



PLAN SUMMARY

State of Vermont 940010 940060

As Of: June 30, 2022

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

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Table of Contents

Section I	Plan Summary
Section II	Economic Outlook

Section I Plan Summary



PLAN SUMMARY AND BENCHMARK TRENDS



Plan Demographics Summary

	1/1/2021- 6/30/2021	1/1/2022- 6/30/2022
Total Participants*	2,936	3,164
Active Participants	2,533	2,708
Terminated Participants	371	422
Other Participants**	1	1
Multiple Status Participants***	31	33
Average Participant Balance	\$55,001	\$46,309
Average Account Balance for Active Participants	\$55,811	\$46,575
Median Participant Balance	\$22,656	\$17,513
Median Participant Balance for Active Participants	\$23,166	\$17,826
Participants Age 50 and Over	1,511	1,600
Total Assets for Participants Age 50 and Over	\$116,474,594	\$107,716,706
Total (Contributions + Rollovers In)	\$6,861,339	\$7,990,600
Employee Contributions	\$6,032,683	\$6,750,850
Employer Contributions	\$337,755	\$502,214
Rollovers In	\$490,901	\$737,536
Total Distributions	(\$3,377,225)	(\$3,125,282)
Percentage of Assets Distributed	2.1%	2.1%
Market Value Gain / Loss****	\$34,720,234	(\$19,089,918)
Total Participant Balances	\$161,484,040	\$146,521,905

*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	6/30/2021	6/30/2022
Plan Assets for Participants in GoalMaker	\$18,047,101	\$20,404,483
% of Plan Assets for GoalMaker Participants	11.2%	13.9%
# of Participants in GoalMaker	753	1,012
Participation Rate in GoalMaker	25.7%	32.0%
Prudential % of Participants in GoalMaker - As of 12/31/2021	54.6%	

Roth	6/30/2021	6/30/2022
Roth Assets	\$5,889,033	\$5,725,686
# of Participants in Roth	394	447
Participation Rate in Roth	13.4%	14.1%
Prudential % of Participants in Roth - As of 12/31/2021	15.9%	

Stable Value	6/30/2021	6/30/2022
Participation Rate in Stable Value	48.0%	48.6%
% of Plan Assets in Stable Value	9.1%	10.4%
Prudential % of Plan Assets in Stable Value - As of 12/31/2021	18.4%	

eDelivery	6/30/2021	6/30/2022
# of Participants Enrolled in eDelivery	1,467	1,609
# of Participants Affirmatively Elected eDelivery	1,464	1,604
# of Participants Defaulted into eDelivery	3	5
% of Participants in eDelivery	48.9%	49.8%
Prudential % of Participants in eDelivery - As of 12/31/2021	49.6%	

Enrollment by Age Group

1/1/2022-6/30/2022								Grand Total
Less than 25	25-34	35-44	45-54	55-64	65+	Unknown		
Total	12	28	25	21	19	5	1	111

Participant Activity

Call Center	1/1/2021 - 6/30/2021	1/1/2022 - 6/30/2022
Total Call Volume	297	268

Loans	1/1/2021 - 6/30/2021	1/1/2022 - 6/30/2022
Amount of New Loans Taken	\$40,617	\$15,500
# of New Loans	7	1
# of Outstanding Active Loans	38	37
% of Participants have Outstanding Active Loans	1.3%	1.2%
Prudential % of Participants have Outstanding Active Loans - As of 12/31/2021	10.9%	

Transaction Summary

Transactions	1/1/2021 - 6/30/2021	1/1/2022 - 6/30/2022
Total Enrollees*	141	111
Contribution Rate Increases for Active Participants**	3	5
Contribution Rate Decreases for Active Participants**	1	2
Total Contribution Rate Changes**	4	7
Number of Participants with Transfers	789	1,078
Loan Initiations	7	1
Distributions	217	246

*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.

**Sum of month over month contribution rate (% and \$) changes are for active participants during the reporting period. This excludes any terminations, enrollments or auto enrollments(if applicable on the plan) during the respective months in which contribution rate changes occurred.

eDelivery by Document Type	6/30/2021	6/30/2022
Statements	1,414	1,562
Confirms	1,464	1,605
Tax Forms	1,413	1,565
Plan Related Documents	1,587	1,587

Plan Summary

Asset Allocation/Net Activity By Age

January 1, 2022 to June 30, 2022

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$70,104	\$4,310,958	\$17,687,724	\$44,075,742	\$51,265,253	\$29,112,125	\$146,521,905
% Assets	0.0%	2.9%	12.1%	30.1%	35.0%	19.9%	100.0%
Average Contribution Rate (\$)	\$0	\$68	\$122	\$222	\$229	\$312	\$198
Average Contribution Rate (%)	0.0%	5.2%	7.5%	8.5%	23.4%	0.0%	9.8%
<i>Prudential Avg. Contribution Rate (%) as of 12/31/2021</i>	5.3%	6.4%	7.3%	8.4%	10.0%	11.5%	8.0%
Contributions	\$50,168	\$522,734	\$1,394,826	\$2,529,208	\$2,282,946	\$473,182	\$7,253,064
Rollovers In*	\$0	\$21,975	\$258,701	\$157,116	\$208,286	\$91,458	\$737,536
Total (Contributions + Rollovers In)	\$50,168	\$544,709	\$1,653,527	\$2,686,324	\$2,491,232	\$564,640	\$7,990,600
Cash Distributions	\$0	(\$35,072)	(\$39,520)	(\$13,925)	(\$394,850)	(\$303,409)	(\$786,777)
Rollovers Out	\$0	(\$9,342)	(\$93,929)	(\$318,043)	(\$962,853)	(\$954,338)	(\$2,338,505)
Total (Cash Distributions + Rollovers Out)	\$0	(\$44,414)	(\$133,450)	(\$331,968)	(\$1,357,704)	(\$1,257,747)	(\$3,125,282)
Net Activity	\$50,168	\$500,295	\$1,520,077	\$2,354,356	\$1,133,528	(\$693,107)	\$4,865,318
Total Participants**	42	439	696	813	761	415	3,166
Average Account Balance	\$1,669	\$9,820	\$25,413	\$54,214	\$67,366	\$70,150	\$46,280
<i>Prudential Avg. Account Balance as of 12/31/2021</i>	\$3,960	\$19,216	\$54,743	\$106,729	\$149,490	\$150,044	\$87,819
Median Account Balance	\$1,206	\$4,333	\$11,013	\$26,429	\$32,316	\$33,352	\$17,513
<i>Prudential Median Account Balance as of 12/31/2021</i>	\$4,078	\$14,595	\$36,092	\$61,673	\$91,013	\$123,138	\$80,722

*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 (decendent's date of birth), that participant will be counted twice.



PLAN ACTIVITY



Plan Summary

State of Vermont

Contributions by Fund

INVESTMENT OPTIONS	1/1/2021 - 6/30/2021	%	1/1/2022 - 6/30/2022	%	Change	%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$1,400,961	22.0%	\$1,680,530	23.2%	\$279,569	20.0%
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$996,046	15.6%	\$1,167,746	16.1%	\$171,700	17.2%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$622,676	9.8%	\$725,786	10.0%	\$103,110	16.6%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$563,958	8.9%	\$662,737	9.1%	\$98,779	17.5%
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$532,263	8.4%	\$627,743	8.7%	\$95,479	17.9%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$559,995	8.8%	\$584,662	8.1%	\$24,667	4.4%
GUARANTEED LONG-TERM FUND	\$470,925	7.4%	\$535,514	7.4%	\$64,589	13.7%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$268,871	4.2%	\$284,670	3.9%	\$15,799	5.9%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$270,255	4.2%	\$235,075	3.2%	(\$35,180)	-13.0%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$182,866	2.9%	\$176,749	2.4%	(\$6,117)	-3.3%
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$106,223	1.7%	\$127,692	1.8%	\$21,469	20.2%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$87,060	1.4%	\$119,107	1.6%	\$32,047	36.8%
CALVERT EQUITY FUND CLASS I	\$111,399	1.8%	\$111,353	1.5%	(\$45)	0.0%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$121,523	1.9%	\$95,021	1.3%	(\$26,501)	-21.8%
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$16,708	0.3%	\$53,411	0.7%	\$36,703	219.7%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$27,373	0.4%	\$38,831	0.5%	\$11,457	41.9%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$31,335	0.5%	\$26,436	0.4%	(\$4,899)	-15.6%
Total Assets Contributed	\$6,370,438	100.0%	\$7,253,064	100.0%	\$882,626	13.9%

