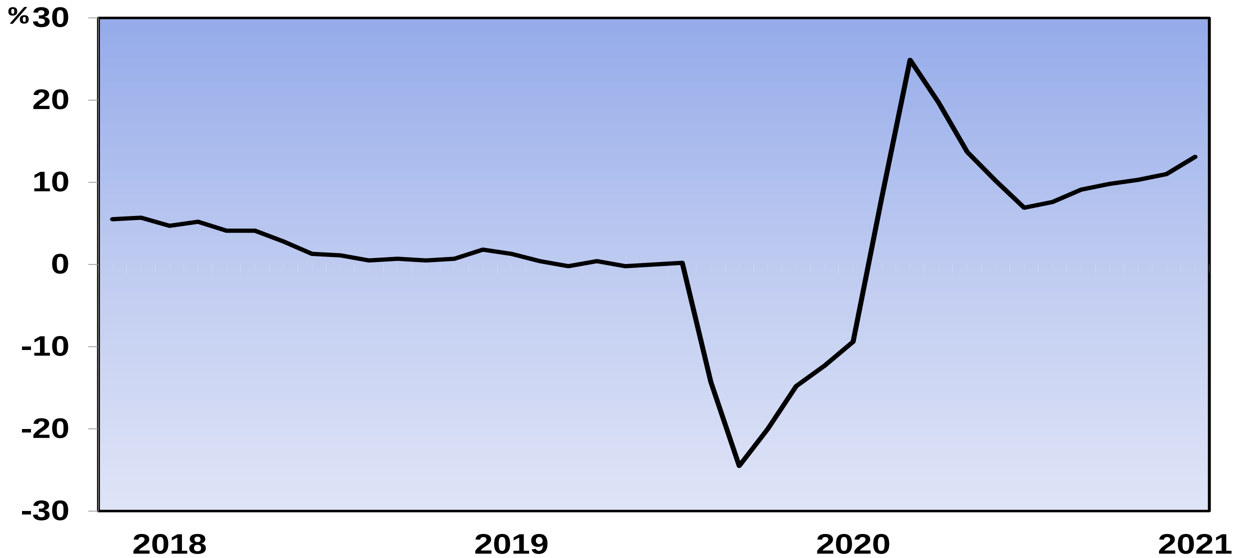
The outlook for economic growth is clouded because of numerous business and government policy uncertainties. *However, the most important independent variable in the outlook is the future path of the COVID-19 pandemic*. While it is unlikely that the ongoing deterioration in public health conditions will derail the expansion, the path of the pandemic will clearly influence the ***growth rates*** of spending, output, employment, and investment.

The Delta Variant: As discussed previously, the loss of economic momentum since June can be directly attributed to the rapid spread of the Delta variant of COVID-19. Nationwide, the steep rise in infections (175,000 per day), hospitalizations (currently exceeding 100,000), and deaths (1,500 per day) is reflected in a significant loss of momentum in all segments of the economy.

Pandemic Assumptions: While there is considerable potential for both upside and downside surprises, my base case scenario is predicated upon the following assumptions:

- The current surge in infections and hospitalizations in the southern and southwestern US appears to be in a peaking process and should moderate over the next six months.
- The epicenter of new infections will shift to the northeast and upper midwest consistent with normal seasonal patterns.
- The net effect of these two divergent trends should be a decline in infections nationwide — i.e., conditions in the south will improve faster than conditions deteriorate in the northern states.
- Vaccination rates will continue to increase at a moderate but steady pace. Vaccine mandates by private employers should accelerate the pace of inoculations.
- Currently, roughly 55% of the population is fully vaccinated, while 65% have received one dose. More than 75% of the adult population has received at least one dose.
- Several factors should increase the rate of vaccinations over the next six months: (1) Vaccine mandates implemented by private companies; (2) Approval of vaccines for children under 12; and (3) Booster shots for select segments of the population, such as those over 65.

Chart 4: Leading Indicators Signal Rapid Growth Ahead
The Index of Leading Economic Indicators
Annualized Growth Rate, Previous Six Months
Source: The Conference Board



- Penetration is unlikely to reach 90% but could eventually rise to 80% to 85% of the population during the first quarter of next year. While short of pure herd immunity, this level of protection should allow for a full reopening of the economy during 2022.

