



# PLAN SUMMARY

**State of Vermont 940010 940060**

**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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**Prudential**



# Table of Contents

<b>Section I</b>	<b>Plan Summary</b>
<b>Section II</b>	<b>Economic Outlook</b>



# Section I Plan Summary



# PLAN SUMMARY AND BENCHMARK TRENDS



# Plan Summary

## Plan Demographics Summary

	1/1/2020-9/30/2020	1/1/2021-9/30/2021
Total Participants*	2,824	3,053
Active Participants	2,445	2,647
Terminated Participants	349	373
Other Participants**	0	1
Multiple Status Participants***	30	32
Average Participant Balance	\$45,616	\$52,347
Average Account Balance for Active Participants	\$46,146	\$52,738
Median Participant Balance	\$19,341	\$20,051
Median Participant Balance for Active Participants	\$19,627	\$20,197
Participants Age 50 and Over	1,474	1,526
Total Assets for Participants Age 50 and Over	\$94,605,954	\$115,126,720
Total (Contributions + Rollovers In)	\$8,523,362	\$9,395,484
Employee Contributions	\$7,372,338	\$7,932,961
Employer Contributions	\$401,761	\$526,084
Rollovers In	\$749,263	\$936,439
Total Distributions	(\$6,564,804)	(\$6,924,296)
Percentage of Assets Distributed	5.1%	4.3%
Market Value Gain / Loss****	\$10,881,511	\$29,460,003
Total Participant Balances	\$128,819,943	\$159,814,695

\*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	\$12,177,021	\$18,302,068
% of Plan Assets for GoalMaker Participants	9.5%	11.5%
# of Participants in GoalMaker	609	872
Participation Rate in GoalMaker	21.6%	28.6%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	9/30/2020	9/30/2021
Roth Assets	\$4,367,932	\$5,959,187
# of Participants in Roth	377	411
Participation Rate in Roth	13.4%	13.5%
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	48.8%	48.1%
% of Plan Assets in Stable Value	11.6%	9.0%
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	1,338	1,488
# of Participants Affirmatively Elected eDelivery	1,338	1,485
# of Participants Defaulted into eDelivery	0	3
% of Participants in eDelivery	46.6%	47.8%
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+	Grand Total
Total	24	80	106	59	41	12	322

## Participant Activity

Call Center	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021
Total Call Volume	421	496

Loans	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021
Amount of New Loans Taken	\$99,290	\$40,617
# of New Loans	9	7
# of Outstanding Active Loans	32	38
% of Participants have Outstanding Active Loans	1.1%	1.2%
Prudential % of Participants have Outstanding Active Loans - As of 12/31/2020	12.2%	

## Transaction Summary

Transactions	1/1/2020 - 9/30/2020	1/1/2021 - 9/30/2021
Total Enrollees*	154	322
Contribution Rate Increases for Active Participants**	4	4
Contribution Rate Decreases for Active Participants**	3	1
Total Contribution Rate Changes**	7	5
Number of Participants with Transfers	659	851
Loan Initiations	9	7
Distributions	268	346

\*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	9/30/2020	9/30/2021
Statements	1,283	1,437
Confirms	1,337	1,484
Tax Forms	1,283	1,438
Plan Related Documents	N/A	1,462



# 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	\$55,971	\$4,463,461	\$20,360,113	\$47,779,092	\$58,246,427	\$28,909,632	\$159,814,695
% Assets	0.0%	2.8%	12.7%	29.9%	36.4%	18.1%	100.0%
Average Contribution Rate (\$)	\$0	\$66	\$126	\$234	\$230	\$326	\$200
Average Contribution Rate (%)	0.0%	5.3%	7.0%	8.7%	26.0%	0.0%	10.0%
<i>Prudential Avg. Contribution Rate (%) as of 12/31/2020</i>	5.2%	6.2%	7.0%	8.1%	9.7%	11.4%	7.7%
Contributions	\$39,004	\$654,196	\$1,489,353	\$2,950,758	\$2,850,095	\$475,640	\$8,459,045
Rollovers In*	\$0	\$178,543	\$395,011	\$69,576	\$293,309	\$0	\$936,439
Total (Contributions + Rollovers In)	\$39,004	\$832,739	\$1,884,364	\$3,020,334	\$3,143,404	\$475,640	\$9,395,484
Cash Distributions	\$0	(\$25,225)	(\$9,516)	(\$74,757)	(\$396,921)	(\$298,461)	(\$804,880)
Rollovers Out	\$0	(\$70,444)	(\$432,020)	(\$409,300)	(\$3,454,061)	(\$1,753,590)	(\$6,119,416)
Total (Cash Distributions + Rollovers Out)	\$0	(\$95,669)	(\$441,537)	(\$484,057)	(\$3,850,982)	(\$2,052,051)	(\$6,924,296)
Net Activity	\$39,004	\$737,070	\$1,442,827	\$2,536,277	(\$707,578)	(\$1,576,411)	\$2,471,189
Total Participants**	40	417	687	777	756	381	3,058
Average Account Balance	\$1,399	\$10,704	\$29,636	\$61,492	\$77,046	\$75,878	\$52,261
<i>Prudential Avg. Account Balance as of 12/31/2020</i>	\$3,940	\$17,635	\$49,972	\$97,117	\$136,242	\$138,917	\$80,721
Median Account Balance	\$882	\$4,498	\$12,704	\$29,516	\$41,335	\$34,774	\$20,051
<i>Prudential Median Account Balance as of 12/31/2020</i>	\$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 (decendent's date of birth), that participant will be counted twice.



# PLAN ACTIVITY





# Plan Summary

## Contributions by Fund

INVESTMENT OPTIONS	1/1/2020 - 9/30/2020	%	1/1/2021 - 9/30/2021	%	Change	%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$1,623,739	20.9%	\$1,856,182	21.9%	\$232,442	14.3%
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$1,161,009	14.9%	\$1,324,491	15.7%	\$163,482	14.1%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$779,475	10.0%	\$822,534	9.7%	\$43,059	5.5%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$706,974	9.1%	\$768,659	9.1%	\$61,685	8.7%
T. ROWE PRICE RETIREMENT   2030 FUND   CLASS	\$673,345	8.7%	\$739,880	8.8%	\$66,535	9.9%
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$620,835	8.0%	\$716,030	8.5%	\$95,196	15.3%
GUARANTEED LONG-TERM FUND	\$671,981	8.6%	\$622,807	7.4%	(\$49,175)	-7.3%
T. ROWE PRICE RETIREMENT   2020 FUND   CLASS	\$445,953	5.7%	\$351,577	4.2%	(\$94,376)	-21.2%
T. ROWE PRICE RETIREMENT   2040 FUND   CLASS	\$315,362	4.1%	\$338,659	4.0%	\$23,298	7.4%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$252,314	3.3%	\$236,649	2.8%	(\$15,665)	-6.2%
T. ROWE PRICE RETIREMENT BALANCED   FUND   CLASS	\$108,473	1.4%	\$161,215	1.9%	\$52,742	48.6%
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$129,457	1.7%	\$154,419	1.8%	\$24,962	19.3%
CALVERT EQUITY FUND CLASS I	\$123,156	1.6%	\$141,885	1.7%	\$18,729	15.2%
T. ROWE PRICE RETIREMENT   2050 FUND   CLASS	\$79,612	1.0%	\$109,063	1.3%	\$29,451	37.0%
T. ROWE PRICE RETIREMENT   2010 FUND   CLASS	\$38,875	0.5%	\$44,506	0.5%	\$5,631	14.5%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$22,188	0.3%	\$43,814	0.5%	\$21,627	97.5%
T. ROWE PRICE RETIREMENT   2060 FUND   CLASS	\$21,351	0.3%	\$26,676	0.3%	\$5,324	24.9%
Total Assets Contributed	\$7,774,099	100.0%	\$8,459,045	100.0%	\$684,946	8.8%