Plan Summary

Interfund Transfers

1/1/2022 to 6/30/2022

INVESTMENT OPTIONS	IN	OUT	NET
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$772,680	(\$350,266)	\$422,414
GUARANTEED LONG-TERM FUND	\$1,019,164	(\$756,313)	\$262,851
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$125,241	(\$24,957)	\$100,284
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$366,432	(\$305,823)	\$60,609
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$124,009	(\$76,996)	\$47,013
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$614,625	(\$589,373)	\$25,252
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$9,510	(\$4,971)	\$4,539
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$1,011	(\$1,290)	(\$279)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$455,661	(\$477,592)	(\$21,931)
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$161,911	(\$203,324)	(\$41,413)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$74,380	(\$120,039)	(\$45,658)
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$9,663	(\$57,638)	(\$47,975)
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$1,644	(\$96,887)	(\$95,243)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$186,320	(\$324,082)	(\$137,762)
CALVERT EQUITY FUND CLASS I	\$32,926	(\$173,506)	(\$140,579)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$577,024	(\$744,404)	(\$167,380)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$162,450	(\$387,191)	(\$224,741)
TOTAL	\$4,694,652	(\$4,694,652)	\$0

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2021 - 6/30/2021	1/1/2022 - 6/30/2022	Change	% Change	1/1/2021 - 6/30/2021	1/1/2022 - 6/30/2022	Change	% Change
	Termination	\$2,393,139	\$2,381,420	(\$11,719)	(0%)	84	81	(3)
Direct Transfer	\$710,294	\$311,643	(\$398,651)	(56%)	10	10	0	0%
In-Service Withdrawal	\$138,917	\$207,520	\$68,603	49%	8	14	6	75%
Installment Payment	\$61,841	\$77,670	\$15,829	26%	91	122	31	34%
Required Minimum Distribution	\$36,105	\$66,589	\$30,484	84%	12	15	3	25%
QDRO	\$0	\$57,293	\$57,293	N/A	0	2	2	N/A
Death Distribution	\$34,134	\$21,052	(\$13,083)	(38%)	7	1	(6)	(86%)
Return of Excess Deferrals/Contributions	\$2,722	\$2,096	(\$626)	(23%)	2	1	(1)	(50%)
Gross Adjustment	\$74	\$0	(\$74)	(100%)	2	0	(2)	(100%)
Grand Total	\$3,377,225	\$3,125,282	(\$251,943)	(7%)	216	246	30	14%

1/1/2022 - 6/30/2022						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$210,106	\$2,128,399	\$2,338,505	10	33	43
Cash	\$80,228	\$706,549	\$786,777	8	195	203
Grand Total	\$290,334	\$2,834,948	\$3,125,282	18	228	246

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

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

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

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.

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

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

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

Loan Activity

As of 6/30/2022

% of Participants With Withdrawal Activity

1/1/2022 - 6/30/2022

Average loan balance is \$6,966

Prudential Book of Business Average is \$8,043 as of 12/31/2021

1.2% of participants have outstanding active loans

10.9% Prudential Book of Business Average as of 12/31/2021

0.0% initiated a new loan

0.3% initiated In-Service Withdrawal

Loan Utilization

By Participant Age

	0.0%	0.0%	1.3%	2.2%	0.8%	1.0%	1.2%
	<25	25-34	35-44	45-54	55-64	65+	Overall
Participants*	42	439	696	813	761	415	3,166
w/Loan	0	0	9	18	6	4	37

*Includes all participant statuses with balance > \$0.

Plan Summary

Participant Loan Statistics

Loan Initiations	Amount of Loans Taken				# of Active Loans			
	1/1/2021-6/30/2021	1/1/2022-6/30/2022	Change	% Change	as of 6/30/2021	as of 6/30/2022	Change	% Change
General Purpose	\$30,617	\$15,500	(\$15,117)	(49%)	36	35	(1)	(3%)
Residential	\$10,000	\$0	(\$10,000)	(100%)	2	2	0	0%
Grand Total	\$40,617	\$15,500	(\$25,117)	(62%)	38	37	(1)	(3%)

	1/1/2021-6/30/2021	1/1/2022-6/30/2022
# of Outstanding Active Loans	38	37
# of New Loans	7	1
Average Loan Balance	\$8,392	\$6,966
Total Outstanding Loan Balance	\$318,891	\$257,739

Participant Transaction Statistics

	7/1/2021 - 9/30/2021	10/1/2021 - 12/31/2021	1/1/2022 - 3/31/2022	4/1/2022 - 6/30/2022
Call Center				
Unique Callers	112	99	93	93
Total Call Volume	199	155	128	140
Participant Website				
Registered Participants	1,870	1,887	1,893	1,882
Unique Web Logins	752	840	955	728
Total Web Logins	13,061	10,407	13,398	11,569

Call Center Reason Category	7/1/2021 - 9/30/2021	10/1/2021 - 12/31/2021	1/1/2022 - 3/31/2022	4/1/2022 - 6/30/2022
Account Explanations	41	51	29	32
Allocation Changes & Exchange	2	3	0	1
Contributions	11	7	4	6
Disbursements	109	76	64	69
Enrollments	1	0	0	0
Forms	2	1	0	1
Fund Information	0	0	2	5
Hardships	4	0	2	3
IFX	0	0	0	0
IVR or Web Assistance	5	4	5	4
Loans	4	0	3	8
Other	8	9	9	2
Payment Questions	0	0	0	0
Plan Explanations	5	2	3	2
Regen Reg Letter	0	0	0	0
Status of Research	2	0	1	1
Tax Information	1	0	2	0
Website Processing	4	2	4	6
Total	199	155	128	140

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).

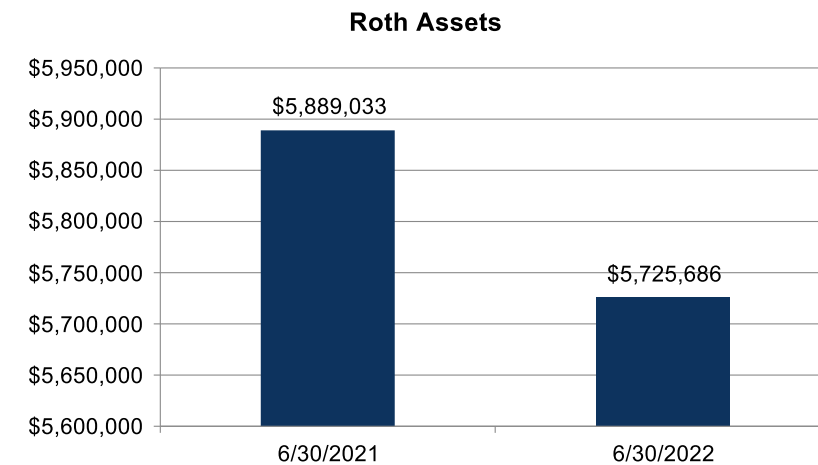
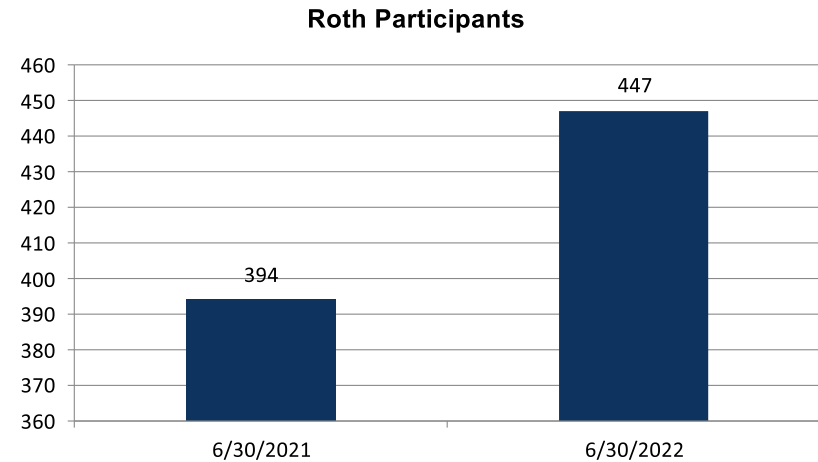
Total Call Volume – The number of calls to a Participant Service Center Representative during the reporting period (e.g., If the same individual called five times during the reporting period, they would be counted five times).