- The primary risk to the outlook is the emergence of new coronavirus variants that would trigger a fifth wave of the pandemic along with a decline in social mobility.

The bottom line is that public health conditions are likely to gradually improve over the next three to six months. The current fourth wave of the pandemic could reach a peak in the fall and early winter, sparking a revival in economic activity early in the new year.

FORECAST ASSUMPTIONS

Investor conviction regarding the outlook for economic growth has faltered in most recent months as a resurgence in the COVID-19 pandemic threatens to curtail travel, spending, output, and social mobility. While there are legitimate concerns regarding the sustainability of the economic boom, my forecast for business activity remains optimistic. Favorable prospects for economic growth are predicated upon several powerful factors that should support sustained growth in aggregate spending and output:

1. **Leading Indicators:** The Index of Leading Economic Indicators is currently expanding at a 13% annual rate, the fastest pace in nearly 20 years (see chart 4).

Chart 5: US Households Remain in an Unprecedented Deleveraging Cycle
Household Debt as a Percent of Personal Income
Source: Bureau of Economic Analysis

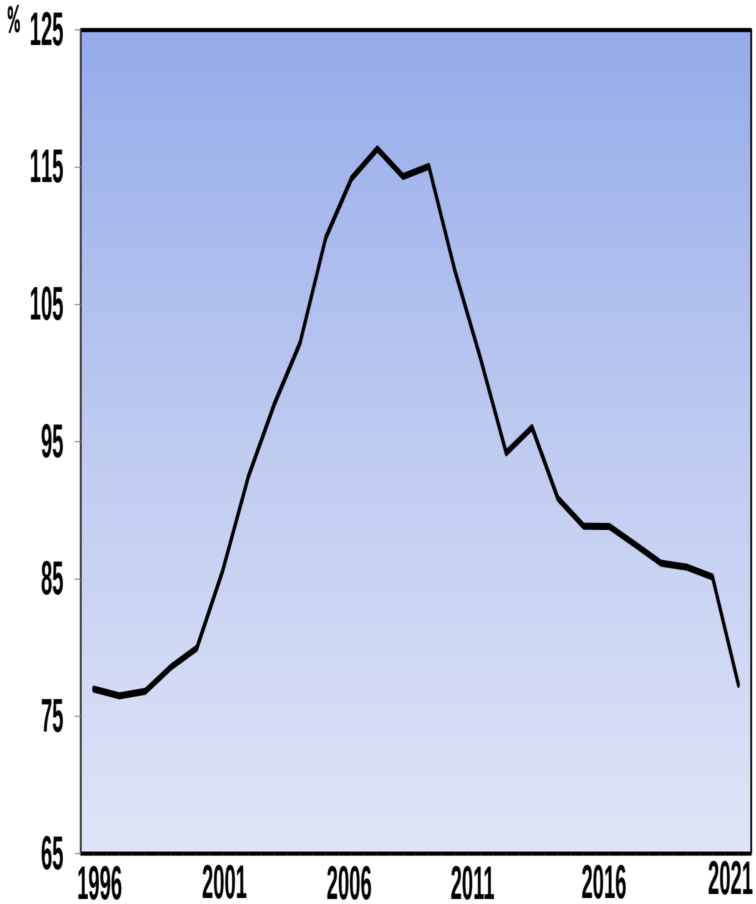
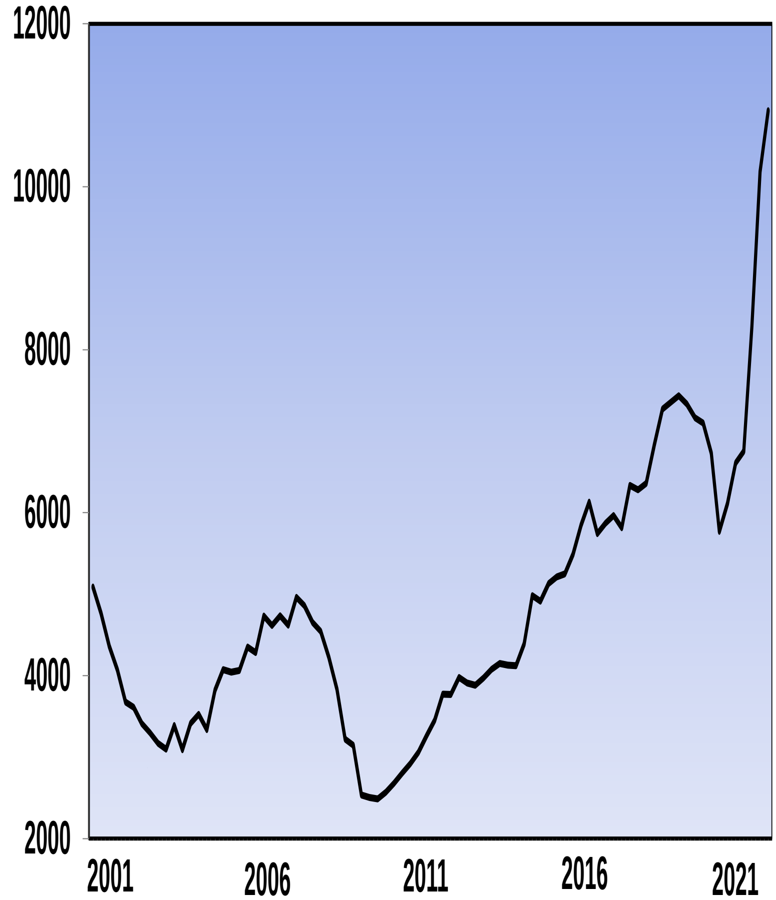


