PLAN SUMMARY

State of Vermont 940050

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

As Of: December 31, 2021

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

Prudential

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Section I Plan Summary

PLAN SUMMARY AND BENCHMARK TRENDS

Plan Summary

Historical Plan Statistics

	1/1/2018 - 12/31/2018	1/1/2019 - 12/31/2019	1/1/2020 - 12/31/2020	1/1/2021 - 12/31/2021
Total Participants Balances	$454,463,915	$536,202,811	$602,970,754	$683,523,004
Contributions*	$21,862,250	$29,457,792	$27,854,634	$30,631,243
Distributions*	($28,796,971)	($36,054,205)	($29,188,172)	($34,266,131)
Cash Flow	($6,934,721)	($6,596,413)	($1,333,538)	($3,634,888)
Market Value Gain / Loss**	$463,440,153	$94,553,745	$70,539,849	$87,434,170
Account Balances				
Average Participant Balance	$60,660	$68,912	$76,104	$83,245
National Average Benchmark**	$97,903	$102,586	$103,108	$110,278
Participation / Deferrals				
Participation Rate	83.4%	83.6%	82.6%	82.6%
National Average Benchmark***	79.3%	79.2%	78.9%	79.0%
Total Participants with a Balance	7,492	7,781	7,923	8,211
Asset Allocation				
% of Plan Assets in Stable Value	22.3%	19.4%	19.1%	17.2%
Prudential % of Plan Assets in Stable Value	*24.5%*	*25.8%*	*22.1%*	*20.7%*
% of Plan Assets for GoalMaker Participants	6.5%	10.2%	12.6%	14.2%
Participation Rate in GoalMaker	13.8%	21.5%	24.2%	27.9%
Number of Participants in GoalMaker	1,030	1,670	1,922	2,299
Number of Participants in One Fund	1,781	1,779	1,858	1,920
Number of Participants in Four or More Funds	4,251	4,611	4,746	5,004
Distributions				
Number of Distributions*	3,229	3,726	3,290	3,610
Termination	$21,905,993	$27,697,461	$22,343,426	$25,098,052
Hardship	$77,552	$79,397	$48,843	$16,827
In Service	$78,748	$247,186	$104,826	$35,723
Coronavirus-Related Withdrawal	$0	$0	$1,051,388	$0
Amount of Distributions	$28,796,971	$36,054,205	$29,188,172	$34,266,131
Amount of Distributions Representing Rollovers	$18,952,253	$23,997,720	$18,971,570	$21,492,854
% of Assets Distributed*	6.3%	6.7%	4.8%	5.0%

**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

	1/1/2020-12/31/2020	1/1/2021-12/31/2021
Total Participants*	7,923	8,211
Active Participants	5,755	5,845
Terminated Participants	2,154	2,347
Other Participants**	1	1
Multiple Status Participants***	13	18
Average Participant Balance	$76,104	$83,245
Average Account Balance for Active Participants	$64,487	$69,222
Median Participant Balance	$28,018	$29,348
Median Participant Balance for Active Participants	$23,465	$24,194
Participants Age 50 and Over	4,669	4,777
Total Assets for Participants Age 50 and Over	$504,616,761	$571,121,302
Total (Contributions + Rollovers In)	$27,854,634	$30,631,243
Employee Contributions	$25,416,266	$27,384,211
Rollovers In	$2,438,368	$3,247,033
Total Distributions	($29,188,172)	($34,266,131)
Percentage of Assets Distributed	4.8%	5.0%
Market Value Gain / Loss****	$70,539,849	$87,434,170
Total Participant Balances	$602,970,754	$683,523,004

**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	12/31/2020	12/31/2021
Plan Assets for Participants in GoalMaker	$75,671,401	$97,266,406
% of Plan Assets for GoalMaker Participants	12.6%	14.2%
# of Participants in GoalMaker	1,922	2,299
Participation Rate in GoalMaker	24.2%	27.9%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	12/31/2020	12/31/2021
Roth Assets	$19,718,447	$26,388,445
# of Participants in Roth	1,650	1,851
Participation Rate in Roth	20.8%	22.5%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

Stable Value	12/31/2020	12/31/2021
Participation Rate in Stable Value	60.0%	58.3%
% of Plan Assets in Stable Value	19.1%	17.2%
Prudential % of Plan Assets in Stable Value - As of 12/31/2020	20.7%	

eDelivery	12/31/2020	12/31/2021
# of Participants Enrolled in eDelivery	4,258	4,646
# of Participants Affirmatively Elected eDelivery	4,258	4,630
# of Participants Defaulted into eDelivery	0	16
% of Participants in eDelivery	53.3%	55.9%
Prudential % of Participants in eDelivery - As of 12/31/2020	50.4%	

Enrollment by Age Group

	1/1/2021-12/31/2021							
	Less than 25	25-34	35-44	45-54	55-64	65+	Unknown	Grand Total
Total	57	211	158	123	62	8	1	620

Participant Activity

Call Center	1/1/2020 - 12/31/2020	1/1/2021 - 12/31/2021
Total Call Volume	2,106	2,213

Transaction Summary

Transactions	1/1/2020 - 12/31/2020	1/1/2021 - 12/31/2021
Total Enrollees*	369	620
Number of Participants with Transfers	2,471	4,780
Distributions	3,290	3,610

*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	12/31/2020	12/31/2021
Statements	4,171	4,541
Confirms	4,250	4,629
Tax Forms	4,177	4,548
Plan Related Documents	N/A	4,611

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

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.

