PLAN SUMMARY

State of Vermont 940050

Presented by: Gabriel D'Ulisse Vice President and Managing

As Of: June 30, 2021

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

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Prudential

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Section I Plan Summary

PLAN SUMMARY AND BENCHMARK TRENDS

Plan Summary

Historical Plan Statistics

	7/1/2017 - 6/30/2018	7/1/2018 - 6/30/2019	7/1/2019 - 6/30/2020	7/1/2020 - 6/30/2021
Total Participants Balances	$483,207,885	$505,870,924	$517,377,171	$661,110,673
Contributions*	$9,359,303	$27,616,016	$28,002,142	$28,775,492
Distributions*	($12,982,466)	($34,967,370)	($31,854,668)	($29,061,689)
Cash Flow	($3,623,163)	($7,351,354)	($3,852,527)	($286,197)
Market Value Gain / Loss**	$487,152,952	$35,132,965	$19,733,119	$146,639,424
Account Balances				
Average Participant Balance	$65,626	$66,144	$65,507	$82,402
National Average Benchmark**	$97,903	$102,586	$103,108	$110,278
Participation / Deferrals				
Participation Rate	78.8%	83.7%	83.4%	82.2%
National Average Benchmark***	79.3%	79.2%	78.9%	79.0%
Total Participants with a Balance	7,363	7,648	7,898	8,023
Asset Allocation				
% of Plan Assets in Stable Value	20.1%	20.0%	21.5%	17.4%
Prudential % of Plan Assets in Stable Value	*24.5%*	*25.8%*	*22.1%*	*20.7%*
% of Plan Assets for GoalMaker Participants	4.5%	8.5%	11.7%	13.5%
Participation Rate in GoalMaker	9.2%	18.4%	23.3%	26.4%
Number of Participants in GoalMaker	678	1,405	1,842	2,125
Number of Participants in One Fund	1,777	1,761	1,821	1,846
Number of Participants in Four or More Funds	4,107	4,468	4,720	4,881
Distributions				
Number of Distributions*	1,346	3,601	3,715	3,218
Termination	$10,480,100	$26,816,903	$23,916,734	$21,061,869
Hardship	$9,071	$116,242	$76,978	$18,727
In Service	$51,599	$74,629	$289,356	$22,006
Coronavirus-Related Withdrawal	$0	$0	$354,182	$697,206
Amount of Distributions	$12,982,466	$34,967,370	$31,854,668	$29,061,689
Amount of Distributions Representing Rollovers	$9,286,573	$22,903,605	$20,837,020	$17,959,387
% of Assets Distributed*	2.7%	6.9%	6.2%	4.4%

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

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

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

Plan Summary

Plan Demographics Summary

	1/1/2020-6/30/2020	1/1/2021-6/30/2021
Total Participants*	7,898	8,023
Active Participants	5,769	5,791
Terminated Participants	2,116	2,217
Other Participants**	0	1
Multiple Status Participants***	13	14
Average Participant Balance	$65,507	$82,402
Average Account Balance for Active Participants	$54,468	$69,580
Median Participant Balance	$23,978	$29,777
Median Participant Balance for Active Participants	$19,364	$25,074
Participants Age 50 and Over	4,589	4,710
Total Assets for Participants Age 50 and Over	$432,652,946	$551,573,998
Total (Contributions + Rollovers In)	$13,657,418	$14,578,276
Employee Contributions	$12,102,550	$12,842,052
Rollovers In	$1,554,868	$1,736,225
Total Distributions	($14,953,329)	($14,826,846)
Percentage of Assets Distributed	2.9%	2.2%
Market Value Gain / Loss****	$14,357,025	$145,718,297
Total Participant Balances	$517,377,171	$661,110,673

**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	6/30/2020	6/30/2021
Plan Assets for Participants in GoalMaker	$60,655,804	$89,075,987
% of Plan Assets for GoalMaker Participants	11.7%	13.5%
# of Participants in GoalMaker	1,842	2,125
Participation Rate in GoalMaker	23.3%	26.4%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	6/30/2020	6/30/2021
Roth Assets	$15,104,552	$23,485,287
# of Participants in Roth	1,591	1,738
Participation Rate in Roth	20.1%	21.7%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

Stable Value	6/30/2020	6/30/2021
Participation Rate in Stable Value	60.3%	59.2%
% of Plan Assets in Stable Value	21.5%	17.4%
Prudential % of Plan Assets in Stable Value - As of 12/31/2020	20.7%	

eDelivery	6/30/2020	6/30/2021
# of Participants Enrolled in eDelivery	3,593	3,913
% of Participants in eDelivery	54.5%	57.4%
Prudential % of Participants in eDelivery - As of 12/31/2020	50.4%	

Enrollment by Age Group

	1/1/2021-6/30/2021						
	Less than 25	25-34	35-44	45-54	55-64	65+	Grand Total
Total	22	90	78	55	33	1	279

Participant Activity

Call Center	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021
Total Call Volume	1,221	1,099

Transaction Summary

Transactions	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021
Total Enrollees*	207	279
Number of Participants with Transfers	2,233	4,564
Distributions	1,707	1,635

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

eDelivery by Document Type	6/30/2020	6/30/2021
Statements	3,524	3,837
Confirms	3,589	3,902
Tax Forms	3,533	3,840
Plan Related Documents	N/A	3,883

Plan Summary

Benchmark Trends – Plan Features

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

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

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

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

**2020 Annual Survey, 2020 (Overall)

***2021 Annual Survey, 2021 (Overall)

Plan Summary

Benchmark Trends – Participant Behavior

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2020**	Plan Sponsor Survey 2021***
Participation Rate	80.5%	70.5%	76.6%	78.9%	79.0%
Average Contribution Rate (%)	N/A	7.7%	6.8%	7.1%	7.5%
Average Account Balance	$82,402	$80,721	$89,180	$103,108	$110,278
Median Account Balance	$29,777	$77,565	$67,239	$79,970	$83,441
% of Plan Assets in Stable Value	17.4%	20.7%	0.0%	N/A	N/A
% of Plan Assets in Day One Funds	N/A	1.3%	0.0%	N/A	N/A
Average # of Funds Held	5.3	5.2	6.7	6.3	5.0
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.1%	0.0%	N/A	N/A
% of Participants Utilizing GoalMaker®	26.4%	52.2%	0.0%	N/A	N/A
% of Participants have Outstanding Active Loans	N/A	12.2%	18.3%	14.2%	12.8%
Average Loan Balance	N/A	$7,891	$9,939	$10,121	$10,709
% of Participants Utilizing eDelivery	57.4%	50.4%	N/A	N/A	N/A

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

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

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

**2020 Annual Survey, 2020 (Overall)

***2021 Annual Survey, 2021 (Overall)

Plan Summary

Asset Allocation/Net Activity By Age

January 1, 2021 to June 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	$324,816	$13,563,971	$47,048,743	$127,529,780	$210,371,155	$262,272,208	$661,110,672
% Assets	0.0%	2.1%	7.1%	19.3%	31.8%	39.7%	100.0%
Average Contribution Rate ($)	$0	$40	$52	$196	$298	$406	$246
Contributions	$92,404	$1,230,651	$2,124,835	$3,784,911	$4,511,012	$1,098,239	$12,842,052
Rollovers In*	$2,668	$426,743	$160,336	$578,986	$275,400	$292,093	$1,736,225
Total (Contributions + Rollovers In)	$95,071	$1,657,394	$2,285,171	$4,363,896	$4,786,412	$1,390,332	$14,578,276
Cash Distributions	$0	($53,722)	($187,820)	($811,026)	($1,560,255)	($3,148,980)	($5,761,804)
Rollovers Out	($1,536)	($135,700)	($71,572)	($1,148,376)	($4,067,439)	($3,640,419)	($9,065,042)
Total (Cash Distributions + Rollovers Out)	($1,536)	($189,423)	($259,392)	($1,959,402)	($5,627,695)	($6,789,399)	($14,826,846)
Net Activity	$93,536	$1,467,971	$2,025,779	$2,404,494	($841,282)	($5,399,067)	($248,570)
Total Participants**	75	992	1,434	1,862	2,015	1,647	8,025
Average Account Balance	$4,331	$13,673	$32,809	$68,491	$104,403	$159,242	$82,381
Prudential Avg. Account Balance as of 12/31/2020	*$3,940*	*$17,635*	*$49,972*	*$97,117*	*$136,242*	*$138,917*	*$80,721*
Median Account Balance	$2,191	$6,745	$15,963	$31,260	$53,734	$78,806	$29,777
Prudential Median Account Balance as of 12/31/2020	*$4,404*	*$14,335*	*$34,065*	*$58,607*	*$86,341*	*$121,113*	*$77,565*