# Plan Summary

## Interfund Transfers

1/1/2021 to 9/30/2021

INVESTMENT OPTIONS	IN	OUT	NET
T. ROWE PRICE RETIREMENT   2030 FUND   CLASS	\$525,771	(\$189,885)	\$335,887
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$468,452	(\$253,639)	\$214,813
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$650,355	(\$449,523)	\$200,831
GUARANTEED LONG-TERM FUND	\$913,508	(\$786,577)	\$126,931
T. ROWE PRICE RETIREMENT   2040 FUND   CLASS	\$125,736	(\$9,586)	\$116,149
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$244,482	(\$150,473)	\$94,009
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$83,741	(\$21,096)	\$62,645
T. ROWE PRICE RETIREMENT   2050 FUND   CLASS	\$8,169	(\$12,149)	(\$3,980)
T. ROWE PRICE RETIREMENT BALANCED I FUND   CLASS	\$0	(\$9,981)	(\$9,981)
T. ROWE PRICE RETIREMENT   2020 FUND   CLASS	\$56,897	(\$99,580)	(\$42,683)
T. ROWE PRICE RETIREMENT   2010 FUND   CLASS	\$0	(\$43,296)	(\$43,296)
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$400,331	(\$456,655)	(\$56,324)
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$185,116	(\$253,032)	(\$67,916)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$47,209	(\$246,696)	(\$199,488)
CALVERT EQUITY FUND CLASS I	\$37,211	(\$360,175)	(\$322,964)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$431,844	(\$836,476)	(\$404,632)
TOTAL	\$4,178,819	(\$4,178,819)	\$0



## Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	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	\$5,423,115	\$5,809,162	\$386,047	7%	105	147	42	40%
Direct Transfer	\$304,808	\$710,294	\$405,486	133%	9	10	1	11%
In-Service Withdrawal	\$443,761	\$184,065	(\$259,696)	(59%)	9	12	3	33%
Death Distribution	\$219,749	\$62,790	(\$156,959)	(71%)	14	10	(4)	(29%)
Installment Payment	\$71,018	\$101,726	\$30,708	43%	112	143	31	28%
Coronavirus-Related Distribution	\$75,498	\$0	(\$75,498)	(100%)	6	0	(6)	(100%)
Required Minimum Distribution	\$22,665	\$50,344	\$27,679	122%	9	18	9	100%
Hardship Withdrawal	\$3,883	\$3,119	(\$764)	(20%)	2	1	(1)	(50%)
Return of Excess Deferrals/Contributions	\$307	\$2,722	\$2,415	785%	2	2	0	0%
Gross Adjustment	\$0	\$74	\$74	N/A	0	2	2	N/A
<b>Grand Total</b>	<b>\$6,564,804</b>	<b>\$6,924,296</b>	<b>\$359,491</b>	<b>5%</b>	<b>268</b>	<b>345</b>	<b>77</b>	<b>29%</b>

1/1/2021 - 9/30/2021						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$608,328	\$5,511,088	\$6,119,416	21	76	97
Cash	\$84,160	\$720,720	\$804,880	12	236	248
<b>Grand Total</b>	<b>\$692,488</b>	<b>\$6,231,808</b>	<b>\$6,924,296</b>	<b>33</b>	<b>312</b>	<b>345</b>

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.

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

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

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.

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.

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

## Loan Activity

As of 9/30/2021

## % of Participants With Withdrawal Activity

1/1/2021 - 9/30/2021

Average loan balance is \$7,796  
*Prudential Book of Business Average is \$7,891 as of 12/31/2020*

1.2% of participants have outstanding active loans  
*12.2% Prudential Book of Business Average as of 12/31/2020*

0.2% initiated a new loan

0.0% initiated Hardship Withdrawal

0.4% initiated In-Service Withdrawal

## Loan Utilization By Participant Age

	0.0%	0.0%	1.3%	2.3%	1.2%	0.5%	1.2%
	<25	25-34	35-44	45-54	55-64	65+	Overall
Participants*	40	417	687	777	756	381	3,058
w/Loan	0	0	9	18	9	2	38

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



# Plan Summary

## Participant Loan Statistics

Loan Initiations	Amount of Loans Taken				# of Active Loans			
	1/1/2020-9/30/2020	1/1/2021-9/30/2021	Change	% Change	as of 9/30/2020	as of 9/30/2021	Change	% Change
General Purpose	\$99,290	\$30,617	(\$68,673)	(69%)	31	36	5	16%
Residential	\$0	\$10,000	\$10,000	0%	1	2	1	100%
<b>Grand Total</b>	<b>\$99,290</b>	<b>\$40,617</b>	<b>(\$58,673)</b>	<b>(59%)</b>	<b>32</b>	<b>38</b>	<b>6</b>	<b>19%</b>

	1/1/2020-9/30/2020	1/1/2021-9/30/2021
# of Outstanding Active Loans	32	38
# of New Loans	9	7
Average Loan Balance	\$8,955	\$7,796
Total Outstanding Loan Balance	\$286,566	\$296,266



# 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	91	102	89	112
Total Call Volume	150	161	136	199
Participant Website				
Registered Participants	1,754	1,747	1,757	1,735
Unique Web Logins	654	762	770	752
Total Web Logins	10,975	10,945	12,689	13,061

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	45	35	35	41
Allocation Changes & Exchange	4	3	2	2
Contributions	2	12	6	11
Disbursements	71	82	63	109
Enrollments	0	0	0	1
Forms	2	1	1	2
Fund Information	0	3	1	0
Hardships	0	4	0	4
IFX	0	0	0	0
IVR or Web Assistance	5	6	8	5
Loans	5	1	8	4
Other	6	2	5	8
Payment Questions	0	0	0	0
Plan Explanations	2	0	1	5
Regen Reg Letter	0	0	0	0
Status of Research	2	1	1	2
Tax Information	0	4	0	1
Website Processing	6	7	5	4
Total	150	161	136	199

### 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).

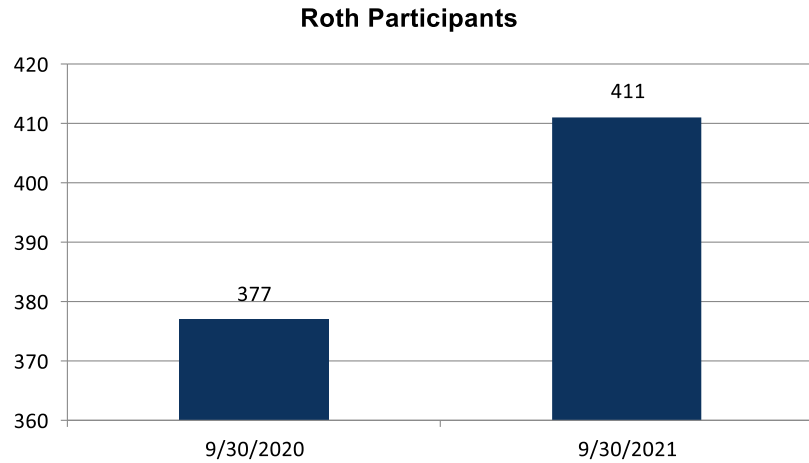
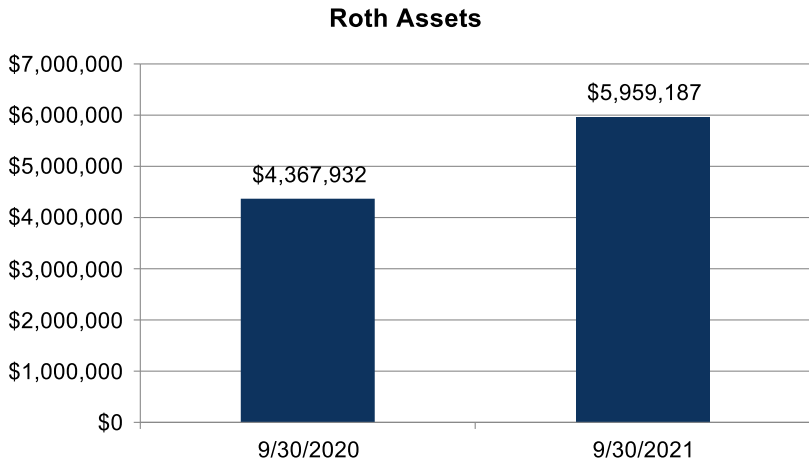
**Registered Participants** - The total number of individuals that established an account as of the reporting end date, for which they can access their retirement plan via the Participant Website.