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

State of Vermont

Benchmark Trends – Participant Behavior

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2020**	Plan Sponsor Survey 2021***
Participation Rate	82.6%	70.5%	76.6%	78.9%	79.0%
Average Contribution Rate (%)	N/A	7.7%	6.8%	7.1%	7.5%
Average Account Balance	$83,245	$80,721	$89,180	$103,108	$110,278
Median Account Balance	$29,348	$77,565	$67,239	$79,970	$83,441
% of Plan Assets in Stable Value	17.2%	20.7%	0.0%	N/A	N/A
% of Plan Assets in Day One Funds	N/A	1.3%	0.0%	N/A	N/A
Average # of Funds Held	5.3	5.2	6.7	6.3	5.0
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.1%	0.0%	N/A	N/A
% of Participants Utilizing GoalMaker®	27.9%	52.2%	0.0%	N/A	N/A
% of Participants have Outstanding Active Loans	N/A	12.2%	18.3%	14.2%	12.8%
Average Loan Balance	N/A	$7,891	$9,939	$10,121	$10,709
% of Participants Utilizing eDelivery	55.9%	50.4%	N/A	N/A	N/A

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*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 December 31, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	$361,414	$14,891,273	$48,223,216	$129,871,177	$216,166,992	$274,008,931	$683,523,004
% Assets	0.1%	2.2%	7.1%	19.0%	31.6%	40.1%	100.0%
Average Contribution Rate ($)	$0	$0	$52	$200	$253	$503	$252
Contributions	$213,557	$2,722,984	$4,785,640	$7,929,812	$9,467,742	$2,264,476	$27,384,211
Rollovers In*	$17,273	$662,326	$491,936	$796,400	$522,085	$757,013	$3,247,033
Total (Contributions + Rollovers In)	$230,830	$3,385,310	$5,277,576	$8,726,212	$9,989,826	$3,021,489	$30,631,243
Cash Distributions	($7,267)	($169,685)	($373,074)	($1,553,738)	($2,626,674)	($8,042,839)	($12,773,277)
Rollovers Out	($1,968)	($287,560)	($436,908)	($1,886,849)	($10,073,739)	($8,805,829)	($21,492,854)
Total (Cash Distributions + Rollovers Out)	($9,235)	($457,245)	($809,982)	($3,440,587)	($12,700,413)	($16,848,668)	($34,266,131)
Net Activity	$221,595	$2,928,065	$4,467,594	$5,285,625	($2,710,587)	($13,827,179)	($3,634,888)
Total Participants**	100	1,039	1,468	1,898	2,006	1,703	8,214
Average Account Balance	$3,614	$14,332	$32,850	$68,425	$107,760	$160,898	$83,214
Prudential Avg. Account Balance as of 12/31/2020	*$3,940*	*$17,635*	*$49,972*	*$97,117*	*$136,242*	*$138,917*	*$80,721*
Median Account Balance	$1,967	$6,636	$15,764	$29,970	$54,700	$80,696	$29,348
Prudential Median Account Balance as of 12/31/2020	*$4,404*	*$14,335*	*$34,065*	*$58,607*	*$86,341*	*$121,113*	*$77,565*

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

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

RETIREMENT READINESS

Plan Summary

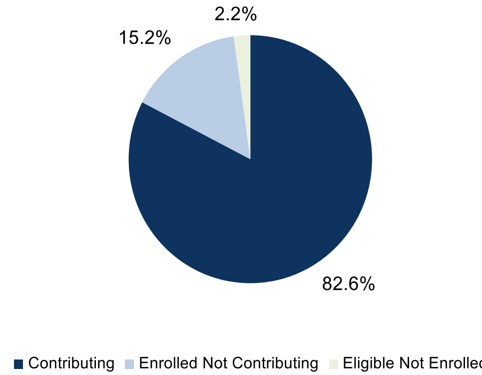
Participation Rate

	1/1/2020-12/31/2020	1/1/2021-12/31/2021
Total Eligible To Contribute Population	**5,953**	**6,089**
Contributing (A)	4,918	5,029
Enrolled Not Contributing (B)	916	927
Eligible Not Enrolled (C)	119	133

	1/1/2020-12/31/2020	1/1/2021-12/31/2021
Participation Rate *	**82.6%**	**82.6%**
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)*