*Rollovers In is the total dollars credited to participant accounts w ithin 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 w ithin different age groups (decedent's date of birth), that participant w ill be counted tw ice.

RETIREMENT READINESS

Plan Summary

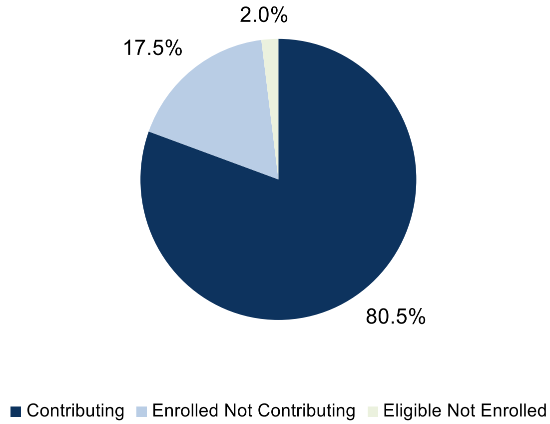
Participation Rate

	1/1/2020-6/30/2020	1/1/2021-6/30/2021
Total Eligible To Contribute Population	**5,975**	**6,011**
Contributing (A)	4,865	4,841
Enrolled Not Contributing (B)	975	1,051
Eligible Not Enrolled (C)	135	119

	1/1/2020-6/30/2020	1/1/2021-6/30/2021
Participation Rate *	**81.4%**	**80.5%**
Prudential Book of Business 12/31/2020	70.5%	
Plan Sponsor Survey 2021 - National Average	79.0%	

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

1/1/2021-6/30/2021



Definitions:

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

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

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

Due to rounding, pie chart may not equal 100%

PLAN ACTIVITY

Plan Summary

Contributions by Fund

INVESTMENT OPTIONS	1/1/2020 - 6/30/2020	%	1/1/2021 - 6/30/2021	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	$1,540,701	12.7%	$1,704,446	13.3%	$163,745	10.6%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$1,094,787	9.1%	$1,254,189	9.8%	$159,402	14.6%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$905,015	7.5%	$1,041,183	8.1%	$136,168	15.0%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$871,651	7.2%	$960,713	7.5%	$89,062	10.2%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$929,959	7.7%	$924,876	7.2%	($5,084)	-0.5%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$861,724	7.1%	$892,277	7.0%	$30,553	3.5%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$849,528	7.0%	$876,462	6.8%	$26,934	3.2%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$735,863	6.1%	$751,040	5.9%	$15,178	2.1%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$667,982	5.5%	$686,129	5.3%	$18,148	2.7%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$930,897	7.7%	$677,586	5.3%	($253,311)	-27.2%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$663,224	5.5%	$614,641	4.8%	($48,583)	-7.3%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$351,140	2.9%	$410,139	3.2%	$59,000	16.8%
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$0	0.0%	$371,220	2.9%	$371,220	N/A
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$294,273	2.4%	$328,079	2.6%	$33,806	11.5%
DODGE & COX BALANCED FUND	$295,003	2.4%	$269,738	2.1%	($25,266)	-8.6%
DODGE & COX INTERNATIONAL STOCK FUND	$281,753	2.3%	$251,033	2.0%	($30,719)	-10.9%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$159,665	1.3%	$161,279	1.3%	$1,614	1.0%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$180,550	1.5%	$159,677	1.2%	($20,874)	-11.6%
CALVERT BOND FUND CLASS I	$118,924	1.0%	$113,038	0.9%	($5,886)	-4.9%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$103,187	0.9%	$100,496	0.8%	($2,691)	-2.6%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$69,822	0.6%	$81,067	0.6%	$11,245	16.1%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$52,925	0.4%	$72,808	0.6%	$19,883	37.6%
FPA NEW INCOME FUND	$77,129	0.6%	$71,671	0.6%	($5,458)	-7.1%
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$66,849	0.6%	$68,265	0.5%	$1,415	2.1%
Total Assets Contributed	$12,102,550	100.0%	$12,842,052	100.0%	$739,501	6.1%

Plan Summary

Interfund Transfers

1/1/2021 to 6/30/2021

INVESTMENT OPTIONS	IN	OUT	NET
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$60,175,095	($1,739,828)	$58,435,268
STATE OF VERMONT STABLE VALUE FUND	$6,397,621	($4,854,908)	$1,542,713
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$2,939,370	($1,915,852)	$1,023,518
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$3,306,859	($2,483,844)	$823,014
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$1,741,728	($1,060,086)	$681,642
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$891,880	($349,495)	$542,386
DODGE & COX BALANCED FUND	$1,138,512	($745,681)	$392,831
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$267,194	($230,809)	$36,385
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$428,586	($392,928)	$35,658
CALVERT BOND FUND CLASS I	$429,834	($417,559)	$12,275
SELF DIRECTED BROKERAGE ACCOUNT	$20,500	($10,500)	$10,000
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$224,889	($216,337)	$8,552
FPA NEW INCOME FUND	$356,413	($348,472)	$7,941
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$153,851	($201,806)	($47,955)
DODGE & COX INTERNATIONAL STOCK FUND	$493,710	($627,245)	($133,535)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$320,650	($468,356)	($147,706)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$626,286	($804,284)	($177,998)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$2,326,724	($2,528,427)	($201,703)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$742,577	($1,020,244)	($277,667)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,061,454	($1,430,970)	($369,516)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$367,225	($738,087)	($370,863)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$794,812	($1,218,590)	($423,778)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$422,257	($855,756)	($433,499)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$1,335,381	($2,233,923)	($898,542)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,959,784	($62,029,203)	($60,069,420)
TOTAL	$88,923,191	($88,923,191)	$0

Plan Summary

Participant Distribution Statistics

	Amount of Withdrawals Taken				# of Withdrawals			
Distribution Type	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021	Change	% Change	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021	Change	% Change
Termination	$11,610,282	$10,328,726	($1,281,556)	(11%)	627	583	(44)	(7%)
Death Distribution	$1,037,581	$1,759,585	$722,004	70%	38	48	10	26%
Direct Transfer	$422,024	$1,030,765	$608,741	144%	13	36	23	177%
Installment Payment	$947,012	$1,049,649	$102,637	11%	872	865	(7)	(1%)
Required Minimum Distribution	$421,338	$545,506	$124,169	29%	73	93	20	27%
Coronavirus-Related Distribution	$354,182	$0	($354,182)	(100%)	13	0	(13)	(100%)
QDRO	$326	$88,631	$88,304	27,048%	2	1	(1)	(50%)
In-Service Withdrawal	$89,650	$6,830	($82,820)	(92%)	3	3	0	0%
Hardship Withdrawal	$45,343	$15,227	($30,116)	(66%)	6	2	(4)	(67%)
Return of Excess Deferrals/Contributions	$25,574	$99	($25,475)	(100%)	59	1	(58)	(98%)
Gross Adjustment	$16	$1,828	$1,811	11,078%	1	3	2	200%
Grand Total	**$14,953,329**	**$14,826,846**	**($126,483)**	**(1%)**	**1,707**	**1,635**	**(72)**	**(4%)**