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

Sub Plan Name	Sub Plan	Total
Addison Northwest SD	006503	\$557,802
Champlain Valley School District	006514	\$406,894
Colchester School District	006515	\$890,597
Caledonia Central SU	006516	\$6,143
Essex North SU	006517	\$35,533
Essex Westford Unified SD	006518	\$47,624
Maple Run Unified	006519	\$560,633
Lamoille South SU	006526	\$179
North Country SU	006529	\$2,206
Orleans Central SU	006534	\$53
Orleans Southwest SU	006535	\$2,246
Greater Rutland Central SU	006537	\$136,965
South Burlington Sd	006544	\$1,310,399
Washington Northeast SU	006550	\$0
Washington West SU	006551	\$58,021
Windham Southwest SU	006555	\$1,469
Windsor Central Modfd Unfd Un SD	006556	\$85,817
Winooski SD	006560	\$282,315
Patricia A Hannaford Career Cen.	006561	\$48,825
Two Rivers Supervisory Union	006562	\$83,863
Concord School District	016516	\$13,361
Alburgh Town SD	016523	\$1,777
Town of Lowell SD	016529	\$3,952
Quarry Valley Unified Union SD	016537	\$363,777
Twin Valley Unified Union SD	016555	\$3,162
Barnard Academy	016556	\$48
Green Mtn USD	016562	\$125,110
Lunenburg School District	026516	\$49,655
Southern Valley Unified Union SD	026555	\$761
Windsor Central Mod Unif Un SD	026556	\$562,013
Ludlow Mt Holly Union USD	026562	\$407
Rutland Town SD	036537	\$65,224
South Hero Town SD	056523	\$0
Champlain Island UUSD	066523	\$18,855
TOTAL		\$5,725,686



	6/30/2021	6/30/2022
Roth Assets	\$5,889,033	\$5,725,686
# of Participants in Roth	394	447
Participation Rate in Roth	13.4%	14.1%
Prudential % of Participants in Roth - As of 12/31/2021	15.9%	

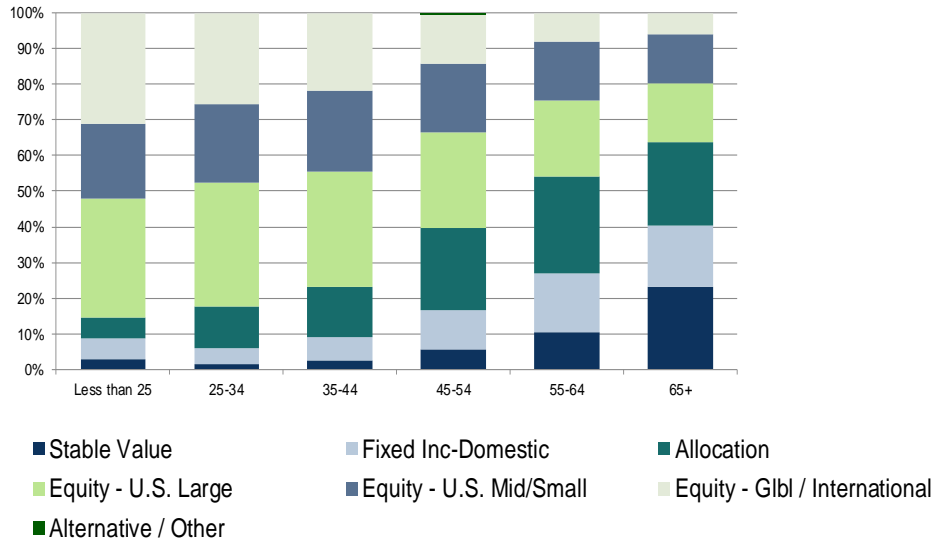


INVESTMENT DIVERSIFICATION



Plan Summary

Assets by Asset Class and Age As of June 30, 2022



Asset Allocation

Asset Class	Your Plan Assets as of 6/30/2022	Your Plan % as of 6/30/2022
Stable Value	\$15,197,004	10.4%
Fixed Inc-Domestic	\$19,662,536	13.4%
Allocation	\$33,822,400	23.1%
Equity - U.S. Large	\$34,828,707	23.8%
Equity - U.S. Mid/Small	\$25,710,444	17.6%
Equity - Gbl / International	\$17,126,686	11.7%
Alternative / Other	\$174,128	0.1%
Total Participant Balances	\$146,521,905	100.0%

Fund Utilization By Age As of June 30, 2022

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	8	59	87	123	174	132	583
Average # of Funds per Participant	4.2	4.8	5.2	5.2	4.7	4.0	4.8
<i>Prudential Participants Avg. # of Funds per Participant as of 12/31/2021</i>	5.5	5.5	5.6	5.6	5.5	4.4	5.4
% of Plan Assets in Stable Value	2.9%	1.4%	2.6%	5.7%	10.5%	23.3%	10.4%
<i>Prudential % of Plan Assets in Stable Value as of 12/31/2021</i>	6.6%	5.7%	7.5%	11.8%	21.3%	34.4%	18.3%
Self Directed Brokerage Account # of Participants	0	0	0	3	0	0	3