1/1/2021-12/31/2021



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 - 12/31/2020	%	1/1/2021 - 12/31/2021	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	$3,351,326	13.2%	$3,455,515	12.6%	$104,189	3.1%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$2,350,916	9.3%	$2,803,202	10.2%	$452,286	19.2%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$1,962,754	7.7%	$2,151,020	7.9%	$188,266	9.6%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$1,839,713	7.2%	$2,116,338	7.7%	$276,626	15.0%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$1,878,060	7.4%	$2,001,230	7.3%	$123,170	6.6%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,791,573	7.1%	$1,947,489	7.1%	$155,916	8.7%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,803,437	7.1%	$1,819,377	6.6%	$15,940	0.9%
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$0	0.0%	$1,639,622	6.0%	$1,639,622	N/A
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$1,529,744	6.0%	$1,613,672	5.9%	$83,927	5.5%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$1,355,262	5.3%	$1,555,475	5.7%	$200,213	14.8%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$1,349,213	5.3%	$1,234,109	4.5%	($115,104)	-8.5%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$777,955	3.1%	$924,369	3.4%	$146,414	18.8%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,982,777	7.8%	$677,586	2.5%	($1,305,191)	-65.8%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$600,710	2.4%	$654,992	2.4%	$54,282	9.0%
DODGE & COX BALANCED FUND	$571,687	2.3%	$595,002	2.2%	$23,315	4.1%
DODGE & COX INTERNATIONAL STOCK FUND	$561,147	2.2%	$528,977	1.9%	($32,170)	-5.7%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$318,925	1.3%	$327,084	1.2%	$8,160	2.6%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$387,874	1.5%	$323,162	1.2%	($64,712)	-16.7%
CALVERT BOND FUND CLASS I	$243,235	1.0%	$242,808	0.9%	($428)	-0.2%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$204,182	0.8%	$205,098	0.8%	$916	0.4%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$116,583	0.5%	$159,645	0.6%	$43,062	36.9%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$145,949	0.6%	$157,665	0.6%	$11,716	8.0%
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$131,934	0.5%	$130,265	0.5%	($1,669)	-1.3%
FPA NEW INCOME FUND	$161,310	0.6%	$120,510	0.4%	($40,800)	-25.3%
Total Assets Contributed	$25,416,266	100.0%	$27,384,211	100.0%	$1,967,945	7.7%

Plan Summary

Interfund Transfers

1/1/2021 to 12/31/2021

INVESTMENT OPTIONS	IN	OUT	NET
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$62,309,174	($4,529,887)	$57,779,288
STATE OF VERMONT STABLE VALUE FUND	$13,356,920	($7,925,068)	$5,431,852
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$5,398,141	($3,568,908)	$1,829,232
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$3,111,972	($1,763,801)	$1,348,171
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$2,408,459	($1,803,515)	$604,943
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$1,006,340	($551,550)	$454,790
CALVERT BOND FUND CLASS I	$1,062,297	($624,077)	$438,220
FPA NEW INCOME FUND	$719,305	($532,432)	$186,873
SELF DIRECTED BROKERAGE ACCOUNT	$121,722	($10,500)	$111,222
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$627,303	($625,132)	$2,171
DODGE & COX BALANCED FUND	$1,363,163	($1,388,716)	($25,553)
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$409,564	($472,254)	($62,690)
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$317,224	($384,439)	($67,215)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$1,920,552	($2,109,017)	($188,465)
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$3,929,931	($4,326,272)	($396,341)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$432,458	($841,631)	($409,173)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$466,755	($924,099)	($457,343)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$2,100,304	($2,620,633)	($520,329)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$232,490	($787,708)	($555,218)
DODGE & COX INTERNATIONAL STOCK FUND	$573,736	($1,165,996)	($592,260)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$3,071,282	($3,801,830)	($730,548)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$1,322,103	($2,250,854)	($928,752)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$2,557,075	($4,111,187)	($1,554,113)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,113,180	($2,742,525)	($1,629,344)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,959,784	($62,029,203)	($60,069,420)
TOTAL	$111,891,232	($111,891,232)	($0)

Plan Summary

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken 1/1/2020 - 12/31/2020	Amount of Withdrawals Taken 1/1/2021 - 12/31/2021	Change	% Change	# of Withdrawals 1/1/2020 - 12/31/2020	# of Withdrawals 1/1/2021 - 12/31/2021	Change	% Change
Termination	$22,343,426	$25,098,052	$2,754,627	12%	1,206	1,176	(30)	(2%)
Death Distribution	$1,892,596	$2,088,831	$196,235	10%	73	93	20	27%
Direct Transfer	$1,080,192	$1,685,301	$605,109	56%	31	56	25	81%
Installment Payment	$1,841,387	$2,178,750	$337,363	18%	1,693	1,778	85	5%
Required Minimum Distribution	$799,508	$2,934,462	$2,134,954	267%	161	485	324	201%
Coronavirus-Related Distribution	$1,051,388	$0	($1,051,388)	(100%)	52	0	(52)	(100%)
QDRO	$416	$225,239	$224,822	53,983%	3	5	2	67%
In-Service Withdrawal	$104,826	$35,723	($69,103)	(66%)	4	6	2	50%
Hardship Withdrawal	$48,843	$16,827	($32,016)	(66%)	7	3	(4)	(57%)
Return of Excess Deferrals/Contributions	$25,574	$1,099	($24,475)	(96%)	59	2	(57)	(97%)
Gross Adjustment	$16	$1,847	$1,831	11,198%	1	6	5	500%
Grand Total	**$29,188,172**	**$34,266,131**	**$5,077,959**	**17%**	**3,290**	**3,610**	**320**	**10%**