1/1/2021 - 6/30/2021						
	Amount of Withdrawals Taken			# of Withdrawals		
Distribution Sub-Type	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	$498,986	$8,566,056	$9,065,042	25	93	118
Cash	$354,172	$5,407,631	$5,761,804	31	1,486	1,517
Grand Total	**$853,159**	**$13,973,687**	**$14,826,846**	**56**	**1,579**	**1,635**

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

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

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

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

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

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

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

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

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

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

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

Plan Summary

Participant Transaction Statistics

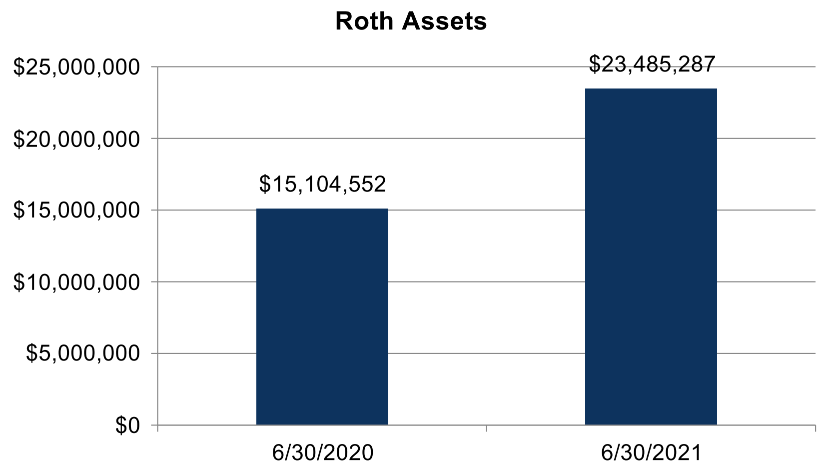
	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021
Call Center				
Unique Callers	249	323	375	326
Total Call Volume	374	511	573	526
Participant Website				
Registered Participants	4,825	4,830	4,862	4,874
Unique Web Logins	2,671	2,606	3,042	2,906
Total Web Logins	43,684	35,108	37,625	43,823

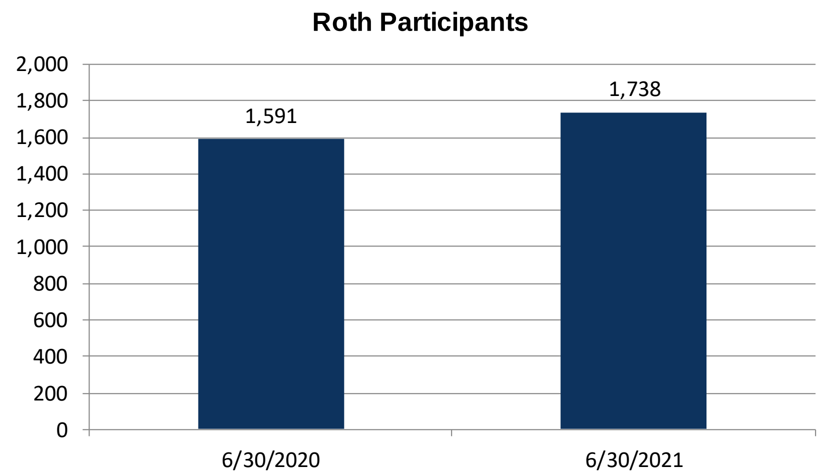
Call Center Reason Category	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021
Account Explanations	79	124	136	136
Allocation Changes & Exchange	12	6	10	7
Contributions	17	19	23	22
Disbursements	201	256	287	266
Enrollments	4	2	1	2
Forms	7	20	3	2
Fund Information	2	3	7	6
Hardships	1	5	9	15
IFX	1	0	0	0
IVR or Web Assistance	10	15	17	13
Loans	1	3	3	0
Other	11	24	24	19
Payment Questions	0	0	0	0
Plan Explanations	2	10	13	16
Regen Reg Letter	0	0	0	0
Status of Research	2	2	2	4
Tax Information	1	0	20	7
Website Processing	23	22	18	11
Total	374	511	573	526

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



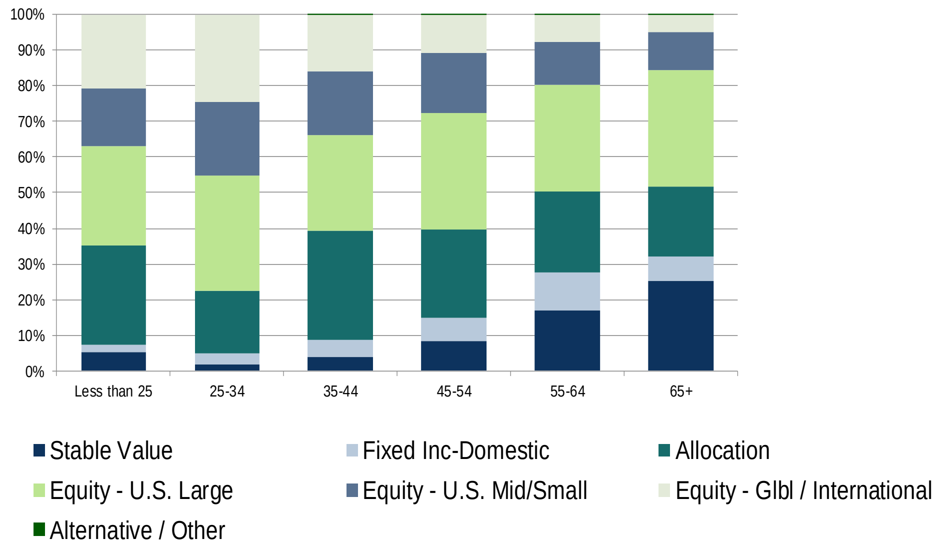


	6/30/2020	6/30/2021
Roth Assets	$15,104,552	$23,485,287
# of Participants in Roth	1,591	1,738
Partcipation Rate in Roth	20.1%	21.7%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

INVESTMENT DIVERSIFICATION

Plan Summary

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



Asset Allocation

Asset Class	Your Plan Assets as of 6/30/2021	Your Plan % as of 6/30/2021
Stable Value	$114,712,835	17.4%
Fixed Inc-Domestic	$51,294,084	7.8%
Allocation	$147,236,153	22.3%
Equity - U.S. Large	$207,332,266	31.4%
Equity - U.S. Mid/Small	$86,617,565	13.1%
Equity - Glbl / International	$52,971,676	8.0%
Alternative / Other	$946,093	0.1%
Total Participant Balances	$661,110,673	100.0%

Fund Utilization By Age
As of June 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	21	193	308	387	463	475	1,847
Average # of Funds per Participant	4.2	6.0	6.2	5.6	5.1	4.1	5.3
Prudential Participants Avg. # of Funds per Participant as of 12/31/2020	*5.1*	*5.3*	*5.4*	*5.4*	*5.2*	*4.2*	*5.2*
% of Plan Assets in Stable Value	5.2%	1.9%	4.0%	8.3%	16.9%	25.3%	17.4%
Prudential % of Plan Assets in Stable Value as of 12/31/2020	*7.4%*	*6.7%*	*9.0%*	*13.8%*	*24.0%*	*38.3%*	*20.7%*
Self Directed Brokerage Account # of Participants	0	0	2	3	5	2	12