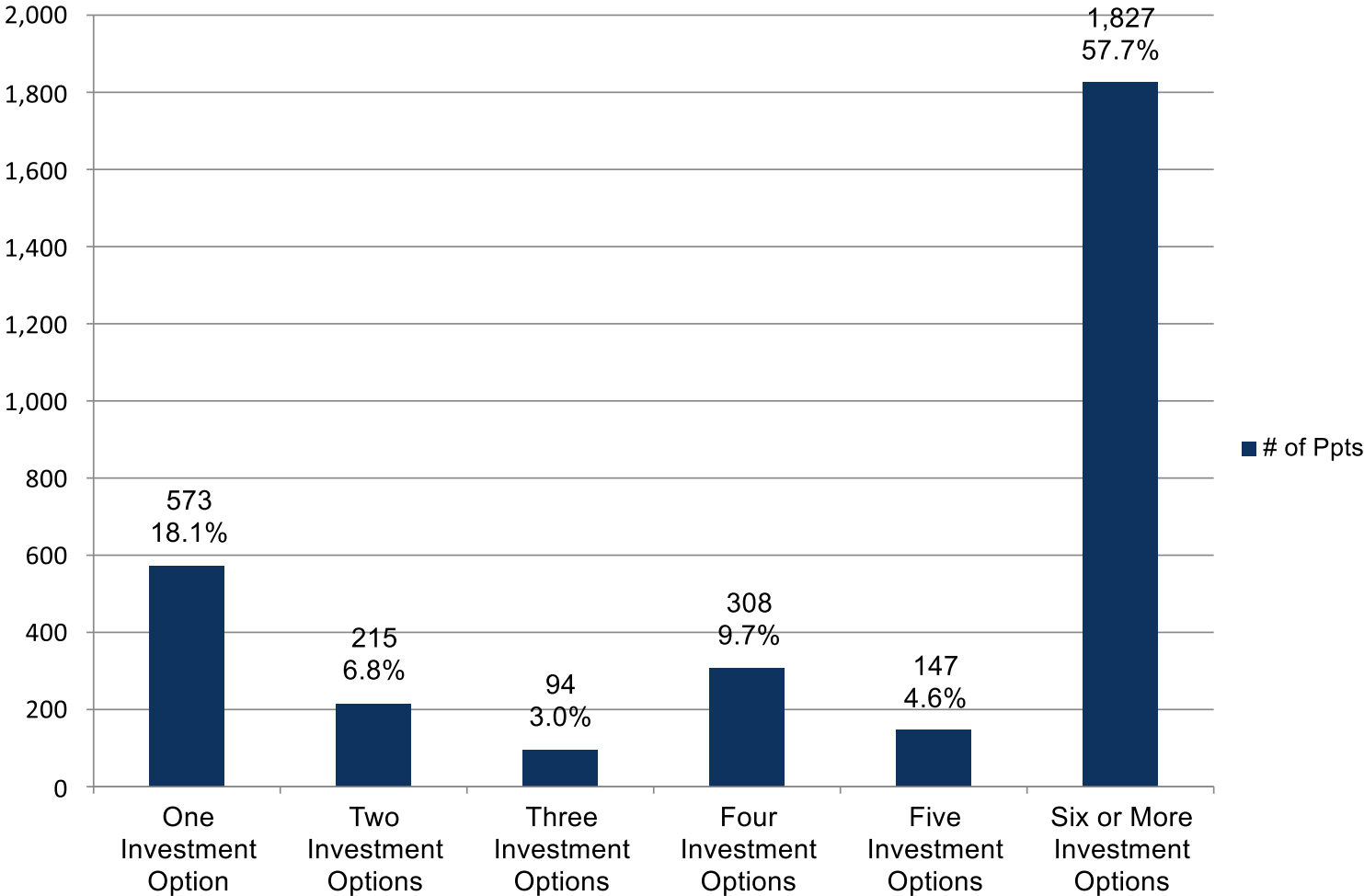
Plan Summary

Utilization by Fund as of June 30, 2022

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$31,425,306	21.4%	2,341	24
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$16,716,571	11.4%	2,252	3
GUARANTEED LONG-TERM FUND	\$15,197,004	10.4%	1,537	86
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$14,092,691	9.6%	2,332	12
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$13,082,913	8.9%	208	110
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$12,830,992	8.8%	1,948	15
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$11,617,753	7.9%	2,303	8
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$8,556,034	5.8%	165	87
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$5,775,146	3.9%	176	87
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$4,324,787	3.0%	1,073	3
CALVERT EQUITY FUND CLASS I	\$3,403,401	2.3%	157	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$2,579,860	1.8%	197	40
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$2,506,757	1.7%	395	19
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$2,248,462	1.5%	51	23
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$1,290,521	0.9%	71	35
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$410,115	0.3%	72	2
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$289,463	0.2%	39	18
SELF DIRECTED BROKERAGE ACCOUNT	\$174,128	0.1%	3	0
Total	\$146,521,905	100.0%		

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

Investment Utilization as of June 30, 2022



Due to rounding, bar graph may not equal 100%

Plan Summary

GoalMaker® Participation

as of 6/30/2022

	9/30/2021	12/31/2021	3/31/2022	6/30/2022
Plan Assets for Participants in GoalMaker	\$18,302,068	\$20,184,334	\$20,425,302	\$20,404,483
# of Participants in GoalMaker	872	931	986	1,012
Participation Rate in GoalMaker	28.6%	29.9%	31.3%	32.0%
% of Plan Assets for GoalMaker Participants	11.5%	11.9%	12.6%	13.9%

Prudential Book of Business For Plans Offering GoalMaker – As of 12/31/2021

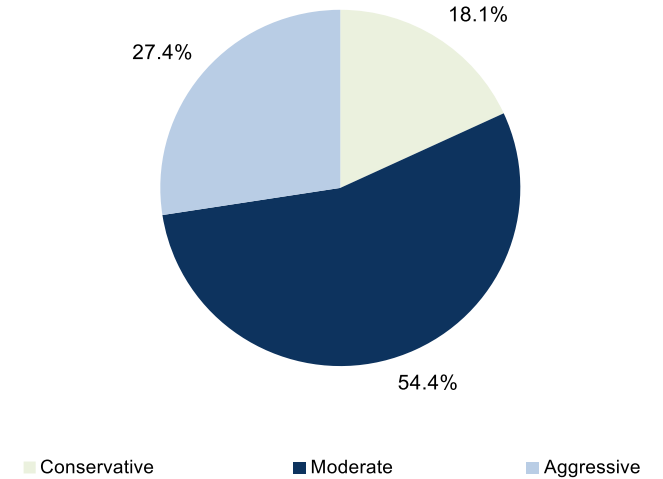
The participation rate in GoalMaker is 54.6%.

The percentage of plan assets for GoalMaker participants is 21.3%.

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	2	0	14	1	13	2	32
25-34	40	1	97	4	88	3	233
35-44	24	2	142	7	91	1	267
45-54	31	0	148	4	73	2	258
55-64	32	1	98	5	34	4	174
65+	10	4	21	3	9	1	48
Total	139	8	520	24	308	13	1,012

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$2,786	\$0	\$34,497	\$103	\$25,269	\$1,580	\$64,234
25-34	\$165,578	\$1,184	\$694,695	\$25,879	\$687,898	\$7,518	\$1,582,752
35-44	\$299,798	\$963	\$1,934,785	\$75,114	\$1,334,309	\$2,003	\$3,646,972
45-54	\$714,230	\$0	\$4,585,902	\$19,066	\$2,339,765	\$62,793	\$7,721,757
55-64	\$1,691,241	\$272,108	\$2,512,550	\$92,053	\$671,837	\$56,901	\$5,296,690
65+	\$250,999	\$298,326	\$956,900	\$177,758	\$316,293	\$91,802	\$2,092,078
Total	\$3,124,632	\$572,581	\$10,719,329	\$389,971	\$5,375,372	\$222,597	\$20,404,483

Percentage of Assets by GoalMaker® Participation Portfolio As of 6/30/2022



8.8%

average contribution rate (%) for active GoalMaker participants

2.2 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

32.0%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

Plan Summary

Rep Stats

	7/1/2021-9/30/2021	10/1/2021-12/31/2021	1/1/2022-3/31/2022	4/1/2022-6/30/2022	Total
Group Presentations	1	1	8	2	12
Individual Participant Meetings	221	134	248	162	765
New Enrollments as a result of Group/Individual Meeting*	132	42	50	38	262
GoalMaker as a result of Group/Individual Meeting*	112	42	56	36	246
Contribution Rate Increases	36	37	28	22	123
Number of Rollovers	4	12	10	6	32
Rollover Dollars	\$131,000	\$475,000	\$285,000	\$190,000	\$1,081,000

Plan Summary

State of Vermont

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 6/30/2022	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive	Calvert Equity Fund Class I	CEYIX	\$3,403,401	158	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$410,115	73	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$4,324,787	1,074	

Plan Summary

School Districts / Supervisory Unions 403b Plan Balance

Subplan	Subplan Name	Balance
006503	Addison Northwest SD	\$ 2,434,074.54
006514	Champlain Valley School District	\$ 17,774,798.51
006515	Colchester School District	\$ 11,721,891.31
006516	Caledonia Central SU	\$ 509,825.50
006517	Essex North SU	\$ 987,570.83
006518	Essex Westford Unified SD	\$ 35,993,250.65
006519	Maple Run Unified SD	\$ 8,190,455.57
006523	Grand Isle Supervisory Union	\$ 847,557.46
006526	Lamoille South SU	\$ 7,894,034.94
006537	Greater Rutland Central SU	\$ 847,169.82
006544	South Burlington Sd	\$ 21,083,536.62
006556	Windsor Central Modfd Unfd Un SD	\$ 2,738,363.01
016516	Concord School District	\$ 113,701.58
016523	Alburgh Town SD	\$ 564,310.34
016537	Quarry Valley Unified Union SD	\$ 1,440,817.02
016556	Barnard Academy	\$ 60,275.10
026516	Lunenburg School District	\$ 564,586.99
026556	Windsor Central Mod Unif Un SD	\$ 3,974,611.39
036537	Rutland Town SD	\$ 1,061,228.94
056523	South Hero Town SD	\$ 335,270.40
066523	Champlain Islands UUSD	\$ 1,080,548.45

Subplan	Subplan Name	Balance
006502	Mt. Abraham Unified School Distr	\$ 153,066.42
006509	Burlington SD	\$ 497,011.35
006511	Kingdom East SD District	\$ 1,828,361.13
006520	Franklin Northeast SU	\$ 2,325,870.41
006525	Lamoille North SU	\$ 877,907.66
006527	Milton Town SD	\$ 86,901.39
006529	North Country SU	\$ 4,686.45
006534	Orleans Central SU	\$ 325,645.33
006535	Orleans Southwest SU	\$ 31,110.47
006551	Harwood Unified SD	\$ 2,684,512.21
006554	Windham Southeast SU	\$ 2,287,412.21
006555	Windham Southwest SU	\$ 107,754.71
006560	Winooski SD	\$ 1,838,473.71
006561	Patricia A Hannaford Career Cen.	\$ 151,106.34
006562	Two Rivers Supervisory Union	\$ 335,296.69
016520	Enosburgh-Richford UUSD	\$ 2,003,398.04
016525	Lamoille North Mod Unif Union SD	\$ 841,055.30
016529	Town of Lowell SD	\$ 4,106.55
016555	Twin Valley Unified Union SD	\$ 352,681.00
016562	Green Mtn USD	\$ 433,408.66
026513	Mount Mansfield UUSD	\$ 6,176,597.39
026521	Northern Mountain Valley UUSD	\$ 617,002.05
026525	Cambridge School District	\$ 76,473.07
026529	Jay Westfield Joint Elem School	\$ 19,328.93
026555	Southern Valley Unified Union SD	\$ 108,929.47
026562	Ludlow Mt Holly Union USD	\$ 240,808.16
066554	Vernon School District	\$ 14,947.76
076554	Windham Southeast SD	\$ 1,907,926.28

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).