1/1/2021 - 12/31/2021						
	Amount of Withdrawals Taken			# of Withdrawals		
Distribution Sub-Type	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	$1,305,301	$20,187,553	$21,492,854	50	175	225
Cash	$889,261	$11,884,016	$12,773,277	66	3,319	3,385
Grand Total	**$2,194,562**	**$32,071,569**	**$34,266,131**	**116**	**3,494**	**3,610**

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

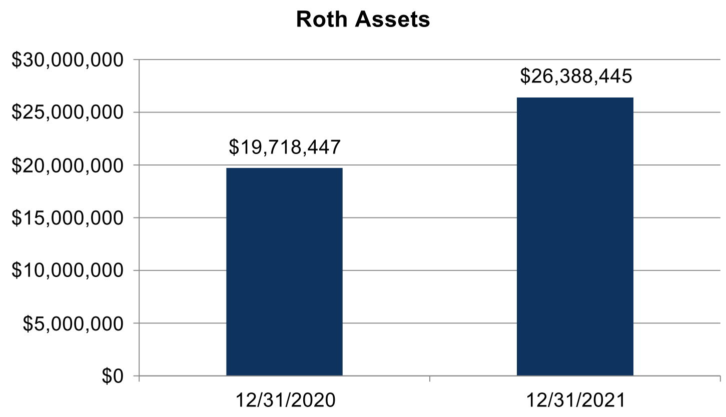
	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021	7/1/2021 - 9/30/2021	10/1/2021 - 12/31/2021
Call Center				
Unique Callers	375	326	324	362
Total Call Volume	573	526	544	570
Participant Website				
Registered Participants	5,771	5,804	5,838	5,832
Unique Web Logins	3,042	2,906	2,924	3,085
Total Web Logins	37,625	43,823	43,948	37,302

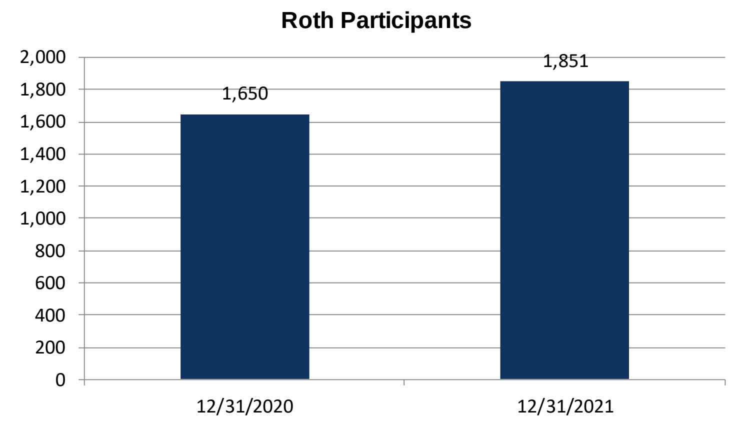
Call Center Reason Category	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021	7/1/2021 - 9/30/2021	10/1/2021 - 12/31/2021
Account Explanations	136	136	121	137
Allocation Changes & Exchange	10	7	10	10
Contributions	23	22	23	15
Disbursements	287	266	285	286
Enrollments	1	2	2	5
Forms	3	2	4	2
Fund Information	7	6	7	2
Hardships	9	15	10	4
IFX	0	0	0	0
IVR or Web Assistance	17	13	19	24
Loans	3	0	3	1
Other	24	19	19	32
Payment Questions	0	0	0	0
Plan Explanations	13	16	22	27
Regen Reg Letter	0	0	0	0
Status of Research	2	4	2	1
Tax Information	20	7	0	0
Website Processing	18	11	17	24
Total	573	526	544	570

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





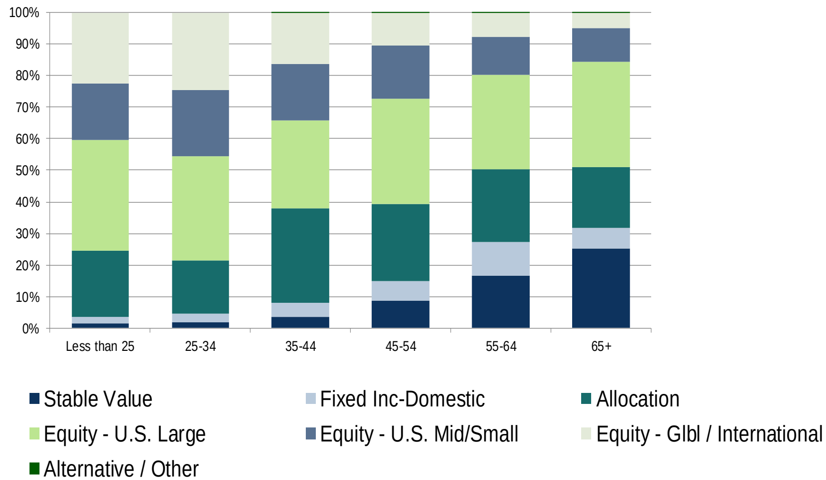
	12/31/2020	12/31/2021
Roth Assets	$19,718,447	$26,388,445
# of Participants in Roth	1,650	1,851
Partcipation Rate in Roth	20.8%	22.5%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	