Plan Summary

State of Vermont

Utilization by Fund

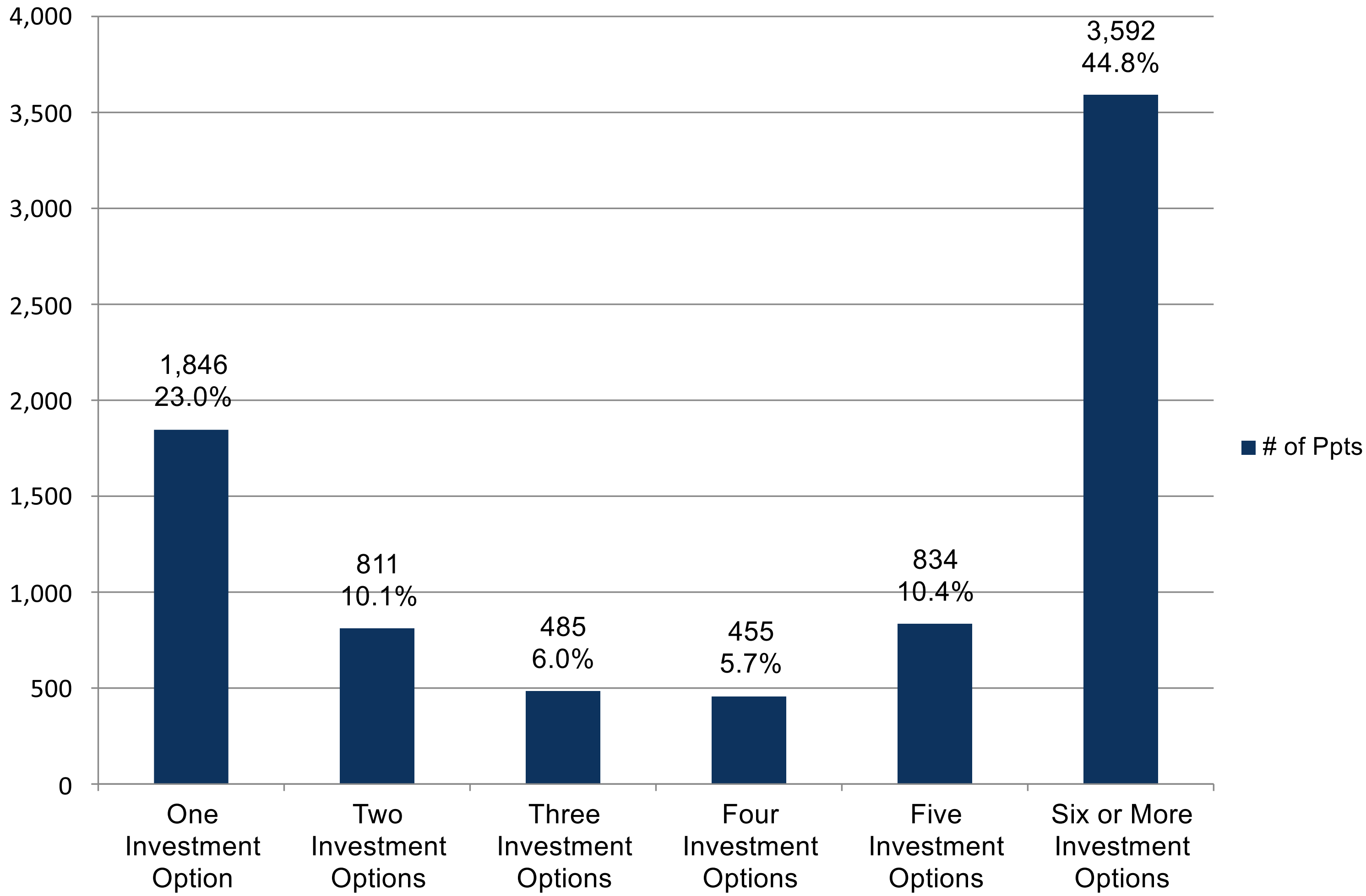
as of June 30, 2021

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	$114,712,835	17.4%	4,749	520
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$73,661,560	11.1%	2,389	91
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$60,919,634	9.2%	4,352	15
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$47,359,806	7.2%	4,352	8
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$43,772,768	6.6%	4,248	11
DODGE & COX BALANCED FUND	$41,185,454	6.2%	994	48
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$39,257,760	5.9%	4,329	12
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$32,968,005	5.0%	529	214
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$31,841,873	4.8%	3,089	7
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$28,978,305	4.4%	668	30
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$28,671,695	4.3%	608	250
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$28,601,304	4.3%	3,613	0
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$19,322,637	2.9%	530	264
DODGE & COX INTERNATIONAL STOCK FUND	$13,822,782	2.1%	1,710	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$11,315,942	1.7%	249	95
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$7,245,548	1.1%	1,614	7
FPA NEW INCOME FUND	$7,133,029	1.1%	334	6
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$6,713,794	1.0%	1,568	1
CALVERT BOND FUND CLASS I	$5,605,388	0.8%	1,293	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$5,277,251	0.8%	231	40
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$5,101,626	0.8%	354	217
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$3,393,543	0.5%	200	2
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$3,302,043	0.5%	567	3
SELF DIRECTED BROKERAGE ACCOUNT	$946,093	0.1%	12	0
Total	$661,110,673	100.0%		

Plan Summary

State of Vermont

Investment Utilization
as of June 30, 2021



Due to rounding, bar graph may not equal 100%

Plan Summary

State of Vermont

GoalMaker® Participation

as of 6/30/2021

	9/30/2020	12/31/2020	3/31/2021	6/30/2021
Plan Assets for Participants in GoalMaker	$65,946,706	$75,671,401	$81,793,067	$89,075,987
# of Participants in GoalMaker	1,875	1,922	2,022	2,125
Participation Rate in GoalMaker	23.7%	24.2%	25.3%	26.4%
% of Plan Assets for GoalMaker Participants	12.1%	12.6%	13.0%	13.5%

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

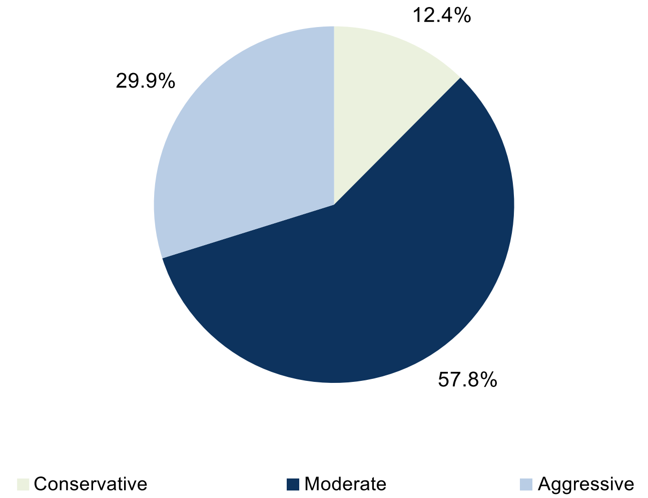
The participation rate in GoalMaker is 52.2%.