This information should not be considered an offer or solicitation of securities, insurance products or services. No offer is intended nor should this material be construed as an offer of any product. The information is being presented by us solely in our role as the plan's service provider and or record keeper.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company, Hartford, CT, or its affiliates.

Securities products and services are offered through Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company.

Prudential Retirement's registered representatives are registered with Prudential Investment Management Services, LLC, Newark, NJ. A Prudential Financial Company.

In providing this information Prudential Retirement is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity. Prudential Retirement may benefit from advisory and other fees paid to it or its affiliates for managing, selling, or settling of the Prudential mutual funds and other investment products or securities offered by Prudential Retirement or its affiliates. Investment vehicles sponsored or managed by a Prudential Retirement affiliate generate more revenue for the Prudential enterprise than non-proprietary investment vehicles. Prudential Retirement's sales personnel generally receive greater compensation if plan assets are invested in proprietary investment vehicles. Prudential Retirement may benefit directly from the difference between investment earnings of Prudential Retirement's stable value funds and the amount credited to deposits in those funds. Prudential Retirement may also benefit from broker-dealer or other entities' co-sponsorship of Prudential conferences.

Prudential Retirement's separate accounts are available under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT. PRIAC is a Prudential Financial company.

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Prudential's Book of Business averages are as of 12/31/2021.

Plan Summary

Important Information Regarding the Empower Transition

On April 1, 2022, Great-West Life & Annuity Insurance Company (GWLA), the parent company of Empower Retirement, LLC (Empower) acquired the full-service retirement business of Prudential Financial, Inc. In connection with the transaction, GWLA acquired all shares of the following entities, which are no longer affiliated with Prudential Financial, Inc.: Prudential Retirement Insurance and Annuity Company; Prudential Bank & Trust, FSB; Global Portfolio Strategies, Inc.; TBG Insurance Services Corporation; MC Insurance Agency Services, LLC; and Mullin TBG Insurance Agency Services, LLC.

Please use the following to determine if Empower is now the service provider for an account or product. If an individual has multiple accounts, they may be a customer of Prudential Financial, Inc. and its affiliates (together, Prudential) and Empower.

Account Type	Service Provider
<p>If an individual is an annuitant, contingent annuitant or other beneficiary under a group annuity contract issued or reinsured by Prudential’s pension risk transfer business or a plan participant whose benefit is administered by Prudential’s pension risk transfer business...</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They were previously issued an annuity certificate from the Prudential Insurance Company of America <u>in connection with their employer’s defined benefit plan</u>, OR they previously received a communication from their employer that Prudential has issued a guaranteed annuity covering all or a portion of their pension benefit or pays their pension benefit. 	<p>...The account remains with Prudential and was not impacted by the transaction.</p> <p>The “Important Disclosures Regarding the Empower Transaction” listed below do not apply to the account.</p>
<p>If an individual independently purchased an individual annuity, life insurance or investment product with Prudential...</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They independently purchased a product from Prudential (other than a SmartSolution IRA) that is unrelated to an employer workplace plan. • The product purchased is issued by The Prudential Insurance Company of America (PICA), Prudential Annuities Life Assurance Corporation (PALAC), Pruco Life Insurance Company, or Pruco Life Insurance Company of New Jersey. • They purchased an investment product or service through Pruco Securities, LLC. 	<p>...The account remains with Prudential and was not impacted by the transaction.</p> <p>The “Important Disclosures Regarding the Empower Transaction” listed below do not apply to the account.</p>

Plan Summary

<p>If an individual is a participant in a retirement plan previously serviced by Prudential Retirement that may include defined benefit plans, nonqualified plans, defined contribution plans and 401(k) plans (including a plan that permits self-directed brokerage accounts), or is an account holder of a SmartSolution IRA, an Auto Roll IRA or an NFS Prudential Brokerage Account...</p> <p>This category includes certain Stable Value products on third party recordkeeping platforms where the service provider will transfer to Empower. These clients will be notified directly.</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They receive a notification from Prudential Retirement notifying them that Empower will become the service provider for their account. • They receive a welcome email or letter from Empower. 	<p>...Empower is now the service provider for the account. However, with respect to SmartSolution IRAs and certain Auto Roll IRAs, Prudential Investment Management Services LLC (PIMS) remains the broker-dealer for a transitional period.</p> <p>Please carefully review the “Important Disclosures Regarding the Empower Transaction” below that apply.</p>
<p>If an individual is a participant in the Prudential Supplemental Employee Savings Plan; the Prudential Financial, Inc. 2021 Omnibus Incentive Plan and the attendant Prudential Long-Term Incentive Program; the Prudential Financial, Inc. 2016 Deferred Compensation Plan for Non-Employee Directors; or the PGIM, Inc. Omnibus Deferred Compensation Plan...</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They receive statements and other notifications from Prudential in connection with one or more of these plans. 	<p>...Prudential remains the service provider for the plans. Empower is currently providing services as a sub-contractor for a transitional period.</p> <p>Please carefully review the “Important Disclosures Regarding the Empower Transaction” below that apply to the account as applicable.</p>

Important Disclosures Regarding the Empower Transaction

Effective April 1, 2022, the following will apply:

- All references to “Prudential Retirement” refer to Empower. Prudential Retirement is no longer a business unit of Prudential.
- Certain insurance products written by The Prudential Insurance Company of America were reinsured to GWLA and Great-West Life & Annuity Insurance Company of New York (for New York business). Empower Retirement will become the administrator of this business acquired from Prudential.
- Empower Retirement refers to the products and services offered by GWLA and its subsidiaries, including Empower Retirement, LLC. Empower Retirement is not affiliated with Prudential or its affiliates.
- Full-service retirement sales personnel and certain service personnel are no longer registered representatives of Prudential Investment Management Services LLC (PIMS) and are registered representatives of GWFS Equities, Inc. For a transition period, certain back office and service personnel will remain registered representatives of PIMS.
- During a transition period, Prudential and, as applicable, its affiliates will continue to provide services to Empower. PIMS will continue to provide certain broker-dealer services under the terms of existing services agreements for certain plans and will continue to be the broker-dealer of record for existing SmartSolution IRAs and certain Auto Roll IRAs for a transitional period.
- Any documents pertaining to fraud or security commitments by Prudential Retirement are no longer applicable and are replaced with Empower’s commitments as set forth at participant.empower-retirement.com/participant/#/articles/securityGuarantee.
- If Empower is the service provider for an account, Prudential’s Privacy Statements and Privacy Notices are replaced with Empower’s Privacy Notice as set forth at empower-retirement.com/privacy for the account.

All product names, logos and brands are property of their respective owners. “EMPOWER,” “EMPOWER RETIREMENT,” and all associated logos and product names are trademarks of Great-West Life & Annuity Insurance Company. Prudential, the Prudential logo and the Rock Design are trademarks of Prudential Financial, Inc. and its affiliates and are used under license.