INVESTMENT
DIVERSIFICATION

Plan Summary

State of Vermont

Assets by Asset Class and Age
As of December 31, 2021



Asset Allocation

Asset Class	Your Plan Assets as of 12/31/2021	Your Plan % as of 12/31/2021
Stable Value	$117,897,600	17.3%
Fixed Inc-Domestic	$52,119,521	7.6%
Allocation	$150,364,974	22.0%
Equity - U.S. Large	$218,250,437	31.9%
Equity - U.S. Mid/Small	$89,640,579	13.1%
Equity - Glbl / International	$54,126,492	7.9%
Alternative / Other	$1,123,401	0.2%
Total Participant Balances	$683,523,004	100.0%

Fund Utilization By Age
As of December 31, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	33	218	322	401	455	493	1,922
Average # of Funds per Participant	4.0	5.7	6.1	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	1.6%	1.8%	3.7%	8.5%	16.6%	25.1%	17.2%
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	3	3	5	3	14

Plan Summary

Utilization by Fund

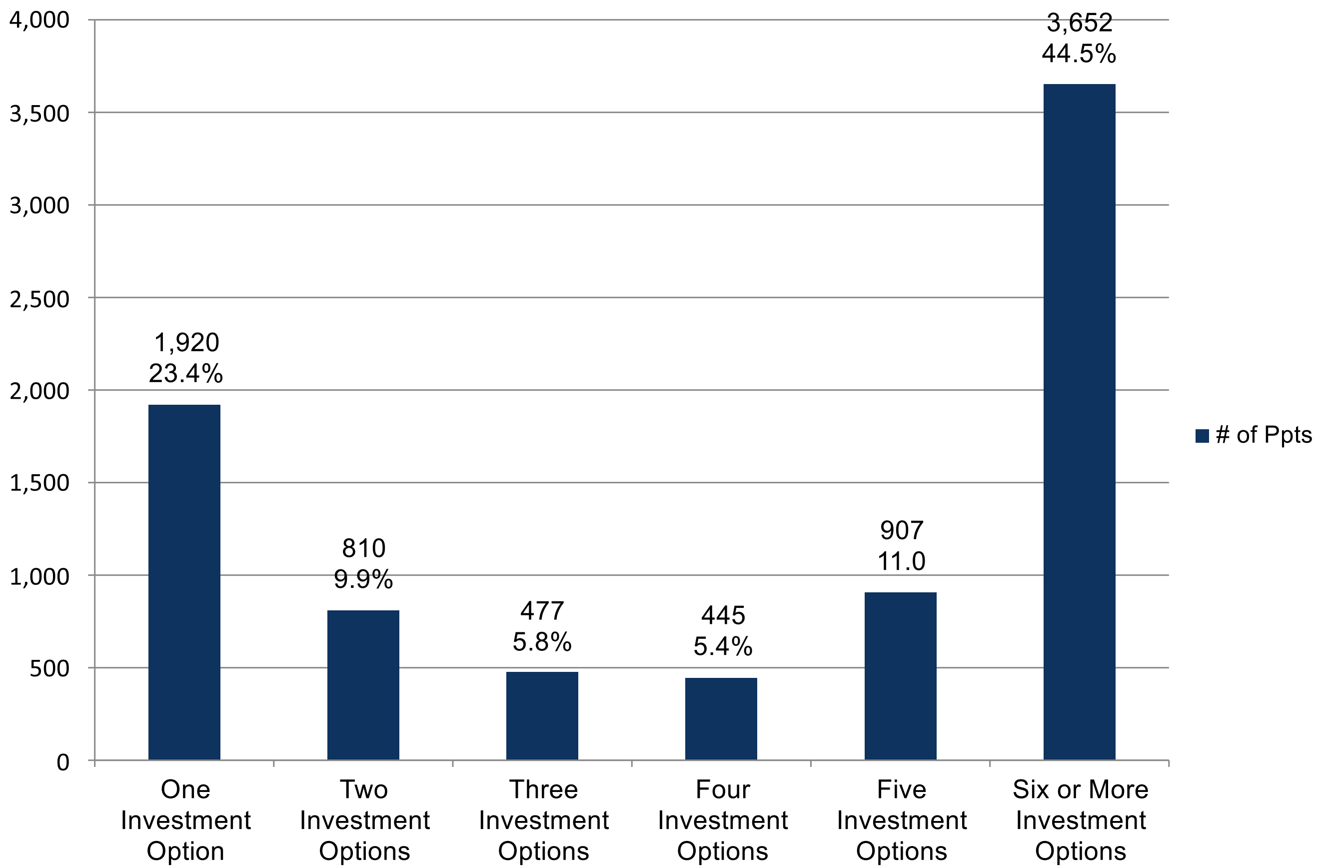
as of December 31, 2021

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	$117,897,600	17.2%	4,786	522
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$80,258,176	11.7%	2,364	91
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	$60,205,188	8.8%	4,497	18
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$47,355,963	6.9%	4,474	7
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$46,332,187	6.8%	4,390	10
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$42,284,616	6.2%	4,471	13
DODGE & COX BALANCED FUND	$41,158,833	6.0%	973	48
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$32,938,091	4.8%	519	212
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$32,770,756	4.8%	3,161	6
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$31,454,886	4.6%	659	35
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$30,776,429	4.5%	3,773	1
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$29,034,841	4.2%	609	253
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$21,703,943	3.2%	547	276
DODGE & COX INTERNATIONAL STOCK FUND	$13,083,081	1.9%	1,658	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$11,151,013	1.6%	248	94
FPA NEW INCOME FUND	$6,920,044	1.0%	328	6