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	10	2	24	8	46
25-34	20	1	176	15	250	20	482
35-44	28	2	236	15	203	12	496
45-54	39	5	281	18	160	13	516
55-64	75	15	275	22	87	9	483
65+	19	13	42	20	5	3	102
Total	183	36	1,020	92	729	65	2,125

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	$9,243	$0	$30,522	$11,797	$110,694	$9,505	$171,761
25-34	$96,301	$7,546	$1,941,430	$109,932	$3,513,534	$209,996	$5,878,740
35-44	$634,305	$21,189	$5,159,587	$186,201	$5,256,726	$179,214	$11,437,222
45-54	$1,164,195	$371,437	$11,574,074	$938,402	$7,493,776	$938,279	$22,480,164
55-64	$3,972,205	$1,093,797	$18,709,379	$2,436,739	$6,244,156	$1,390,216	$33,846,492
65+	$1,921,385	$1,731,118	$5,349,133	$5,000,404	$898,326	$361,242	$15,261,608
Total	$7,797,635	$3,225,087	$42,764,126	$8,683,476	$23,517,211	$3,088,452	$89,075,987

Percentage of Assets by GoalMaker® Participation Portfolio As of 6/30/2021



2.1 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

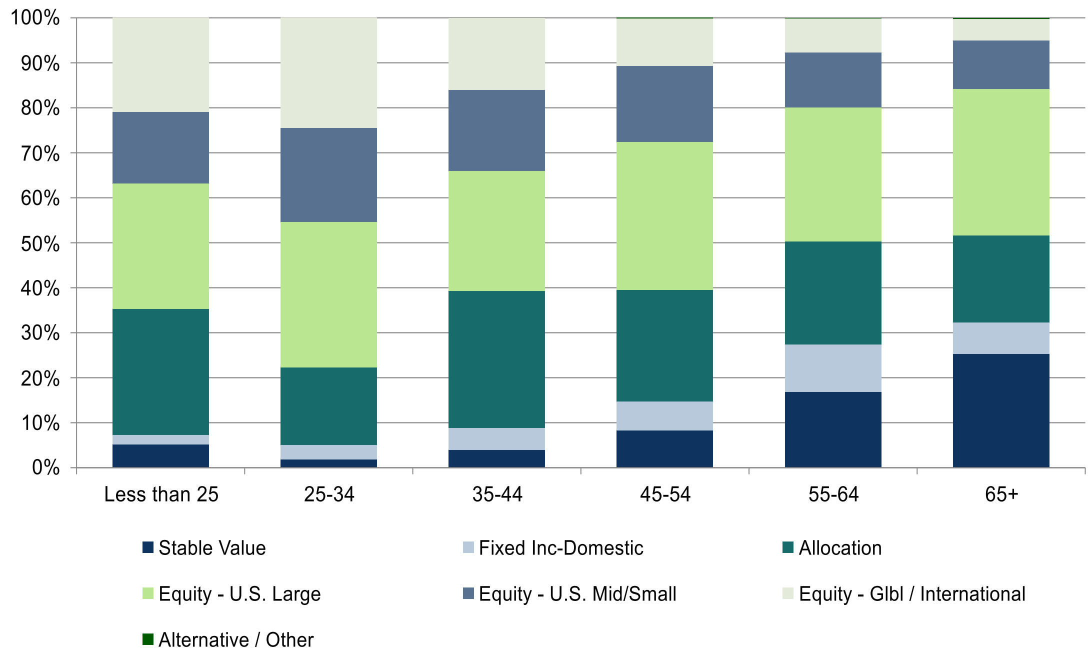
26.4%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

Plan Summary

Asset Allocation by Age Group



As of June 30, 2021

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	$16,763	$255,792	$1,867,549	$10,608,195	$35,507,828	$66,456,707	$114,712,835
Fixed Inc-Domestic	$6,754	$428,296	$2,286,600	$8,200,425	$22,252,606	$18,119,404	$51,294,084
Allocation	$90,908	$2,339,997	$14,321,074	$31,594,984	$47,943,202	$50,945,989	$147,236,153
Equity - U.S. Large	$90,897	$4,391,264	$12,589,019	$42,011,113	$62,795,000	$85,454,972	$207,332,266
Equity - U.S. Mid/Small	$51,484	$2,830,480	$8,445,313	$21,494,740	$25,687,277	$28,108,271	$86,617,565
Equity - Glbl / International	$68,009	$3,318,143	$7,525,946	$13,441,254	$15,972,833	$12,645,491	$52,971,676
Alternative / Other	$0	$0	$13,243	$179,068	$212,409	$541,373	$946,093
Total Assets	$324,816	$13,563,971	$47,048,744	$127,529,780	$210,371,155	$262,272,208	$661,110,673
% of Assets	0.0%	2.1%	7.1%	19.3%	31.8%	39.7%	100.0%
Total Participants	75	992	1,434	1,862	2,015	1,647	8,025
Avg Account Balance	$4,331	$13,673	$32,809	$68,491	$104,403	$159,242	$82,381

Plan Summary

Rep Stats

	7/1/2020-9/30/2020	10/1/2020-12/31/2020	1/1/2021-3/31/2021	4/1/2021-6/30/2021	Total
Group Presentations	6	14	17	10	47
Individual Participant Meetings	494	480	748	841	2,563
New Enrollments as a result of Group/Individual Meeting*	45	50	95	122	312
GoalMaker as a result of Group/Individual Meeting*	48	56	106	111	321
Contribution Rate Increases	88	96	177	120	481
Number of Rollovers	17	17	20	25	79
Rollover Dollars	$637,970	$131,000	$601,000	$978,000	$2,347,970

*Enrollments above obtained by TDA Education Representatives

Plan Summary

State of Vermont

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 6/30/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	$3,861,762	151	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$449,739	66	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$5,065,270	1,134	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$417,515	8	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$446,014	14	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$4,548	1	
940050 - 457b Plan					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$3,302,043	567	
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	$3,393,543	200	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$6,713,794	1,568	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	$28,978,305	668	

Plan Summary

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 6/30/2021

Market-to-Book Value Ratio 102.63%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	6/30/2021	
1 MONTH	0.17%	0.00%
3 MONTH	0.51%	0.00%
YTD	1.04%	0.02%
1 YEAR	2.20%	0.09%
3 YEAR	2.43%	1.34%
5 YEAR	2.37%	1.17%
10 YEAR	2.42%	0.63%
SINCE INCEPTION	2.48%	N/A

*Returns for periods greater than one year are annualized.

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.

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

Section II Economic Outlook

QUARTERLY ECONOMIC REVIEW AND OUTLOOK

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

Summary and Major Conclusions:

Historically, major inflation cycles have resulted from extended periods of monetary and credit excesses. Federal Reserve policy has been massively expansionary since the onset of the pandemic 15 months ago and has not been adjusted as economic conditions have improved. The Fed appears to be more fearful of deflation and a stagnant economy and is therefore willing to risk an overheating economy and rising inflation as a necessary quid pro quo to ensure a sustained period of strong economic growth. As such, the risk of a disastrous policy mistake is considerable.

- The US economy is in the middle of a boom, with GDP expanding at the fastest growth rate since the early 1980s. The economy is firing on all cylinders, led by consumer spending and residential construction. Economic growth over the next four quarters could exceed trendline potential growth by a factor of three.

- Business investment and manufacturing are also strong, with each growing at the fastest pace in many years. Second quarter real GDP could expand at an annual rate of close to 10%, with full-year GDP growth likely to exceed 7%.

- The current profit cycle is likely to be the most spectacular in decades, with company earnings growing by more than 40% this year, followed by another 5% to 10% growth in 2022. The level of profits could then move sideways in the years subsequent to 2022.

- Costs for a wide range of goods and services have spiked in recent months. These disruptions to supply chains are likely to prove transitory in most industries, as firms add to capacity and inventories at an aggressive pace during the next six months.

- The sharp slowdown in job creation in recent months appears to be related to supply, rather than demand, factors. A confluence of idiosyncratic factors, mostly related to the pandemic, has caused the labor force to contract, strongly suggesting that the recent slowdown in hiring is likely to prove temporary.