# Plan Summary

## Roth Summary

Sub Plan Name	Sub Plan	Total
Mt. Abraham Unified School Distr	006502	\$3,236
Addison Northwest SD	006503	\$608,974
Champlain Valley School District	006514	\$340,179
Colchester School District	006515	\$881,435
Caledonia Central SU	006516	\$6,179
Essex North SU	006517	\$29,329
Essex Westford Unified SD	006518	\$54,829
Maple Run Unified	006519	\$571,756
Lamoille South SU	006526	\$214
North Country SU	006529	\$2,606
Orleans Central SU	006534	\$60
Orleans Southwest SU	006535	\$2,615
Greater Rutland Central SU	006537	\$127,605
South Burlington Sd	006544	\$1,393,757
Washington Northeast SU	006550	\$804
Washington West SU	006551	\$66,262
Windham Southeast SU	006554	\$0
Windham Southwest SU	006555	\$1,320
Windsor Central Modfd Unfd Un SD	006556	\$88,744
Winooski SD	006560	\$316,690
Patricia A Hannaford Career Cen.	006561	\$77,528
Two Rivers Supervisory Union	006562	\$58,348
Concord School District	016516	\$14,717
Town of Lowell SD	016529	\$4,688
Quarry Valley Unified Union SD	016537	\$416,492
Twin Valley Unified Union SD	016555	\$3,671
Barnard Academy	016556	\$124,437
Green Mtn USD	016562	\$154,796
Lunenburg School District	026516	\$56,423
Southern Valley Unified Union SD	026555	\$1,234
Windsor Central Mod Unif Un SD	026556	\$456,837
Ludlow Mt Holly Union USD	026562	\$449
Rutland Town SD	036537	\$69,105
South Hero Town SD	056523	\$2,026
Champlain Island UUSD	066523	\$21,842
Windham Southeast SD	076554	\$0
<b>TOTAL</b>		<b>\$5,959,187</b>



	9/30/2020	9/30/2021
Roth Assets	\$4,367,932	\$5,959,187
# of Participants in Roth	377	411
Participation Rate in Roth	13.4%	13.5%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	



# Plan Summary

## Roth Summary

Subplan	Subplan Name	457(B) ROTH ROLLOVER	NON-457(B) ROTH ROLLOVER	ROTH DEFERRALS	Grand Total
000001	State of Vermont	\$ 40,683.74	\$ 172,547.62	\$ 19,313,503.70	\$ 19,526,735.06
000404	TOWN OF NORWICH	\$ -	\$ -	\$ 209,234.25	\$ 209,234.25
000407	Town of Stowe	\$ -	\$ -	\$ 18,340.56	\$ 18,340.56
000408	Edward Farrar Utility District	\$ -	\$ -	\$ 33,467.20	\$ 33,467.20
000409	TOWN OF WILMINGTON	\$ -	\$ -	\$ 15,693.16	\$ 15,693.16
000412	VERMONT HISTORICAL SOCIETY	\$ -	\$ -	\$ 137,203.15	\$ 137,203.15
000414	VERMONT ECONOMIC DEVELOP AUTH	\$ 13,607.35	\$ -	\$ 6,498.49	\$ 20,105.84
000418	TOWN OF MORRISTOWN	\$ -	\$ -	\$ 53,486.16	\$ 53,486.16
000420	WASHINGTON COUNTY	\$ -	\$ -	\$ 129.03	\$ 129.03
000422	Rutland County Solid Waste	\$ -	\$ 14,487.55	\$ -	\$ 14,487.55
000424	VT Housing & Conservation	\$ -	\$ -	\$ 58,777.33	\$ 58,777.33
000436	City of Newport	\$ -	\$ -	\$ 77,006.14	\$ 77,006.14
000439	TOWN OF BARRE	\$ -	\$ -	\$ 144,891.22	\$ 144,891.22
000449	Bennington Sheriff's Dept	\$ -	\$ -	\$ -	\$ -
000450	City of Rutland	\$ -	\$ -	\$ 621,051.18	\$ 621,051.18
000451	TOWN OF BENNINGTON	\$ -	\$ -	\$ 551,762.93	\$ 551,762.93
000454	TOWN OF HARDWICK	\$ -	\$ 45,585.57	\$ -	\$ 45,585.57
000455	TOWN OF VERNON	\$ -	\$ -	\$ 66,394.78	\$ 66,394.78
000456	Maple Run Unified SD	\$ -	\$ -	\$ 86,163.58	\$ 86,163.58
000457	SWANTON VILLAGE	\$ -	\$ -	\$ 265,427.33	\$ 265,427.33
000458	TOWN OF GUILFORD	\$ -	\$ -	\$ 34,411.54	\$ 34,411.54
000463	WASHINGTON COUNTY SHERIFF'S DEPT	\$ -	\$ -	\$ 10,427.54	\$ 10,427.54
000471	LAMOILLE COUNTY SHERIFF'S DEPART	\$ -	\$ -	\$ 3,286.75	\$ 3,286.75
000476	TOWN OF BRISTOL	\$ -	\$ -	\$ 25,998.16	\$ 25,998.16
000480	South Burlington SD	\$ -	\$ -	\$ 115,943.15	\$ 115,943.15
000481	Addison Northwest SD	\$ -	\$ 31,295.45	\$ 89,617.71	\$ 120,913.16
000487	Burlington Housing Authority	\$ -	\$ -	\$ 110,030.41	\$ 110,030.41
000489	VILLAGE OF JOHNSON	\$ -	\$ -	\$ 5,750.10	\$ 5,750.10
000495	Champlain Valley SD	\$ -	\$ -	\$ 51,913.84	\$ 51,913.84
000500	County of Grande Isle	\$ -	\$ -	\$ 1,987.03	\$ 1,987.03
000503	Windsor Central Modfd Unfd Un SD	\$ -	\$ -	\$ 36,053.70	\$ 36,053.70
000517	Rutland Northeast SU	\$ -	\$ 3,344.13	\$ 220,743.65	\$ 224,087.78
000518	City of Barre	\$ -	\$ -	\$ 32,173.15	\$ 32,173.15