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$6,618,500	1.0%	1,565	7
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$6,531,021	1.0%	1,522	2
CALVERT BOND FUND CLASS I	$5,897,700	0.9%	1,251	0
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$5,693,767	0.8%	411	270
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$5,110,541	0.7%	226	40
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$3,648,482	0.5%	566	3
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$3,573,946	0.5%	193	2
SELF DIRECTED BROKERAGE ACCOUNT	$1,123,401	0.2%	14	0
Total	$683,523,004	100.0%		

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

Plan Summary

Investment Utilization as of December 31, 2021



Due to rounding, bar graph may not equal 100%

Plan Summary

GoalMaker® Participation

as of 12/31/2021

	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Plan Assets for Participants in GoalMaker	$81,793,067	$89,075,987	$91,966,555	$97,266,406
# of Participants in GoalMaker	2,022	2,125	2,197	2,299
Participation Rate in GoalMaker	25.3%	26.4%	27.1%	27.9%
% of Plan Assets for GoalMaker Participants	13.0%	13.5%	14.0%	14.2%

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

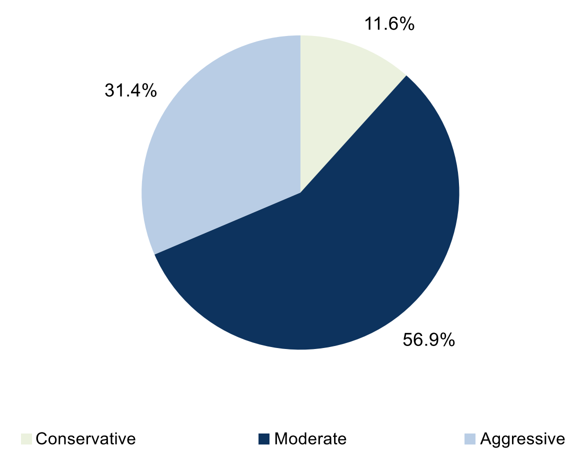
The participation rate in GoalMaker is 52.2%.

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	3	0	14	2	29	10	58
25-34	24	1	178	22	284	20	529
35-44	28	2	244	17	221	13	525
45-54	38	4	306	22	179	13	562
55-64	78	13	278	27	93	11	500
65+	16	20	50	26	7	6	125
Total	187	40	1,070	116	813	73	2,299

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	$15,291	$0	$42,400	$7,025	$135,467	$21,143	$221,325
25-34	$133,659	$7,748	$2,037,542	$267,876	$4,113,352	$252,950	$6,813,126
35-44	$494,137	$21,571	$4,881,925	$321,080	$5,973,604	$208,589	$11,900,906
45-54	$1,388,354	$71,831	$13,033,369	$809,126	$7,944,999	$703,050	$23,950,729
55-64	$4,162,233	$949,352	$19,980,971	$2,100,632	$7,399,539	$1,494,968	$36,087,695
65+	$1,684,728	$2,370,958	$5,619,716	$6,274,928	$932,909	$1,409,386	$18,292,624
Total	$7,878,402	$3,421,459	$45,595,923	$9,780,667	$26,499,870	$4,090,086	$97,266,406