- My forecast assumes net job creation of six million workers this year and another four million in 2022, well above the long-term average of two million during years of economic expansion. Wage growth should return to its pre-pandemic peak of 4% by the end of this year and could climb to a rate of 5% to 6% in 2022.

- The world economy is positioned for its fastest period of growth in more than a decade. The International Monetary Fund (IMF) projects global GDP growth of 6% this year and another 4.5% in 2022, well above its normal trendline growth of 3.5%.

- Euro-area economies have even greater pent-up demand compared with the that in the US, suggesting that economic growth could surprise on the upside. My forecast assumes that real GDP will increase by greater than 4% over the next two years, which would be the fastest pace in several decades.

- Inflation is the primary variable in the outlook. The economy is experiencing a classic episode of cost-push inflation caused by shortages of labor and materials stemming from widespread business shutdowns during the depths of the pandemic.

- Inflation is a classic lagging indicator and tends to trail excessive growth in money and credit by two years or more. My forecast for inflation assumes that core consumer inflation, currently at an annual rate of 3.8%, will average 3.5% for all this year before slowing to 3% in 2022.

- More rapid inflation is likely in the years beyond 2022, with the potential to reach 5% in 2024. The future path of inflation will depend upon the timing and intensity of the shift in monetary policy from expansionary to contractionary.

- The Federal Reserve is in a quandary. Current policy settings are highly inappropriate for a booming economy accompanied by rising inflationary pressures. An overheating economy is almost certain to materialize within the next 12 months, sowing the seeds for more worrisome demand-pull inflation.

- The Fed will be compelled to adopt a much more aggressive policy once it becomes clear that inflation has exceeded expectations, culminating in a steep rise in long-term interest rates.

- Fiscal policy will be a powerful source of economic stimulus throughout this year but will become increasingly less expansionary in coming years as tax receipts begin to outpace expenditures. Fiscal policy will become an increasingly detrimental force for the economy and financial markets over the next several years.

- The financial burden of federal budget deficits will become more pronounced in a rising interest rate environment. The national debt will increase to a projected 115% of GDP, the highest level since 1945. The legacy of big government that accompanied the pandemic increases the risk of a less dynamic market economy.

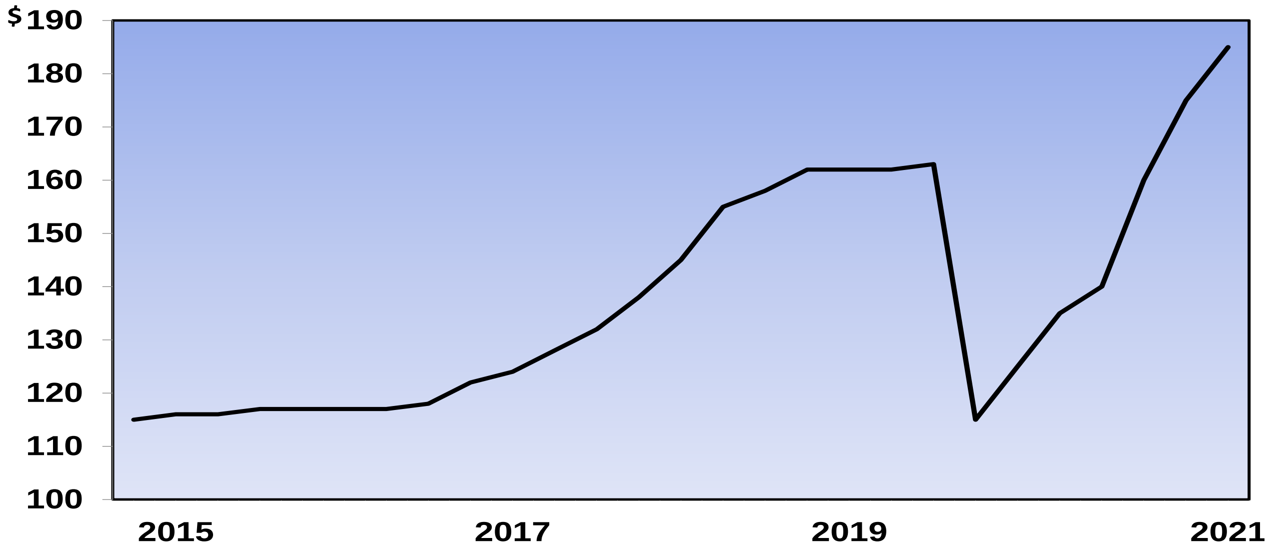
- Primary risks to the forecast include a more intransigent form of inflation beginning later next year; a disorderly spike in long-term interest rates; a resurgence of the pandemic because of new variants; and a debt crisis in one or more developing economies in response to a rapid rise in world interest rates.

The US economy is in the middle of a boom, with GDP expanding at the fastest growth rate since the early 1980s. The economy is firing on all cylinders: Consumer spending and housing are booming, while business investment and manufacturing are growing at the fastest pace in many years. Second quarter real GDP could expand at an annual rate of close to 10%, followed by annualized growth of 6% during the second half of the year.

KEY MACROECONOMIC TRENDS

Personal Consumption: Consumer spending will be boosted by several powerful one-time factors: (1) Enormous pent-up consumer demand is being unleashed with the reopening of the economy; (2) The $1.9 trillion American Rescue Plan has provided the household sector with massive resources to support its current spending spree; (3) Households enjoy nearly $2.5 trillion in excess savings — the equivalent of more than 15% of annual consumer spending — that should be drawn down over the next several years; and (4) Rapid growth in employment is expected over the next 12 months, accompanied by healthy wage growth.

Chart 1: Accelerating Growth in Corporate Earnings
Operating Earnings Per Share, S&P 500 Companies
Source: FactSet



Residential Construction: Although conditions could cool over the next six months because of supply constraints, the housing boom appears sustainable over the next several years. Demographics are positive, credit conditions are favorable, and the supply of unsold homes is at a record low. Bulging builder backlogs suggest that construction could remain in an uptrend throughout 2022, at a minimum.

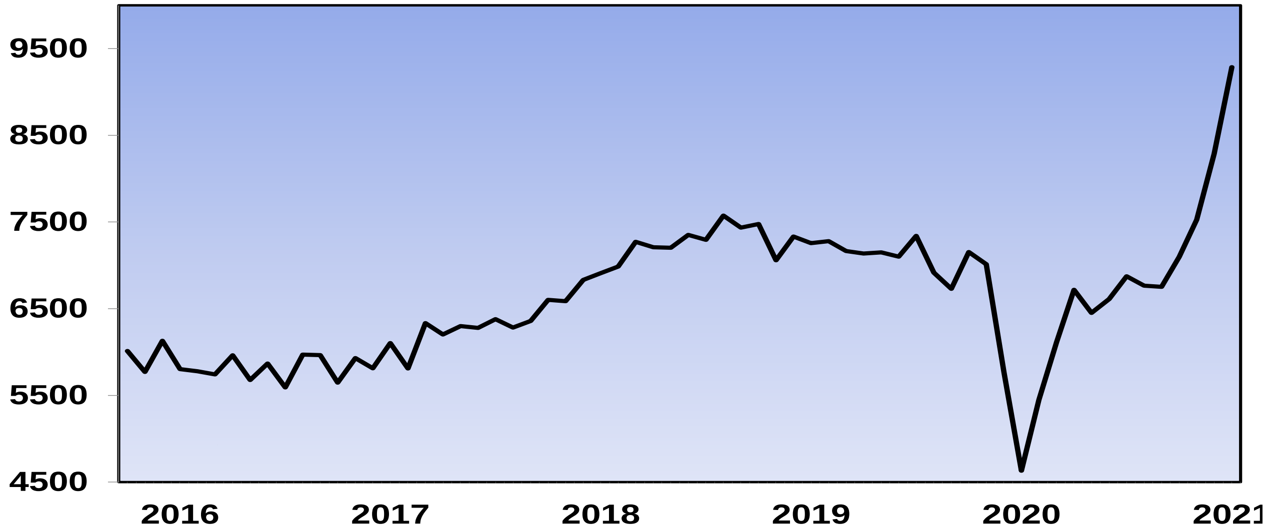
Business Capital Investment: There is encouraging evidence that business investment spending could be entering a new era of growth. Strength in final demand and a need to modernize the capital stock by incorporating new technologies are the primary drivers of a potential investment boom. Soaring cash flow and a very low cost of capital are additional factors. Capital formation could grow by 15% both this year and in 2022.