# Plan Summary

## Roth Summary

Subplan	Subplan Name	457(B) ROTH ROLLOVER	NON-457(B) ROTH ROLLOVER	ROTH DEFERRALS	Grand Total
000521	WHITE RIVER VALLEY SU	\$ -	\$ -	\$ 8,284.80	\$ 8,284.80
000525	Rutland Housing Authority	\$ -	\$ -	\$ 32,093.84	\$ 32,093.84
000527	TOWN OF BETHEL	\$ -	\$ -	\$ 4,829.11	\$ 4,829.11
000528	TOWN OF WEST RUTLAND	\$ -	\$ -	\$ 62,741.26	\$ 62,741.26
000529	Greater Rutland County SU	\$ -	\$ -	\$ 3,753.42	\$ 3,753.42
000533	TOWN OF WORCESTER	\$ -	\$ -	\$ 10,262.27	\$ 10,262.27
000535	TOWN OF BERKSHIRE	\$ -	\$ -	\$ 4,852.91	\$ 4,852.91
000537	S Windsor County Planning Comm	\$ -	\$ -	\$ 161,197.31	\$ 161,197.31
000541	Mt. Abraham Unified SD	\$ -	\$ -	\$ 284,494.34	\$ 284,494.34
000557	Town of Charleston	\$ -	\$ -	\$ 7,307.47	\$ 7,307.47
000558	Town of Middlebury	\$ -	\$ -	\$ 7,664.46	\$ 7,664.46
000559	Town of Plainfield	\$ -	\$ -	\$ 35,822.01	\$ 35,822.01
000560	Town of Milton	\$ -	\$ -	\$ 42,197.02	\$ 42,197.02
000565	Town of Shaftsbury	\$ -	\$ -	\$ 1,550.40	\$ 1,550.40
000566	Town of Hartland	\$ -	\$ -	\$ 18,785.84	\$ 18,785.84
000567	Town of Burke	\$ -	\$ -	\$ 20,025.70	\$ 20,025.70
000569	Central VT Reg Plan Comm	\$ -	\$ -	\$ 6,589.12	\$ 6,589.12
000575	Unknown	\$ -	\$ -	\$ 418.90	\$ 418.90
001529	Rutland Town School District	\$ -	\$ -	\$ 6,266.95	\$ 6,266.95
002529	Quarry Valley Unified Union SD	\$ -	\$ -	\$ 57,846.69	\$ 57,846.69
002553	Mount Mansfield UUSD	\$ -	\$ -	\$ 735,166.26	\$ 735,166.26
016561	Hannaford Regional School	\$ -	\$ -	\$ 275.92	\$ 275.92
<b>Grand Total</b>		<b>\$ 54,291.08</b>	<b>\$ 267,260.32</b>	<b>\$ 23,909,792.92</b>	<b>\$ 24,231,344.33</b>

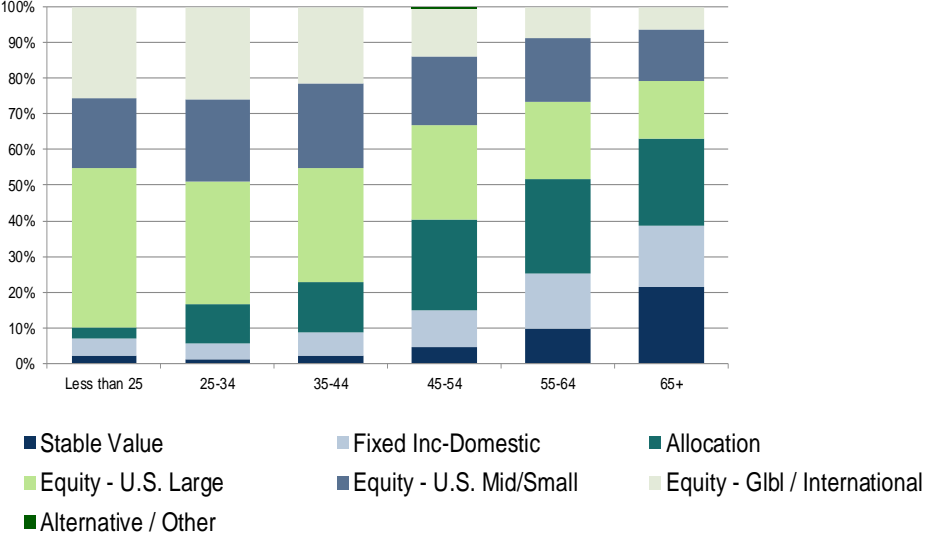


# INVESTMENT DIVERSIFICATION



# 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	\$14,416,006	9.0%
Fixed Inc-Domestic	\$20,627,480	12.9%
Allocation	\$38,097,197	23.8%
Equity - U.S. Large	\$37,956,048	23.8%
Equity - U.S. Mid/Small	\$29,666,510	18.6%
Equity - Gbl / International	\$18,862,473	11.8%
Alternative / Other	\$188,981	0.1%
<b>Total Participant Balances</b>	<b>\$159,814,695</b>	<b>100.0%</b>

## 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	5	63	89	126	176	131	590
Average # of Funds per Participant	4.6	4.8	5.2	5.1	4.7	4.0	4.8
<i>Prudential Participants Avg. # of Funds per Participant as of 12/31/2020</i>	5.1	5.3	5.4	5.4	5.2	4.2	5.2
% of Plan Assets in Stable Value	2.2%	1.2%	2.1%	4.5%	9.6%	21.5%	9.0%
<i>Prudential % of Plan Assets in Stable Value as of 12/31/2020</i>	7.4%	6.7%	9.0%	13.8%	24.0%	38.3%	20.7%
Self Directed Brokerage Account # of Participants	0	0	0	3	0	0	3