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Empower Sponsor 4.2022

Section II Economic Outlook



ARE RECESSIONARY FEARS JUSTIFIED?

by Robert F. DeLucia, CFA
Consulting Economist

Summary and Major Conclusions:

There is a high likelihood of a recession within the next several years, but the probability is much lower during the next 12 to 18 months. The classic preconditions for recession are not yet in place: Financial conditions remain favorable; the labor market has softened somewhat but remains healthy; household and business spending are expanding in inflation-adjusted terms; and policy rates are below the inflation rate. Most importantly, the physical imbalances that normally cause recessions — excessive investment in housing and nonresidential investment and extreme private debt levels — are not evident.

- There is a high likelihood of a recession within the next several years, but the probability is much lower during the next 18 months. The classic preconditions for recession are not yet in place.
- Financial conditions remain favorable; the labor market is robust; real interest rates are in deep negative territory; and the physical imbalances that normally cause recessions are not evident.
- The squeeze on household incomes caused by the rise in food and energy costs will clearly have an adverse effect on consumer spending. However, there are other offsetting positive factors that should support consumer spending over the next year.
- The labor market remains extremely strong; household debt burdens are the lowest in decades; and inflation-adjusted borrowing costs are low. Perhaps most importantly, there remains more than \$2 trillion in excess savings on household balance sheets.
- The current level of excess savings is the equivalent of 13% of personal consumption expenditures. Although excess savings are unlikely to return to zero, this surplus could augment household spending for the next several years.
- The underlying trend in consumer spending is heavily distorted by the strength in imports. Consumers are spending at a healthy pace but are favoring cheaper imported goods resulting from a strong US dollar.
- Under normal circumstances, demand for capital goods would weaken in response to increased uncertainty, triggering cancellations in existing orders. However, while discretionary investment spending is at risk, a large portion of the demand for capital formation is nondiscretionary.
- There is enormous pressure on businesses to protect profit margins by investing in automated equipment, thereby substituting capital for labor. Most businesses are determined to diversify their supply chains by locating new investments closer to their home markets.
- The government's \$1 trillion infrastructure program will begin next year irrespective of economic and financial conditions. Massive global demand for new energy and food capacity implies a multi-year cycle in energy and agricultural machinery.
- It is highly unlikely that the US economy is currently in recession as argued by some economists. The official definition of a recession is as follows: A significant contraction in economic activity that is spread across most sectors of the economy and lasts for more than a few months.
- By itself, the 1.6% contraction in first quarter real GDP is of little significance. Even another small decline in real GDP in the second quarter would not necessarily constitute a recession.

- Monthly data provide a reliable assessment of underlying economic conditions. These include nonfarm payrolls; capital goods orders; industrial production; and the Index of Coincident Economic Indicators. Each of these series is in a solid uptrend.
- There are a variety of trends that investors can track to gauge how the business cycle is unfolding. These generally pertain to monetary policy, financial conditions, inflation, and monthly economic data.
- Most important is the Federal Reserve rate-tightening cycle and real interest rates, which are currently in deep negative territory. There has never been a recession when policy rates were below the rate of inflation. The monthly trend in employment has been a reliable leading indicator of recession.
- The yield curve is arguably the most reliable indicator of recession. Historically, an inversion of the Treasury yield curve has occurred 15 months prior to the next recession. The yield curve is unlikely to invert until very late this year or early 2023.
- There are several notable economic risks that could push the economy into recession sooner than I expect. The two most important risks involve inflation and monetary policy. The others pertain to energy prices, the war in Ukraine, and supply-chain disruptions.

Expectations for recession have become widespread among investors, businesses, and households since the Federal Reserve began to signal that it was prepared to tighten monetary conditions aggressively in order to crush inflation. This week's *Economic Perspective* explores the risk of recession during the next four quarters.

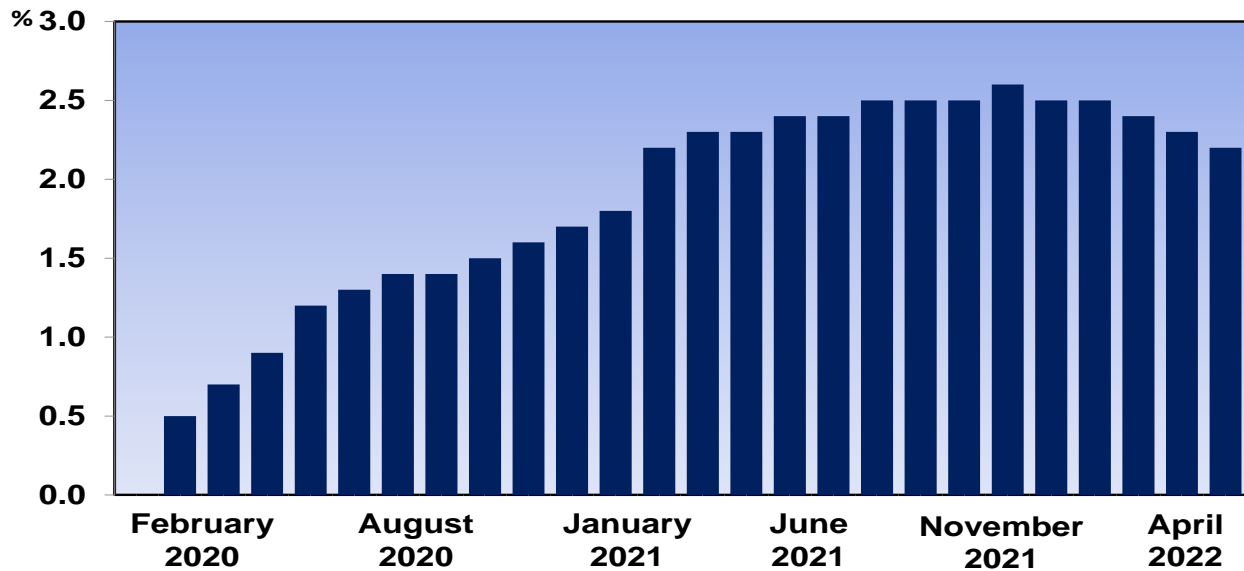
IS A RECESSION INEVITABLE?

There is a high likelihood of a recession within the next several years, but the probability is much lower during the next 18 months. The classic preconditions for recession are not yet in place: Financial conditions remain favorable; the labor market has softened somewhat but remains healthy; and policy rates are below the inflation rate. Most importantly, the physical imbalances that normally cause recessions — excessive investment in housing and nonresidential investment and extreme private debt levels — are not evident.

CAN CONSUMER SPENDING CONTINUE TO EXPAND IN AN ENVIRONMENT OF DECLINING REAL WAGES?

The squeeze on household incomes caused by the rise in food and energy costs will clearly have an adverse effect on consumer spending. However, there are other offsetting positive factors that should support consumer spending over the next year: Robust demand for labor; exceptionally low debt; and historically low borrowing costs. Household income is increasing at an annual rate of 6.5%. Perhaps most importantly, there remains more than \$2 trillion in excess savings on household balance sheets to augment consumer purchases of goods and services.

Chart 1: US Consumers Maintain Abundant Liquidity
Excess Savings, US Households, \$ Trillions
Source: Bureau of Economic Analysis



HOW MUCH LONGER CAN EXCESS SAVINGS CONTRIBUTE TO CONSUMER SPENDING?

Excess savings for US consumers rose to a peak of \$2.5 trillion during the second quarter of 2021. This surplus resulted from two extraordinary developments: (1) Forced saving during the pandemic; and (2) Massive fiscal transfers from the federal government to households through various COVID-19 relief programs.