Chart 6: Job Openings at an All-Time Record
Nationwide Job Openings, Thousands
Source: US Labor Department

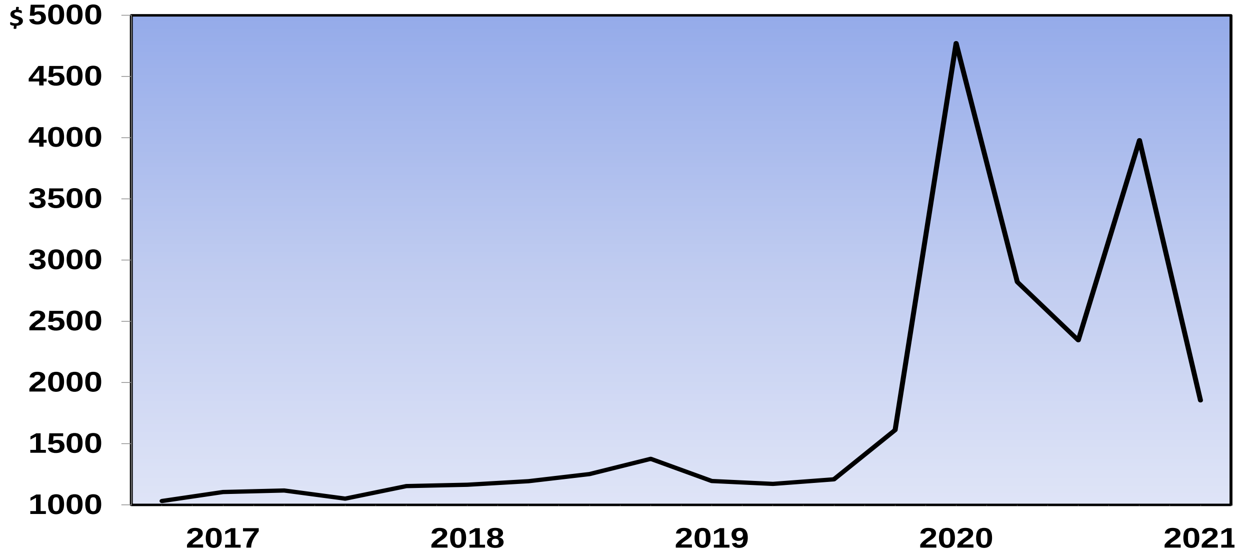


2. **Household Sector Finances:** Following a decade of balance sheet deleveraging, households are in extremely strong financial health. Debt and liquidity ratios are the healthiest in decades, savings are elevated, and wage and salary income is growing at a 10% annual rate. Household debt ratios declined at the fastest rate in decades (see chart 5).

3. **Consumer Spending:** The household sector is crucial for a sustained revival in GDP growth. Purchases of consumer goods will be sparked by resolved supply bottlenecks, while consumer services will benefit from improved public health conditions. Overall, households will allocate a larger share of spending from goods to services over the next two years.