# Plan Summary

## Utilization by Fund as of September 30, 2021

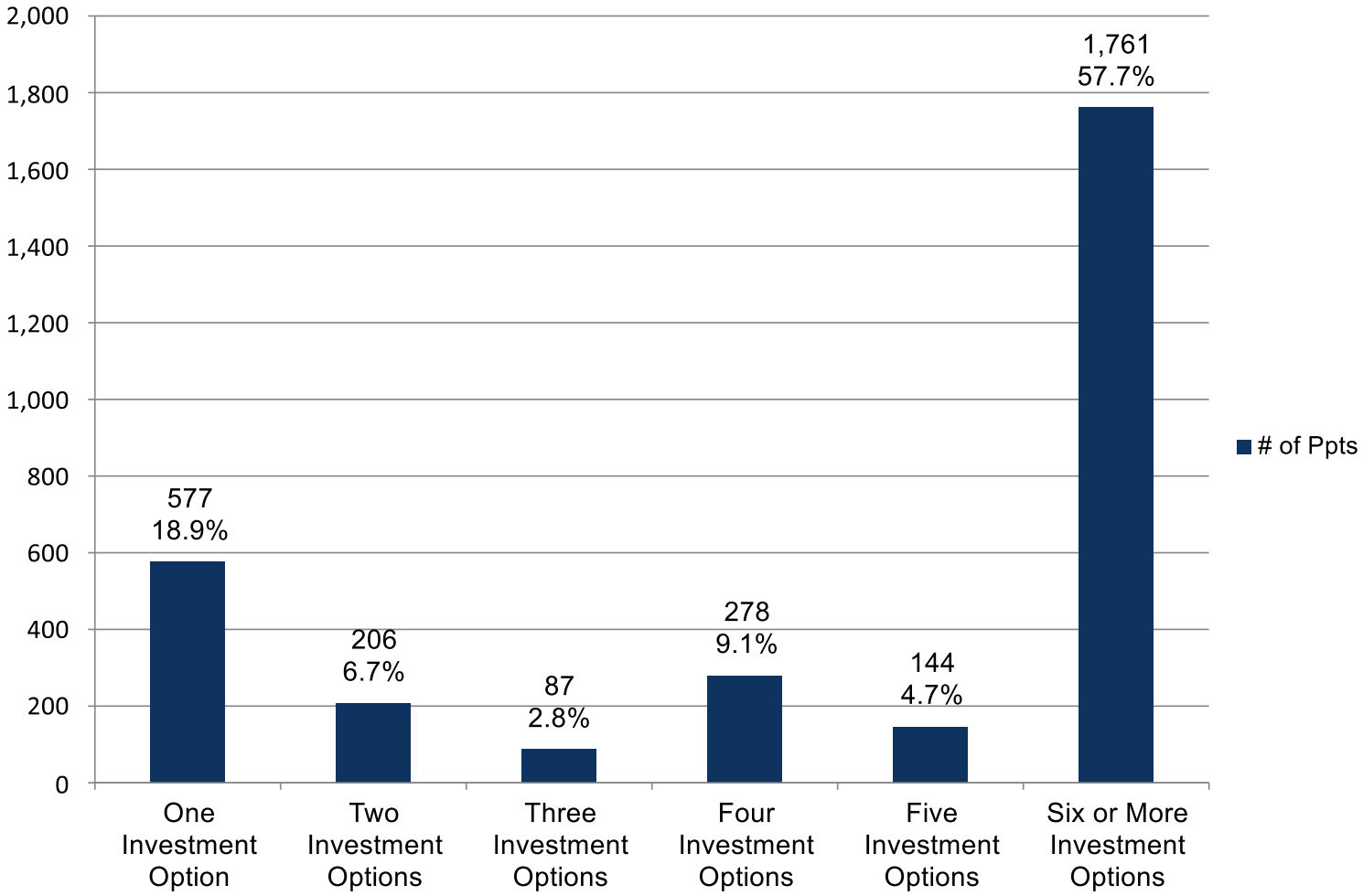
INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
<b>VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES</b>	\$34,065,974	21.3%	2,230	21
<b>VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES</b>	\$18,339,637	11.5%	2,154	3
<b>VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES</b>	\$16,177,082	10.1%	2,229	11
<b>GUARANTEED LONG-TERM FUND</b>	\$14,416,006	9.0%	1,467	85
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$14,308,542	9.0%	203	105
<b>VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES</b>	\$13,489,427	8.4%	2,200	8
<b>VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES</b>	\$13,153,450	8.2%	1,880	15
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$10,345,507	6.5%	165	91
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$6,689,573	4.2%	169	86
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$4,922,735	3.1%	1,114	3
CALVERT EQUITY FUND CLASS I	\$3,890,074	2.4%	149	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$2,990,807	1.9%	212	51
<b>LORD ABBETT SHORT DURATION INCOME FUND CLASS I</b>	\$2,551,295	1.6%	396	22
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$2,480,469	1.6%	53	23
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$1,012,949	0.6%	63	39
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$522,835	0.3%	70	1
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$269,349	0.2%	30	12
SELF DIRECTED BROKERAGE ACCOUNT	\$188,981	0.1%	3	0
Total	\$159,814,695	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	\$14,194,644	\$15,902,845	\$18,047,101	\$18,302,068
# of Participants in GoalMaker	660	704	753	872
Participation Rate in GoalMaker	23.0%	24.4%	25.7%	28.6%
% of Plan Assets for GoalMaker Participants	9.8%	10.6%	11.2%	11.5%

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

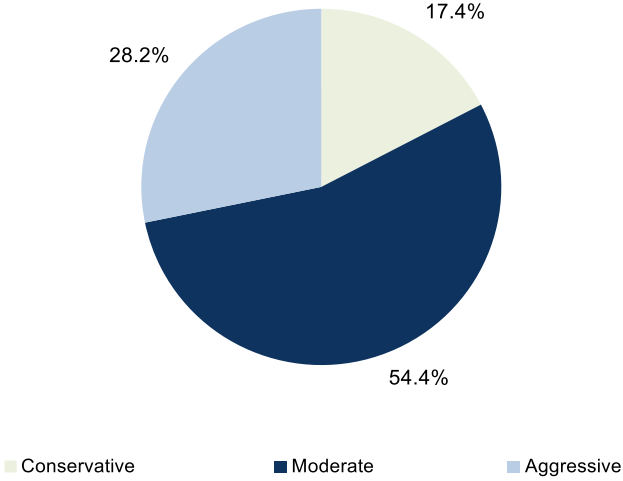
The participation rate in GoalMaker is 52.2%.

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	17	0	11	1	31
25-34	33	1	81	2	85	3	205
35-44	24	0	133	3	82	0	242
45-54	29	0	122	5	56	0	212
55-64	28	1	83	4	31	1	148
65+	7	3	14	3	7	0	34
Total	123	5	450	17	272	5	872

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$2,345	\$0	\$19,561	\$0	\$15,122	\$438	\$37,465
25-34	\$124,478	\$1,339	\$610,249	\$17,614	\$646,601	\$40,088	\$1,440,371
35-44	\$275,943	\$0	\$2,196,741	\$64,285	\$1,196,139	\$0	\$3,733,108
45-54	\$583,175	\$0	\$3,715,916	\$65,932	\$2,206,891	\$0	\$6,571,914
55-64	\$1,441,989	\$290,015	\$2,279,623	\$176,727	\$732,423	\$1,376	\$4,922,153
65+	\$169,511	\$288,119	\$727,166	\$87,340	\$324,921	\$0	\$1,597,057
Total	\$2,597,441	\$579,474	\$9,549,257	\$411,897	\$5,122,096	\$41,903	\$18,302,068

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



# 8.8%

average contribution rate (%) for active GoalMaker participants

# 1.8 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

# 28.6%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%



# 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	1	2	2	1	6
Individual Participant Meetings	129	150	196	221	696
New Enrollments as a result of Group/Individual Meeting*	45	43	67	132	287
GoalMaker as a result of Group/Individual Meeting*	44	43	61	112	260
Contribution Rate Increases	22	45	50	36	153
Number of Rollovers	9	12	6	4	31
Rollover Dollars	\$123,000	\$181,000	\$226,000	\$131,000	\$661,000

\*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
<b>940010 - 940060 - 403(b) Exclusive &amp; Non-Exclusive</b>					
	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	





# Plan Summary

## School Districts / Supervisory Unions 403b Plan Balance

Subplan	Subplan Name	Balance
006503	Addison Northwest SD	\$ 2,638,083.68
006514	Champlain Valley School District	\$ 19,065,316.67
006515	Colchester School District	\$ 12,488,527.36
006516	Caledonia Central SU	\$ 626,181.99
006517	Essex North SU	\$ 1,092,451.17
006518	Essex Westford Unified SD	\$ 38,908,047.87
006519	Maple Run Unified SD	\$ 8,784,125.72
006523	Grand Isle Supervisory Union	\$ 913,752.25
006526	Lamoille South SU	\$ 8,706,075.41
006537	Greater Rutland Central SU	\$ 965,573.70
006544	South Burlington Sd	\$ 23,146,772.87
006556	Windsor Central Modfd Unfd Un SD	\$ 2,871,635.35
016516	Concord School District	\$ 127,756.78
016523	Alburgh Town SD	\$ 881,731.77
016537	Quarry Valley Unified Union SD	\$ 1,591,887.21
016556	Barnard Academy	\$ 428,890.52
026516	Lunenburg School District	\$ 599,043.22
026537	Rutland Town School District	\$ 10,749.82
026556	Windsor Central Mod Unif Un SD	\$ 3,753,916.49
036537	Rutland Town SD	\$ 1,142,995.18
056523	South Hero Town SD	\$ 354,413.77
056556	Woodstock Union High School	\$ 162.67
066523	Champlain Islands UUSD	\$ 1,197,651.99