Corporate Earnings: The current earnings cycle is on track to be the most spectacular in decades. First quarter earnings per share (EPS) for companies in the S&P 500 increased by 50%, and second quarter growth will be even faster. With profit margins at record levels, EPS could increase by more than 40% this year, followed by another 5% to 10% growth in 2022. The level of profits could then move sideways in the years immediately beyond 2022 (see chart 1).

CURRENT SUPPLY CONSTRAINTS

The US economy is suffering from a variety of pandemic-induced distortions, including supply-chain congestion along with shortages of materials, components, and workers. In response to surging cases of COVID, business firms in many industries — most notably automakers, lumber mills, semiconductors, apparel, and chemical manufactures — shut down operations as new orders and backlogs collapsed.

Chart 2: Job Openings Surge to All-Time Record
Job Openings Nationwide, Thousands
Source: Bureau of Labor Statistics



- **Severe Cost Pressures:** Costs for a wide range of goods and services — including industrial metals, fuels, travel services, lumber, chemicals, cars and trucks, bulk containers, electronics, and shipping — have spiked in recent months. Except for semiconductors, these disruptions to supply chains are likely to be temporary in most industries, as capacity and inventories are rebuilt.

Labor Market: Incoming labor market data are highly deceptive in that scattered indicators of hiring appear to be related to supply, rather than demand factors. These roadblocks to labor supply should be resolved by yearend. A confluence of idiosyncratic factors, mostly related to the pandemic, has caused the labor force to contract, suggesting that the recent slowdown in hiring is likely to prove temporary.

- **Favorable Job Prospects:** A preponderance of underlying data point to extremely robust demand for labor by business firms. Weekly jobless claims remain in a steady downtrend, while the number of job openings nationwide has risen to 9.5 million, the highest level in the history of the series. Workers are quitting their jobs at a record pace in search of higher-paying jobs, a sign of perceived job security (see chart 2).

- **Employment Forecast:** My forecast assumes net job creation of six million this year and another four million in 2022, well above the long-term average of two million during years of economic expansion. The current 5.8% unemployment rate could decline to 4% by yearend 2022. The pace of wage growth is currently at 3% and should return to its pre-pandemic peak of 4% by the end of this year. Wages could climb at a rate of 5% to 6% in 2022, which would be the fastest growth rate in several decades.

THE GLOBAL ECONOMY

The world economy is positioned for its fastest growth in more than a decade. China led the global economy out of recession; and although its growth rate could moderate in 2022 and 2023, China should continue to expand at a pace well above potential. Emerging Asia and Japan should benefit from booming export trade with China, Europe, and the US. The International Monetary Fund (IMF) projects global GDP growth of 6% this year and another 4.5% in 2022, well above the normal trendline growth of 3.5%.

- **The Eurozone:** Europe could be a major contributor to world economic growth over the next two years. The euro area has experienced many of the pandemic-related issues that affected the US but is lagging the US by four to six months. The eurozone is currently benefitting from an accelerating pace of vaccinations and a sharp decline in COVID-19 infections.

- **Strong GDP Growth:** The summer/fall tourist season could boost domestic demand, while exports should benefit from strong demand from China and the US. My forecast assumes that real GDP will increase by greater than 4% over the next two years, which would be the fastest pace in several decades.

INFLATION AND MONETARY POLICY

The long-term outlook for inflation is worrisome. The ***current spike*** in inflation is less of a long-term concern because it emanates from the abrupt reopening of the economy and the inability of disrupted supply chains to keep pace with the surge in spending. The boom in household and business expenditures on goods has triggered distortions in the supply of materials and labor that should prove temporary until supply chains are gradually restored to normal.

- **Shifting Thrust of Inflation:** This so-called ***cost-push inflation*** should eventually fade but could be replaced by a more dangerous and sustainable ***demand-pull inflation*** beginning in 2022, which would be the direct result of excessive fiscal and monetary stimulus implemented in 2020 and 2021.

Federal Reserve Policy: Historically, major inflation cycles have resulted from extended periods of monetary and credit excesses. Federal Reserve policy has been massively expansionary since the onset of the pandemic 15 months ago and has not been adjusted in response to steadily improving economic conditions.

- **New Policy Framework:** In a sharp departure from history, the Fed has indicated that it will tolerate a period of inflation above its 2% target to compensate for previous periods when inflation fell below 2%. *The Fed appears willing to risk an overheating economy and rising inflation as a necessary quid pro quo to ensure an extended period of strong economic growth*.

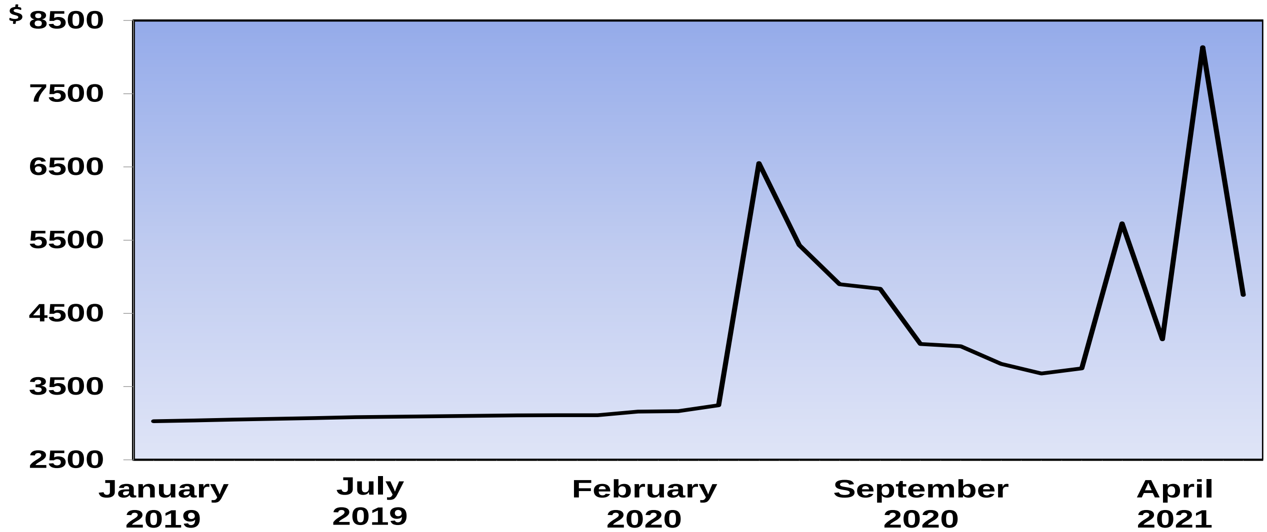
Chart 3: Consumer Inflation at Highest Level in Three Decades
Core Consumer Price Index, Percent Annual Change
Source: Bureau of Labor Statistics

Fed Mentality: Monetary policy has been more expansionary than during the years following the 2008 world financial crisis and appears likely to remain on this path for the foreseeable future. As such, ***the risk of a disastrous policy mistake is considerable***. <u>The Fed is fighting the last war, believing that a stagnant and deflationary economy is a greater risk than that of an inflationary boom</u>. Stated differently, the Fed believes that its policy tools are more effective in cooling an overheating economy than the tools needed to support a deflationary and stagnant economy.