Percentage of Assets by GoalMaker® Participation Portfolio As of 12/31/2021



2.4 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

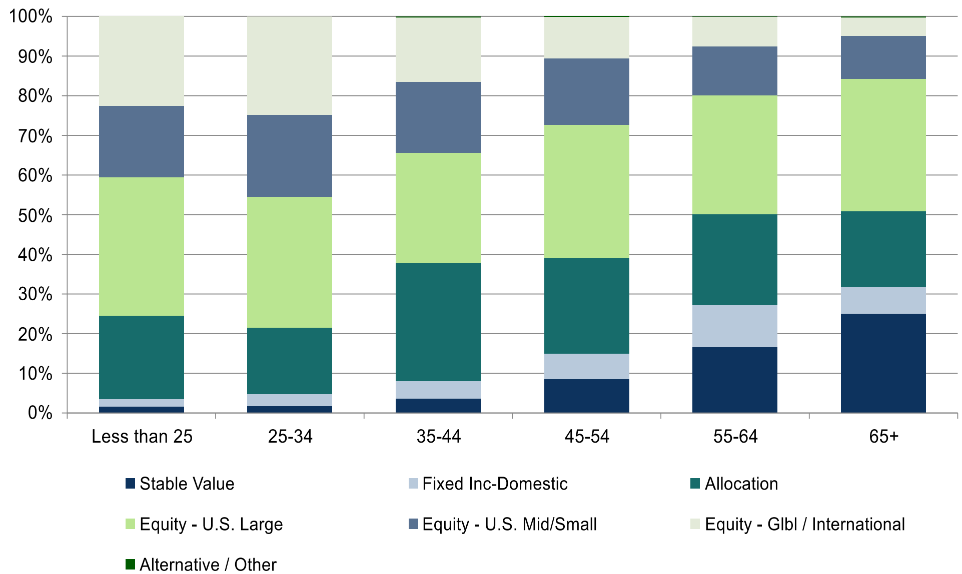
27.9%

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 December 31, 2021

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	$5,863	$268,626	$1,764,032	$11,103,292	$35,962,684	$68,793,103	$117,897,600
Fixed Inc-Domestic	$6,904	$433,214	$2,121,071	$8,319,221	$22,901,168	$18,337,943	$52,119,521
Allocation	$75,949	$2,509,809	$14,355,986	$31,470,764	$49,650,964	$52,301,503	$150,364,974
Equity - U.S. Large	$126,138	$4,901,876	$13,419,197	$43,510,887	$64,835,914	$91,456,424	$218,250,437
Equity - U.S. Mid/Small	$65,034	$3,093,798	$8,637,438	$21,747,834	$26,426,393	$29,670,082	$89,640,579
Equity - Glbl / International	$81,526	$3,683,951	$7,837,992	$13,523,979	$16,148,441	$12,850,603	$54,126,492
Alternative / Other	$0	$0	$87,499	$195,202	$241,427	$599,273	$1,123,401
Total Assets	$361,414	$14,891,273	$48,223,216	$129,871,177	$216,166,992	$274,008,931	$683,523,004
% of Assets	0.1%	2.2%	7.1%	19.0%	31.6%	40.1%	100.0%
Total Participants	100	1,039	1,468	1,898	2,006	1,703	8,214
Avg Account Balance	$3,614	$14,332	$32,850	$68,425	$107,760	$160,898	$83,214

Plan Summary

Rep Stats

	1/1/2021-3/31/2021	4/1/2021-6/30/2021	7/1/2021-9/30/2021	10/1/2021-12/31/2021	Total
Group Presentations	17	10	9	14	50
Individual Participant Meetings	748	841	794	489	2,872
New Enrollments as a result of Group/Individual Meeting*	95	122	122	128	467
GoalMaker as a result of Group/Individual Meeting*	106	111	101	113	431
Contribution Rate Increases	177	120	120	134	551
Number of Rollovers	20	25	13	26	84
Rollover Dollars	$601,000	$978,000	$452,000	$825,000	$2,856,000

Plan Summary

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 12/31/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	$4,384,854	156	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$591,451	73	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$4,891,984	1,104	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$495,316	8	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$279,124	12	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$5,001	1	
940050 - 457b Plan					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$3,648,482	566	
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	$3,573,946	193	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$6,531,021	1,522	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	$31,454,886	659	

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 12/31/2021

Market-to-Book Value Ratio as of 9/30/2021 ....102.22%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	12/31/2021	
1 MONTH	0.17%	0.01%
3 MONTH	0.50%	0.01%
YTD	2.06%	0.05%
1 YEAR	2.06%	0.05%
3 YEAR	2.35%	0.99%
5 YEAR	2.35%	1.14%
10 YEAR	2.36%	0.63%
SINCE INCEPTION	2.46%	N/A

Plan Summary

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

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

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

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

Section II Economic Outlook

Prudential
Bring Your Challenges®

Economic Perspective

January 3, 2022

ANNUAL ECONOMIC OUTLOOK

by Robert F. DeLucia, CFA
Consulting Economist

Summary and Major Conclusions:

All available evidence suggests that the US economy could be on the brink of the most powerful capital goods cycle since the 1990s. Core capital goods orders are increasing at a 13% rate, the fastest pace in several decades. Rapidly growing corporate earnings and cash flow, an exceptionally low cost of capital, an aging capital stock, and a strong desire of companies to locate factories in more secure locations should boost demand for capital formation within the domestic economy.

- Following an abrupt slowdown in the third quarter, the US economy rebounded strongly in Q4, with real GDP growth estimated at 6%, led by consumer spending on goods and services. Corporate earnings continued to exceed Wall Street analyst estimates, with an increase of 25% in the quarter.

- Core consumer inflation averaged 5% in Q4, while wages increased at a nearly 5% annual rate. The market yield on the benchmark ten-year US Treasury note traded within a narrow range of 1.35% to 1.75% in the quarter.

- Although 2021 growth of 5.5% was impressive, US and world GDP could have been even stronger in the absence of painful supply limitations. Supply-chain disruptions, skyrocketing prices for shipping and containers, and a depressed labor participation rate restrained the production and distribution of goods. Spending and output were also negatively impacted by the Delta variant of COVID-19.

- It has become increasingly apparent over the past two years that the direction of the economy and financial markets is inextricably tethered to trends in public health. Econometric studies show a strong correlation between the trend in cases of COVID-19 and economic data, with a time lag of several months.

- Any forecast for economic growth in 2022 must begin with an assessment of current public health conditions and risks. My major assumption is that the pandemic will have progressively less impact on the economy as the year unfolds.

- Each successive wave of the pandemic over the past two years has taken a smaller toll on the economy. Businesses, consumers, and policymakers have learned to deal more effectively with SARS-CoV-2 with the passage of time. I expect the pandemic to transition to an endemic disease before the end of this year.