Subplan	Subplan Name	Balance
006502	Mt. Abraham Unified School Distr	\$ 185,957.16
006509	Burlington SD	\$ 600,380.11
006511	Kingdom East SD District	\$ 2,383,894.13
006520	Franklin Northeast SU	\$ 2,459,108.90
006525	Lamoille North SU	\$ 915,445.62
006527	Milton Town SD	\$ 99,316.01
006529	North Country SU	\$ 5,543.54
006534	Orleans Central SU	\$ 362,877.02
006535	Orleans Southwest SU	\$ 35,388.49
006550	Washington Northeast SU	\$ 803.78
006551	Harwood Unified SD	\$ 3,011,353.10
006554	Windham Southeast SU	\$ 2,508,818.05
006555	Windham Southwest SU	\$ 79,062.50
006560	Winooski SD	\$ 1,939,794.86
006561	Patricia A Hannaford Career Cen.	\$ 300,533.56
006562	Two Rivers Supervisory Union	\$ 341,081.72
016520	Enosburgh-Richford UUSD	\$ 2,298,836.14
016525	Lamoille North Mod Unif Union SD	\$ 1,034,682.73
016529	Town of Lowell SD	\$ 4,875.20
016555	Twin Valley Unified Union SD	\$ 395,847.24
016562	Green Mtn USD	\$ 484,943.87
026513	Mount Mansfield UUSD	\$ 6,822,927.69
026521	Northern Mountain Valley UUSD	\$ 608,792.23
026525	Cambridge School District	\$ 103,708.27
026529	Jay Westfield Joint Elem School	\$ 20,221.98
026555	Southern Valley Unified Union SD	\$ 163,578.21
026562	Ludlow Mt Holly Union USD	\$ 254,693.00
066554	Vernon School District	\$ 15,884.52
076554	Windham Southeast SD	\$ 2,102,733.69



# 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**



## QUARTERLY ECONOMIC REVIEW AND OUTLOOK

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

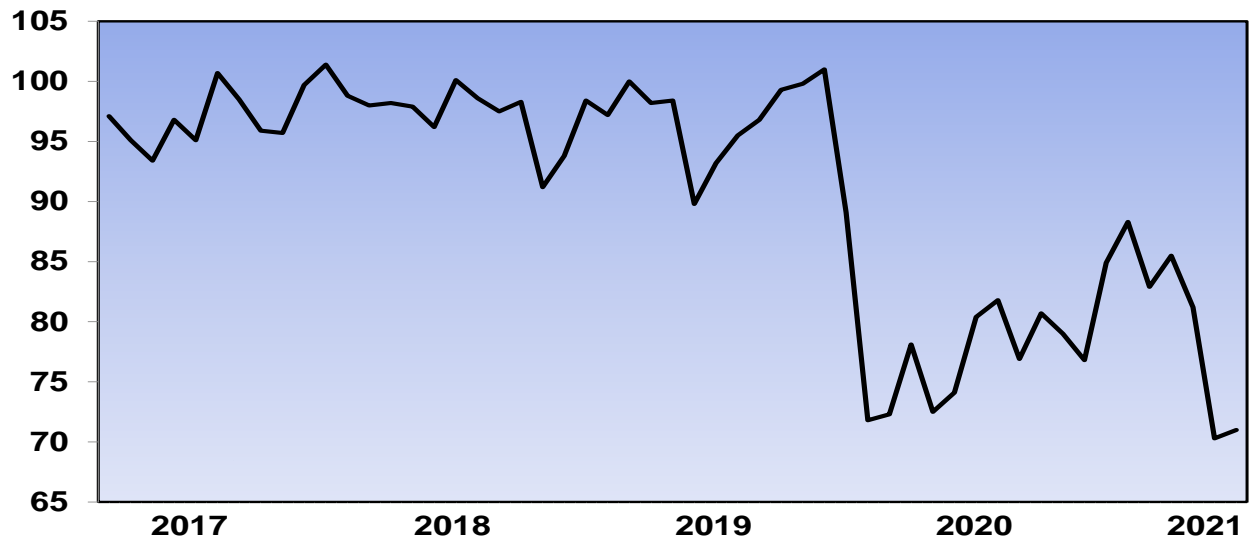
### Summary and Major Conclusions:

*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

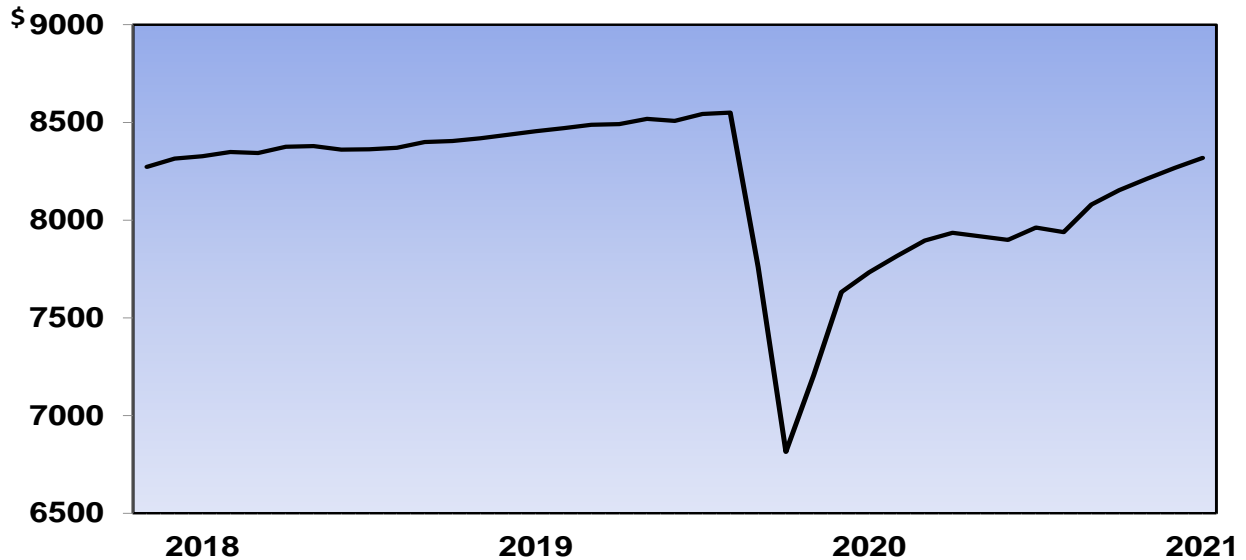
Both the US and global economies experienced a considerable loss of momentum during the third quarter because of the direct and indirect impact of the fourth wave of the COVID-19 pandemic. The economy is not growing as fast as seemed plausible earlier in the year. In the domestic economy, the significant 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).