4. **Job Creation:** The sharp slowdown in net hiring during the past two months is deceptive and can be attributed almost exclusively to pandemic-related factors. At nearly 11 million, the number of job openings nationwide is at a record high and reflects the strong underlying demand for labor. The recently released results of the Manpower Employment Survey point to a boom in business hiring over the next year (see chart 6).

Chart 7: Surplus Household Savings Should Boost Consumer Spending in 2022
US Personal Savings, $ Billions
Source: Bureau of Economic Analysis



5. **Inventory Restocking:** Because production has been unable to keep pace with final sales, business inventories have been severely depleted, which means that manufacturing should become a powerful source of growth over the next several quarters once supply-chain bottlenecks are repaired, and firms are able to restock.

6. **Corporate Finances:** Despite an elevated debt-to-equity ratio, the nonfinancial corporate sector is in excellent financial health. Earnings and cash flow are booming, liquidity ratios are at an all-time high, and defaults are depressed. The most important implication is that businesses are poised to increase capital formation in coming years once confidence levels are restored.

7. **Federal Reserve:** While monetary policy will ultimately shift from a tailwind to a headwind, policy will likely remain highly expansionary for another year, at a minimum. A combination of ultra-low borrowing costs and abundant liquidity should support strong economic growth through much of 2022. Because of normal time lags, monetary policy is unlikely to impact economic growth until 2023.

8. **Fiscal Policy:** The economic stimulus from fiscal policy will downshift significantly in 2022 and 2023 but should remain positive for economic growth. Time lags in spending are causing a shift in actual stimulus from 2021 to 2022, as massive COVID-relief payments — currently in savings — should show up in household spending over the next year (see chart 7).

- **Economic Impact:** President Biden's infrastructure bill has solid bipartisan support and should become law before yearend, boosting GDP in 2023 and 2024. His ambitious $3.5 trillion "social infrastructure" plan does not have bipartisan support and may not pass, even under the reconciliation process. Finally, higher tax rates on corporations and wealthy individuals should slow growth only modestly. The key point is that fiscal policy should be mildly positive for growth over the next several years.

The bottom line is that the domestic economy rests on a healthy foundation and is poised to strengthen significantly over the next year as the adverse effects of the pandemic fade. The Delta variant is unlikely to derail the expansion but rather trigger a shift in spending from this year to 2022. The most important driver of the economy over this period will be employment.

The extremely strong demand for labor reflects buoyant optimism in the business sector needed to justify aggressive additions to payrolls. Personal consumption expenditures should also benefit from this expected hiring frenzy, which will boost wages and household income. This same optimism bodes well for business investment in equipment and software, which typically strengthens in response to strong growth in profits and cash flow.

US ECONOMIC FORECAST

Aside from GDP and personal consumption expenditures, my economic forecast for 2022 and 2023 remains intact. I have lowered my GDP forecast for 2021 from 6.5% to 5.5% but raised my 2022 forecast from 4% to 5%. On a preliminary basis, US real GDP could slow to 2.5% in 2023, slightly above the economy's long-term potential growth rate. The current business cycle expansion has much further to run and is unlikely to end until after the 2024 national elections, at the earliest.

- **Capital Formation:** Business investment in equipment and software should expand at a solid pace in both 2022 and 2023. Accelerating growth in final sales, strong corporate cash flow, a revival in business confidence, and implementation of digital processes should contribute to strength in capital investment.

- **Inflation:** The inflation rate peaked at 6% in Q2 and should decline to 4% around yearend. A moderating trend is expected in 2022, with inflation bottoming around 2.5% during the next 12 months. Inflation is a classic lagging indicator to monetary and fiscal policy stimulus. I expect inflation to accelerate over the next three years, averaging 3.5% in 2023 and 5% in 2024.

- **Corporate Earnings:** The outlook for profits remains positive. Company earnings should increase at a 15% rate over the next four quarters, more than double the long-term average, before slowing to trend growth of 5% to 7% in 2023.

- **Employment:** The US economy should return to robust monthly job growth later this year. Compared with a monthly pace of 475 thousand this year, job creation could average 400 thousand in 2022. Currently at 5%, the unemployment rate could decline to 4.5% at the end of this year and to less than 4% at the end of 2022. The economy should be at full employment by the middle of 2023.