- **Inflation Risk:** The implication is that monetary policy is likely to remain hyper-accommodative for an extended period, raising the risk of a sustained period of higher consumer inflation. Unprecedented fiscal policy stimulus elevates the risk of higher inflation because it accentuates the unfolding economic and credit boom. The combination of excessive monetary and fiscal stimulus could result in a sustained period of ***demand-pull inflation*** in coming years.

Inflation Outlook: Inflation is a classic lagging indicator and tends to trail excessive growth in money and credit by two years or more. My forecast for inflation assumes that core consumer inflation, currently at an annual rate of 3.8%, will average 3.5% for all this year before slowing to 3% in 2022. More rapid inflation is likely beyond next year, with the potential to reach 5% in 2024. ***The actual path of inflation through 2024 will depend upon the timing of a shift in monetary policy from expansionary to contractionary during the next two years, and the Fed's resolve in reducing the growth in money and credit*** (see chart 3).

Chart 4: Massive Government Income Support Boosts Consumer Spending
Government Transfer Payments ($ Millions)
Source: Bureau of Economic Analysis



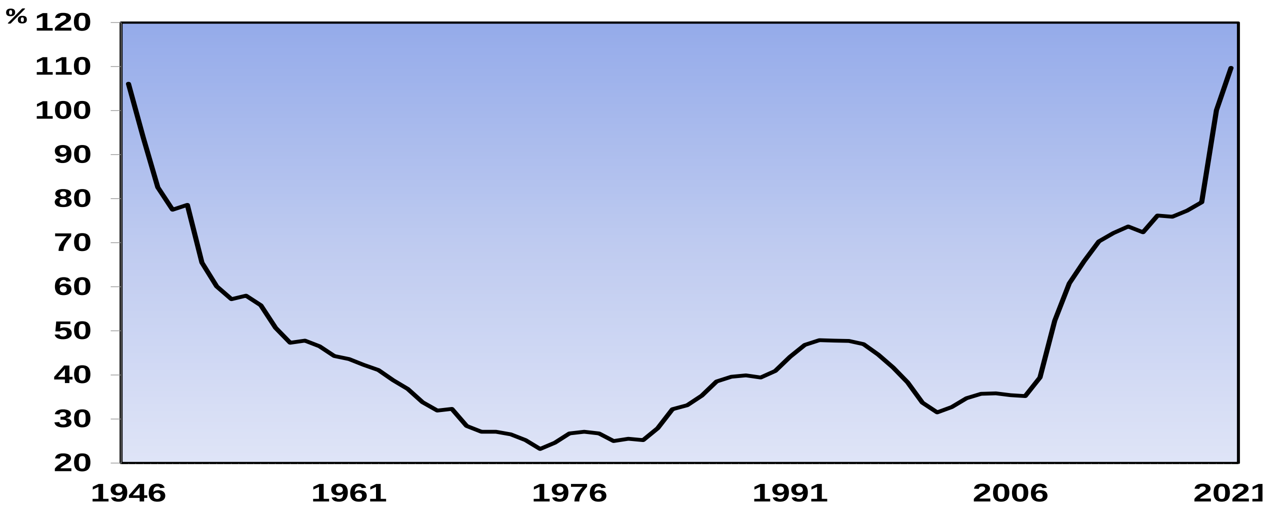
FISCAL POLICY

The unprecedented fiscal policy stimulus of the past year could have significant economic implications. Passage of the $900 billion coronavirus relief bill in December of last year and the $1.9 trillion American Rescue Plan in March will boost government spending by a total $2.8 trillion this year and is a major factor supporting the 2021 economic boom. Consumers are benefiting enormously from record receipts of government ***transfer payments*** and other income-support programs. However, fiscal policy should shift from expansionary to contractionary during 2022, as the 2021 spending initiatives begin to fade. Legislated tax increases could reinforce the contractionary impulse on the spending side (see chart 4).

Budget Deficits: While the ***cyclical*** economic impact of fiscal policy will peak this year and fade in coming years, the ***structural*** repercussions of fiscal policy will emerge over the next several years, at a minimum. As a share of nominal GDP, the budget deficit in the first quarter soared to 13%. For the full 2021 fiscal year (ending on September 30), the deficit will likely exceed $3.5 trillion, a staggering 16% of GDP. The budget deficit should decline to roughly $2 trillion in each of the next several years, although still elevated in a historical context.

Infrastructure and Human Capital: The Biden administration has two remaining blockbuster spending plans — the $1.5 trillion American Jobs Plan (AJP) and the $1.8 trillion American Families Plan (AFP). The former advocates large spending initiatives on traditional infrastructure projects spread over the next ten years. The latter involves spending on social programs and investments in human capital. In my judgment, the AJP has a 75% probability of passage this year, while the odds of passage of the AFP in 2022 is 50%.

Chart 5: US Public Debt at Highest Level Since World War Two
US Government Debt Held by the Public
Percentage of Nominal GDP
Source: US Treasury Department



- **Rising Debt Burdens:** At the same time, the national debt will become more burdensome, rising to a projected 115% of GDP next year, the highest level since 1945. The financial impact will be accentuated when borrowing costs increase in future years as I expect. The legacy of big government that emerged with the onset of the pandemic in early 2020 accentuates the risk of a less dynamic and more inflationary economy (see chart 5).

ECONOMIC FORECAST

Aggregate spending and output are expected to surge over the next four quarters, with GDP expanding at the fastest pace in nearly 40 years. My forecast assumes real GDP growth of 7%, 5%, and 2.5% in 2021, 2022, and 2023, respectively. Industrial production could expand by 5.5% this year and 3.5% in 2022. Rapid economic growth, tight control over operating costs, solid productivity growth, and a return of pricing power mean that corporate profitability could climb by a cumulative 60% over the next four quarters ending in March of next year.

RISKS TO THE FORECAST

There are several important risks to the forecast that investors should contemplate:

1. **Inflation:** A resurgence in inflation is the biggest long-term risk to the economy and financial markets. The specific concern is that the current episode of cost-push inflation will morph into more worrisome demand-pull inflation in 2023 and 2024.

2. **COVID-19 Variants:** If the pandemic continues to rage in South America, Africa, and Asia, the risk of COVID-19 mutations and variants will remain elevated, possibly culminating in a new wave of infections.

3. **Fed Policy Mistake:** There is a high probability that the Federal Reserve will maintain overly accommodative credit conditions for too long, resulting in the need for an aggressive tightening campaign to counteract a potential surge in inflation.

4. **Bond Yields:** Government bond yields have remained under good control despite a booming economy and growing inflationary pressures. There is a risk that the Federal Reserve could lose control of the long end of the yield curve at any time and without notice, causing a painful rise in borrowing costs.

5. **Fiscal Cliff:** The failure of Congress to pass an infrastructure bill would result in a fiscal cliff whereby federal government stimulus would end abruptly during 2022. Expiration of the $2.8 trillion in stimulus later this year could create a vacuum in aggregate spending in 2022 and beyond, if not augmented by new spending initiatives.

6. **Emerging Market Debt:** Many emerging market (EM) economies remain weak because of persistently high COVID-19 infections and lagging vaccinations. At the same time, EM debt levels have surged since 2020. The potential onset of a Federal Reserve rate-tightening campaign next year could force many emerging market central banks to tighten policy prematurely in response, as a necessary step to defend their currencies, leading to a potential debt crisis.

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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® 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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