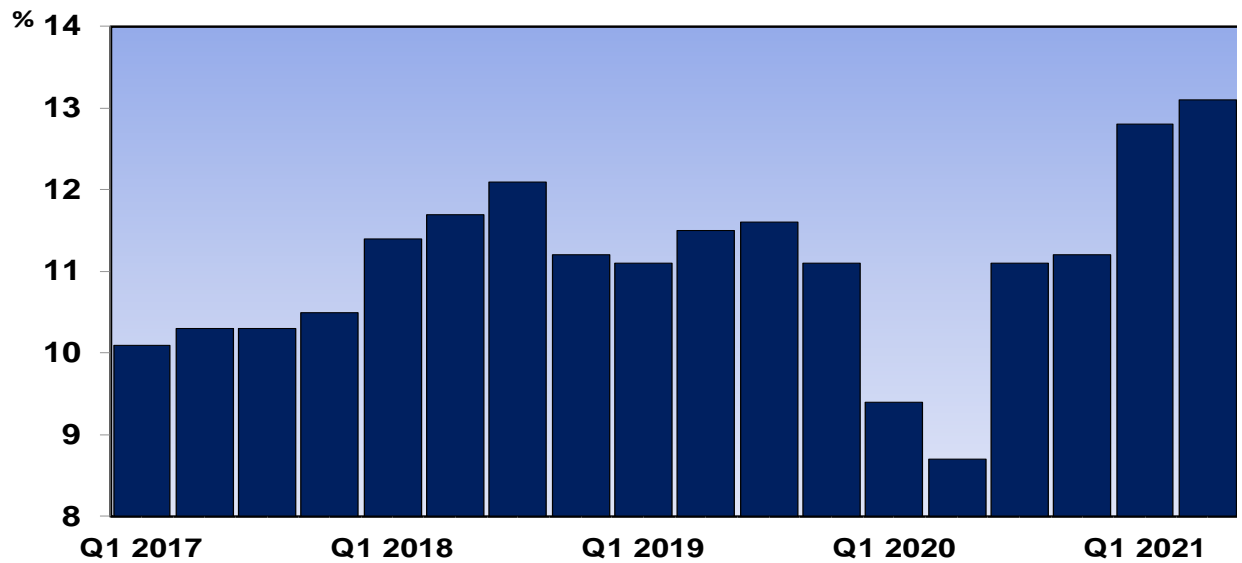
Chart 2: Consumer Services Spending Still Below Pre-Pandemic Levels  
Spending on Consumer Services, \$ Billions  
Source: Bureau of Economic Analysis



- **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 *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

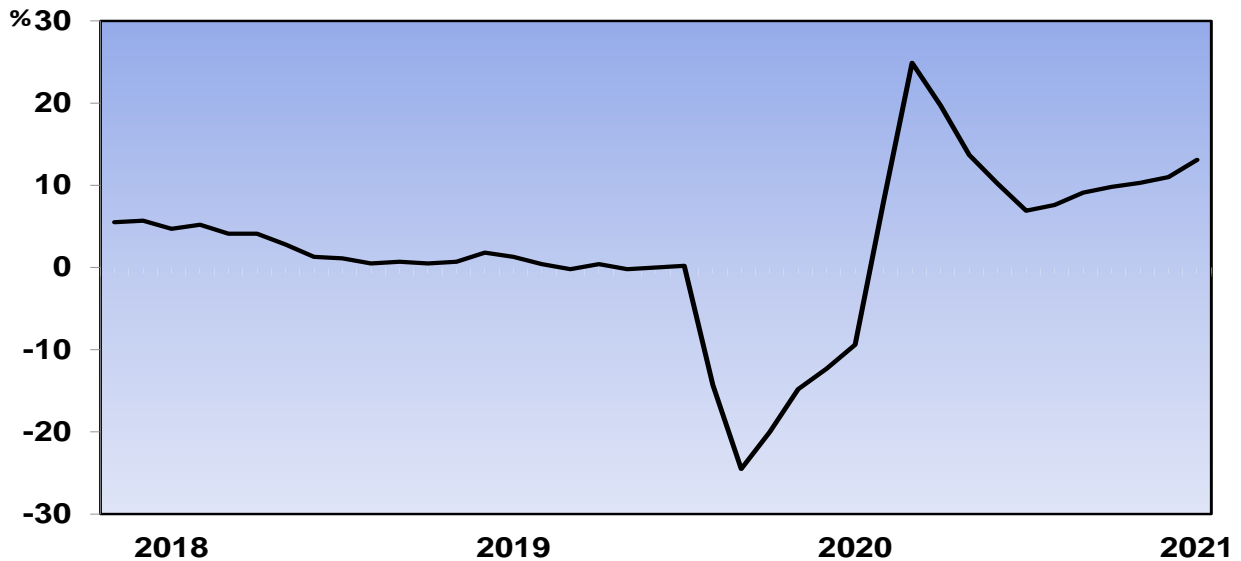
The outlook for economic growth is clouded because of numerous business and government policy uncertainties. *However, the most important independent variable in the outlook is the future path of the COVID-19 pandemic.* While it is unlikely that the ongoing deterioration in public health conditions will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