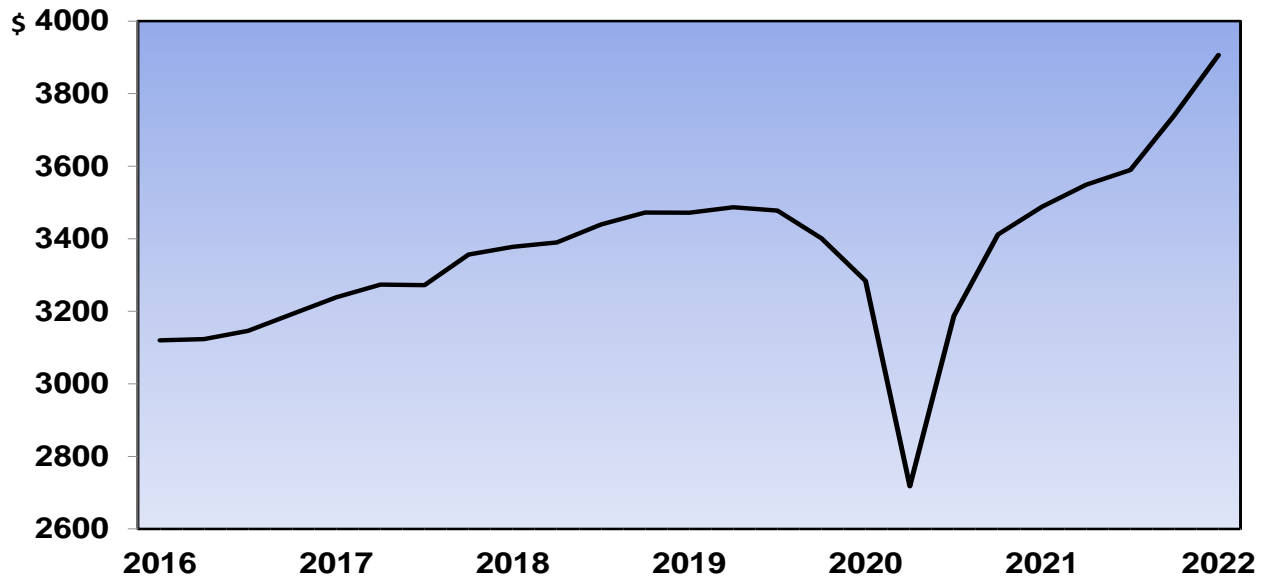
This surplus remains sizable and is shrinking at a slow pace. The current level of excess savings is estimated at \$2.2 trillion, which comprises 13% of personal consumption expenditures. Although excess savings is unlikely to return to zero, this surplus could augment household spending over the next several years, at a minimum (see chart 1).

CONSUMER SPENDING HAS BEEN WEAK IN RECENT MONTHS. WHY IS THAT NOT A PRECONDITION FOR RECESSION?

GDP data on personal consumption expenditures massively understate the strength in consumer spending because consumer demand has been satisfied by cheap imports resulting from the very strong US dollar. As reflected in real GDP, consumer spending for domestically produced goods has increased at a 2% annual rate in recent months, but this is a flawed data point.

Meanwhile, imported goods by US consumers are growing at a spectacular 15% annual rate after adjustment for inflation, a reflection of a very strong consumer, who has simply opted to satisfy demand by purchasing foreign goods rather than goods produced domestically. In a perverse way, strong US imports — a sign of solid **domestic demand** — actually subtracts from US GDP (see chart 2).

Chart 2: Surging US Imports Reflect Robust Domestic Demand
 US Imports, \$ Billions, Adjusted for Inflation
 Source: Bureau of Economic Analysis



The bottom line is that consumers are spending at a solid pace but have substituted cheaper imported goods for domestically produced goods resulting from the exceptionally strong purchasing power of the US dollar. The effect of this substitution phenomenon is to understate the strength of US consumer spending.

IS CAPITAL SPENDING VULNERABLE TO WEAKENING BUSINESS CONFIDENCE?

Under normal circumstances, demand for capital goods would weaken in response to increased uncertainty, triggering a cancellation in orders. However, while discretionary investment spending is at risk, most of the current upward pressures to increase capital formation are nondiscretionary:

- There is enormous pressure on businesses to protect profit margins by investing in automated equipment, thereby substituting capital for labor in an environment of rapidly rising labor costs.
- There is pressure on businesses to diversify their supply chains by investing in new plant and equipment closer to their home markets.
- The government’s \$1 trillion infrastructure program will begin next year almost irrespective of economic and financial conditions.
- There is a desperate need to greatly expand energy capacity in all forms, implying a multi-year cycle of large expenditures for production of crude oil, natural gas, and alternative sources of energy.
- The current food crisis — emanating from the war in Ukraine — suggests that spending on farm equipment will remain robust.

- The severe shortage of semiconductor capacity ensures continued strong investment through 2024.

In short, because of the nondiscretionary nature of current capital needs, business investment spending could remain robust in coming months. Shipments of capital goods are increasing at a 13% annual rate. I believe that financial markets will be surprised by the magnitude of growth in capital spending over the next year.

SOME ECONOMISTS BELIEVE THAT THE US ECONOMY IS ALREADY IN RECESSION. DO YOU AGREE?

No, it is highly unlikely that the US economy is currently in recession. The definition of recession is much more subjective than most people realize. The National Bureau of Economic Research (NBER) — the official arbiter of recessions — uses a holistic approach in defining recessions, as follows: “A significant contraction in economic activity that is spread across most sectors of the economy and lasts for more than a few months.” By itself, the 1.6% contraction in first quarter real GDP is of little significance. Even another small decline in real GDP in the second quarter would not necessarily constitute a recession.

HOW WILL THE NBER DETERMINE WHEN THE ECONOMY IS OFFICIALLY IN RECESSION?

The NBER will evaluate a wide range of economic information to determine whether the economy is in recession. Under most circumstances, GDP is generally consistent with key monthly economic data such as retail sales, housing, industrial production, personal income, business investment spending, and data from the manufacturing and services sector. *However, if there is a statistical divergence between the two, the NBER will rely more heavily on monthly, rather than quarterly, data.*

COULD YOU SUMMARIZE THE CURRENT TRENDS AS REFLECTED IN MONTHLY ECONOMIC DATA?

Monthly economic data provide a superior assessment of underlying economic conditions and are not now flashing recession. These include nonfarm payrolls; capital goods shipments and new orders; industrial production; and spending on consumer services. Each of these series remains in a solid uptrend.

1. Labor market data remain extremely strong. It would be unusual for the economy to be in a recession when employment and manufacturing production are in strong uptrends.
2. Both shipments and new orders for capital goods remain in a solid upward trend (see chart 3).
3. In contrast with consumer goods, the service sector is expanding at a rapid pace. Spending on consumer services is growing at a 5% annual rate, after adjustment for inflation (see chart 4).

Chart 3: Healthy Fundamental Conditions For Business Investment Spending
Capital Goods Shipments (\$ Millions)
Source: US Census Bureau

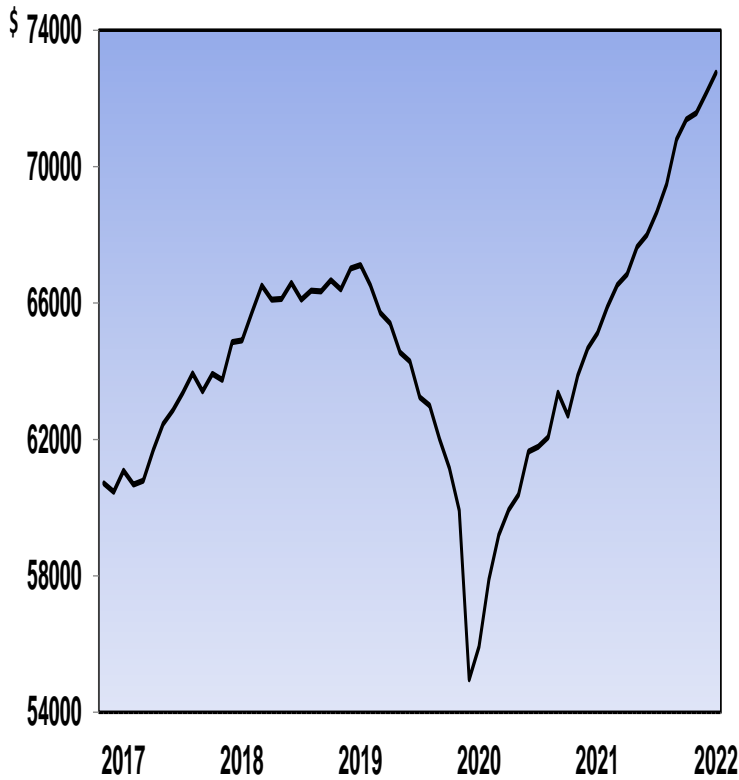
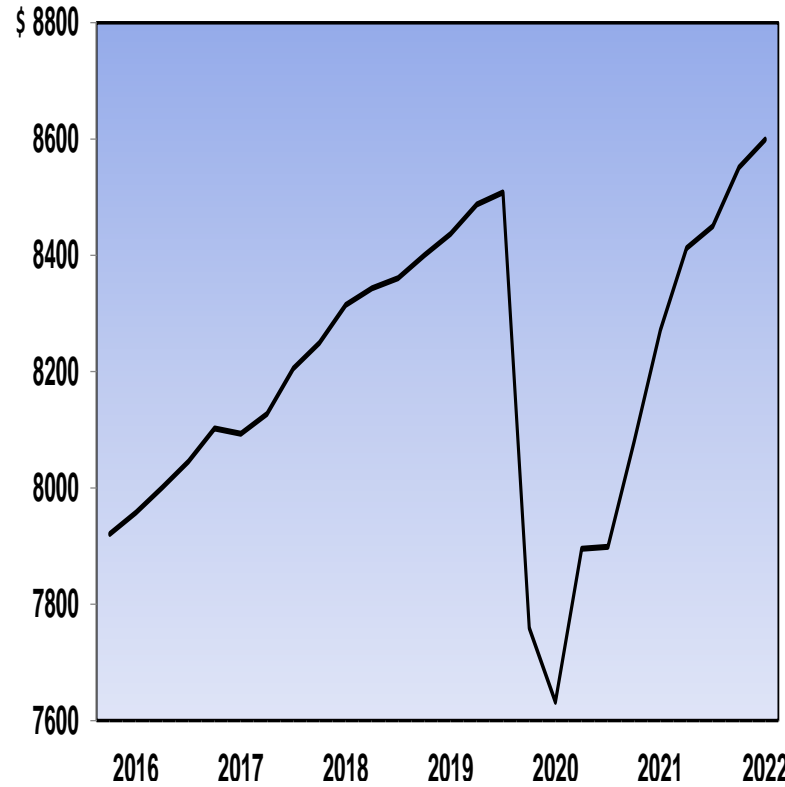