THE WORLD ECONOMY

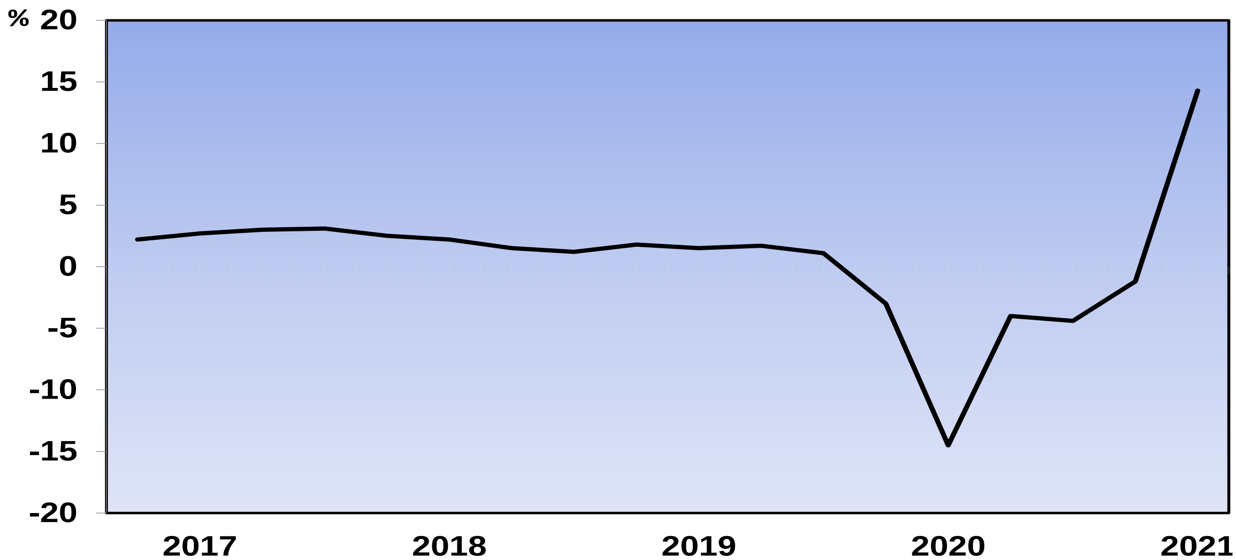
As in the US, the outlook for the global economy is heavily dependent upon the future path of COVID-19 and the pace of vaccinations. Europe, China, Japan, and the UK have achieved good success in vaccinating large percentages of their populations, while Latin America and the rest of Asia have been laggards. Another driver of world economic growth pertains to the outlook for consumer spending in China and the US, the two primary growth engines for the world economy.

Engines of Growth: After sharp slowdowns in both countries, consumer spending in China and the US is expected to recover strongly later this year and during most of 2022. Finally, world GDP is dependent upon the resolution of supply-chain disruptions, mainly in Asia, which controls an estimated 37% of world manufacturing, most notably the production of semiconductors. A reopening of factories should ease supply-chain pressures and result in declines in shipping rates, container costs, and world inflation in general.

Eurozone Recovery: Europe appears to be in the early stages of a sustained consumer-led economic expansion. As in the US, the household sector has amassed large a large supply of excess savings emanating from government emergency-relief programs over the past 18 months. Labor market conditions are also improving. The eurozone economy could expand by 5% this year followed by 4.5% GDP growth in 2022. Consumer inflation could average 2% in both 2021 and 2022, the fastest pace since 2012 (see chart 8).

China: The Chinese economy is crucial for the rest of the world because of its powerful impact on world trade. From its recession low in the first quarter of 2020, Chinese import trade has surged by more than 60%, providing a strong boost to exporters in Europe, Japan, and Southeast Asia. The Chinese economy has lost considerable momentum over the past six months, solely a result of government restrictions on both credit availability and social mobility. Conditions are gradually improving, which should result in faster growth and continued strong imports. Following growth of 8% this year, China's GDP should grow by 5% in both 2022 and 2023.

Chart 8: Eurozone Entering a Period of Economic Boom
Eurozone GDP Adjusted for Inflation
Year-Over-Year Percentage Change
Source: Eurostat



Pulling it all together, my forecast assumes world GDP growth of 6% this year followed by further growth of 5% in 2022 and 3.5% in 2023. Inflation worldwide should average close to 4% this year, declining to 3% in 2022.

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