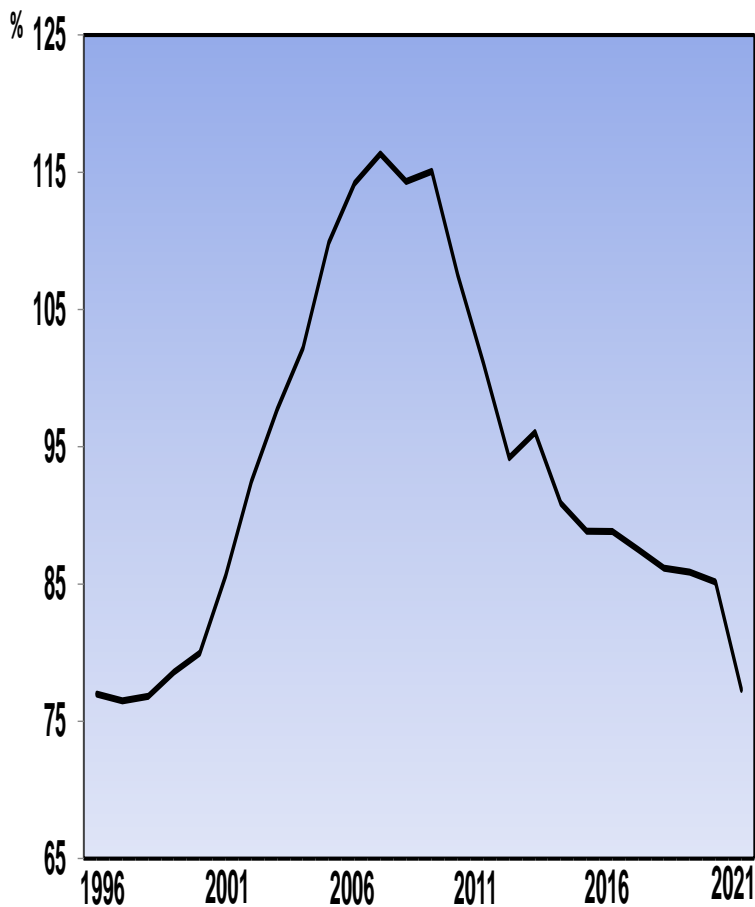
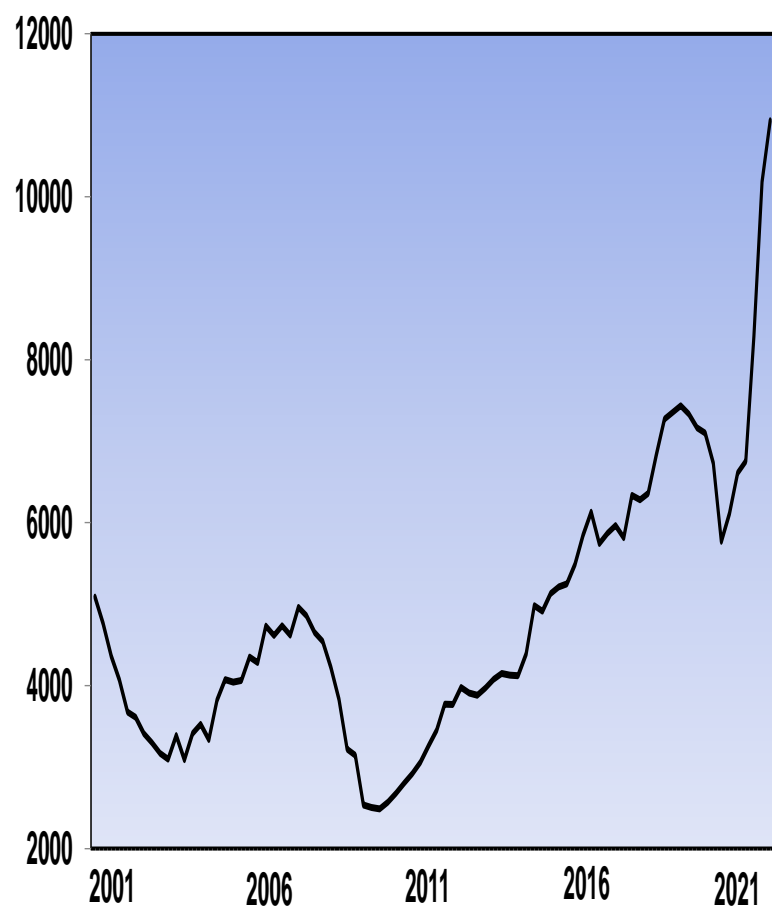
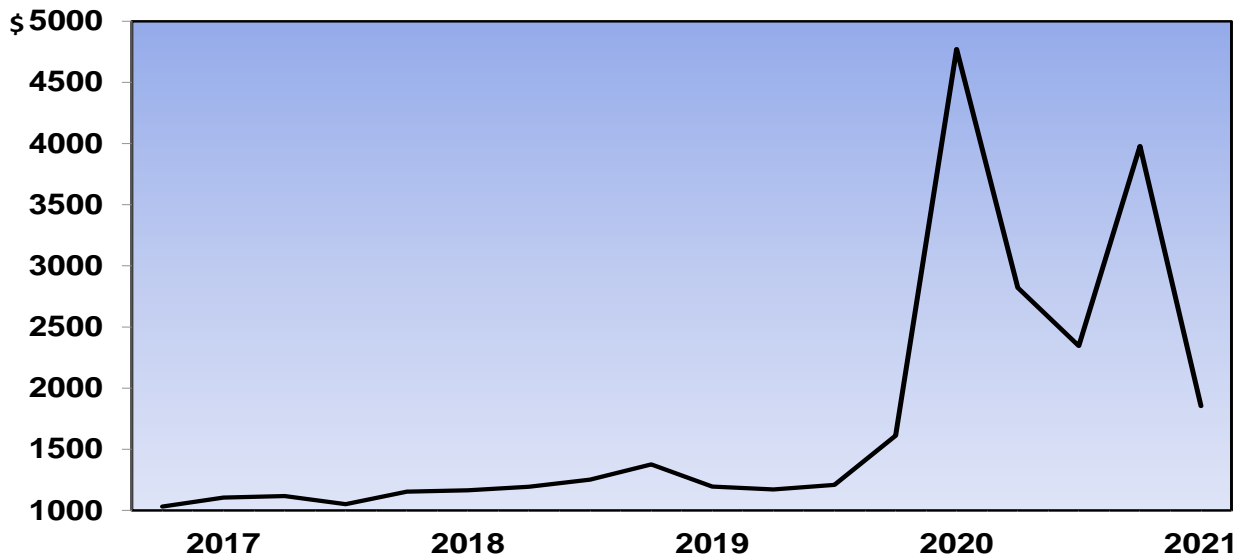


Chart 6: Job Openings at an All-Time Record  
Nationwide Job Openings, Thousands  
Source: US Labor Department



- 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).
- 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.
- 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

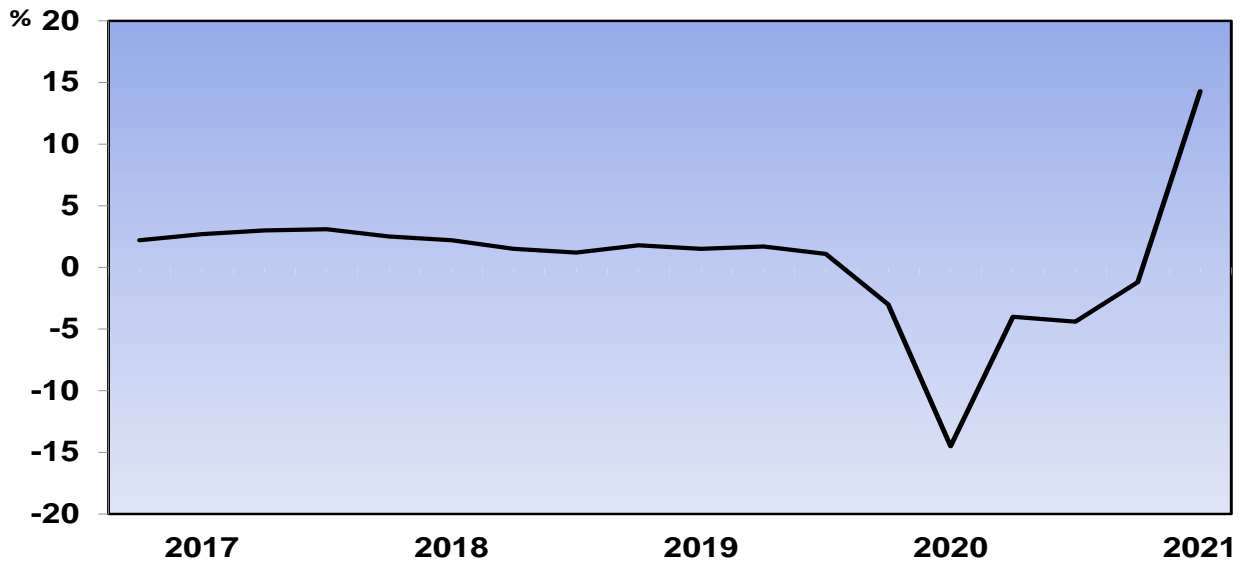
As in the US, the outlook for the global economy is heavily dependent upon the future path of COVID-19 and the pace of vaccinations. Europe, China, Japan, and the UK have achieved good success in vaccinating large percentages of their populations, while Latin America and the rest of Asia have been laggards. 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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**Bloomberg Barclays US Aggregate Bond Index:** is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

**Dow Jones Industrial Average:** is a stock market index that measures the stock performance of 30 large companies listed on stock exchanges in the United States.

**MSCI World Excluding US Equity Index:** is a stock market index comprising of non-U.S. stocks from 23 developed markets and 26 emerging markets. The index is calculated with a methodology that focuses on liquidity, investability, and replicability.

**NASDAQ:** is an American stock exchange at One Liberty Plaza in New York City. It is ranked second on the list of stock exchanges by market capitalization of shares traded, behind the New York Stock.

**Russell 2000 Index:** is a small-cap stock market index of the smallest 2,000 stocks in the Russell 3000 Index. It was started by the Frank Russell Company in 1984. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

**Russell 3000 Growth Index:** is a market capitalization-weighted index based on the Russell 3000 index. The Russell 3000 Growth Index includes companies that display signs of above-average growth. The index is used to provide a gauge of the performance of growth stocks in the United States.

**Russell 3000 Value Index:** is a market-capitalization weighted equity index maintained by the Russell Investment Group and based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform by including only value stocks.

**S&P 500<sup>®</sup> Index:** Measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

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