Chart 4: Strong Momentum in the US Service Sector
Personal Consumption Expenditures Services
Adjusted for Inflation, \$ Billions
Source: Bureau of Economic Analysis



- Manufacturing output is currently rising at a 4% annual rate. The most comprehensive measure of current economic conditions in the Conference Board's Index of Coincident Economic Indicators. This index is currently in a solid uptrend, expanding at an annual rate of 3%, adjusted for inflation. Bottom Line: The domestic economy is not now in recession and is unlikely to enter a recession in the next 18 months, but it could be in recession in 2024 or 2025 (see chart 5).

WHAT ARE THE MOST RELIABLE LEADING INDICATORS OF AN IMMINENT RECESSION?

There are a variety of trends that investors can track to gauge how the business cycle is unfolding. These generally pertain to monetary policy, financial conditions, inflation, and monthly economic data.

- Most important is the Federal Reserve rate-tightening cycle. Based upon tightening cycles dating back to 1970, the average lead time between the initial rate hike and a recession was 30 months. The initial rate hike for this cycle was in March.
- Closely related are real interest rates, which are currently in deep negative territory. There has never been a recession when policy rates were below the rate of inflation.

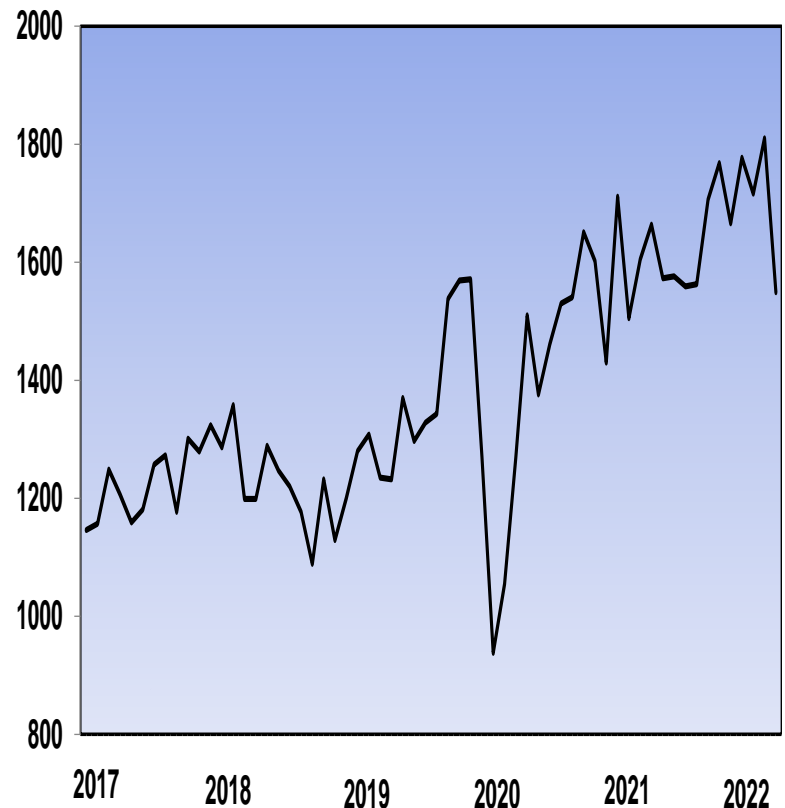
Chart 5: Coincident Indicators on a Steadily Expanding Path
The Coincident Economic Indicator Series

Source: The Conference Board



Chart 6: May Peak in Housing Starts Signals 2024 Recession
US Housing Starts (Millions)

Source: US Census Bureau



- Residential construction is the most cyclical sector of the economy and is always the leading edge of a slowdown. Historically, the peak in housing starts has preceded recessions by two years, implying the potential for a recession in early 2024. It should also be noted that the current level of housing starts (1.55 million) is 12% above the average (1.39 million) of the past five years (see chart 6).
- Monthly employment data have been a reliable leading indicator of recession. Historically, recessions typically begin within six months after the monthly increase in nonfarm payrolls falls below 100 thousand. Currently at 400 thousand, growth in nonfarm payrolls is likely to average 225 thousand over the next 12 months and not fall to 100 thousand until Q4 of 2023.
- The US Treasury yield curve is arguably the most reliable indicator of recession. Historically, an inversion of the Treasury yield curve occurs 15 months prior to the next recession. The yield curve is flat from two years to ten years, and positively sloped from three months to ten years.

WHAT ARE THE PRIMARY RISKS TO ECONOMIC GROWTH?

There are several notable economic risks that could push the economy into recession sooner than I expect. The two most important risks pertain to inflation and monetary policy.

- **Inflation:** Although most economists expect inflation to moderate over the next six to nine months, continued rapid inflation could precipitate a recession in three distinct ways: (1) Further downward pressure on consumer confidence; (2) Further erosion of consumer purchasing power; and (3) A much more aggressive path of monetary policy than currently assumed.
- **Monetary Policy:** My forecast assumes that the Federal Reserve will tighten policy as appropriate based upon incoming economic data. A policy mistake by the Fed cannot be ruled out. *In its zeal to crush inflation expeditiously, the central bank could induce a recession by implementing a disorderly increase in policy rates.*
- **Energy Markets:** In my judgment, the domestic economy can absorb the current level of energy prices without falling into recession. However, a steep rise in crude oil and natural gas prices from current levels could lead to a recession. *An escalation in the war in Ukraine* could be the catalyst for much higher energy prices in future months.
- **Supply Chains:** Global supply chains have eased somewhat in recent months but continue to generate shortages, longer delivery times, and higher costs. Supply chains originating in China are especially fragile as the government implements harsh restrictions designed to contain the pandemic.

To conclude, investors must differentiate between a systematic economic slowdown and an outright recession. The rate of economic growth has slowed from an unsustainable 10% annual rate in the first half of 2021 to only 2.5% over the past three quarters. A further deceleration in growth to 2% is expected over the next 12 to 18 months. The probability of an actual contraction in domestic demand during this period is low.



Robert F. DeLucia, CFA, was formerly Senior Economist and Portfolio Manager for Prudential Retirement. Prior to that role, he spent 25 years at CIGNA Investment Management and 15 years with Prudential Retirement most recently serving as Chief Economist and Senior Portfolio Manager. He currently serves as a Consulting Economist for Empower. Bob has 50 years of investment experience.

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