- US GDP growth this year is likely to surprise markets on the upside with growth of 5%, slightly less than the 5.5% growth rate achieved in 2021, but above the consensus forecast of less than 4%. Unlike 2021 — which was led by very rapid growth in consumer spending — the US economy should be firing on all cylinders, with virtually all sectors supporting growth.

- Corporate earnings should advance again this year, but at a rate well below the spectacular pace of 2021. My forecast assumes that earnings per share (EPS) for companies in the S&P 500 will rise by 12% this year on revenue growth of 10%.

- All available evidence suggests that the US economy could be on the brink of the most powerful capital goods cycle since the 1990s. It has been more than two decades since the last investment boom, implying significant pent-up demand for investment in plant and equipment. There are numerous catalysts to support an extended period of rapid growth in capital formation.

- The US labor market should continue to heal as the year unfolds. Compared with a total of six million in 2021, nonfarm payrolls could rise by a net four million this year. The unemployment rate could decline to 3.5% by the end of the year, the lowest monthly rate since 1968, while the employment ratio could return to 80%.

- Inflation is the critical independent variable in the economic and investment outlooks because it will determine the pace at which the Federal Reserve tightens monetary policy. From its peak rate of 6% during the second half of last year, core consumer inflation could decline to 2.5% by the middle of this year, albeit only temporarily.

- Looking beyond 2022, my forecast assumes a sharp acceleration in the rate of inflation, beginning later this year and persisting throughout 2023 and 2024. In contrast to the cost-push inflation of the past year, the acceleration in inflation that I envision in 2023 and 2024 will likely be a demand-pull phenomenon.

- A combination of continued strong consumer and business demand — turbocharged by unprecedented policy stimulus of the past two years — along with an economy approaching full employment could be the catalyst for rapid and sustained consumer price increases, possibly reaching a cyclical peak of 5% in 2023 or 2024.

- Fiscal policy could be a more expansionary force this year than anticipated by most economists. Although government stimulus peaked in 2021, there remains a large amount of residual spending that will impact the economy over the next several years. Spending by state and local governments should also be additive to GDP.

- The world economy tends to lag the US and should also enjoy solid growth during the upcoming year. There are several substantive sources of growth for the world economy in 2022: Strong export demand from the US; easing pandemic constraints on growth; and continued monetary and fiscal stimulus.

- Economic prospects for the euro area economy should gradually improve as this year unfolds. The strong headwinds to growth in recent months — soaring energy costs, surging infections, and crippling supply-chain restrictions — are expected to diminish over the course of the year.

- More importantly, underlying fundamentals remain upbeat: European bank financials continue to improve; the demand for labor is strong; consumer confidence exceeds that in the US; and capital spending plans are rising. Eurozone GDP could expand by nearly 4% this year and 2.5% in 2023.

- China's traditional sources of economic expansion are fading, implying a much slower growth trajectory in coming years. China is unlikely to achieve GDP growth in excess of 5% this year, which would be the slowest annual growth rate in decades, dragged down by weakness in all categories of domestic demand.

ECONOMIC REVIEW

Following an abrupt slowdown in the third quarter, US economic growth rebounded strongly in Q4, with real GDP growth estimated at 6%, led by consumer spending on goods and services. Compared with 2019, holiday sales were more than 10% higher. Corporate earnings continued to exceed Wall Street analyst estimates, with an increase of 25% in the quarter. Core consumer inflation averaged 5% in Q4, while wages increased at a nearly 5% annual rate. The market yield on the benchmark ten-year US Treasury note traded within a narrow range of 1.35% to 1.75% in the quarter.

Supply Not Demand: Although 2021 growth of 5.5% was impressive, US and world GDP could have been even stronger in the absence of painful supply limitations. Supply-chain disruptions, surging prices for shipping and containers, and depressed labor participation rates restrained the production and distribution of goods. Aggregate demand continued to expand at a rate that exceeded productive capacity, causing ongoing shortages that pushed inflation to multi-decade highs.

- **US Auto Market:** *The most glaring example of supply-induced economic weakness was the US auto market, wherein a severe shortage of computer chips caused Q4 sales to decline to an annual rate of 13 million units, a 25% shortfall from normal sales estimated at 17.5 million.* It is not surprising that the severe supply crunch triggered a spike in the price of the average car sold last year to $44,000, up sharply from the average of $35,000 in 2020 (see chart 1).

Full-Year 2021: The full year was unique in many respects. *Economic historians will likely characterize 2021 as a year of unprecedented economic, political, and policy developments,* accompanied by heightened uncertainty and enormous economic and financial market volatility. Although full-year GDP growth of 5.5% was the fastest in four decades, the economy experienced numerous daunting challenges as the year unfolded, resulting in highly uneven and volatile growth along with widespread imbalances and distortions.

- **COVID-19 Pandemic:** Although to a lesser extent than in 2020, the world economy was still negatively impacted by the rapidly spreading coronavirus. US and world economic growth were slower than otherwise, while inflation increased at a rate well above its long-term trend. That said, businesses, consumers, and governments were much better equipped to cope with the pathogen, although progress in the US was far greater than in other countries, especially those in Europe.

Chart 1: Component Shortages Trigger Plunge in Auto Sales
US Retail Sales of Automobiles (Millions of Units)
Source: Bloomberg

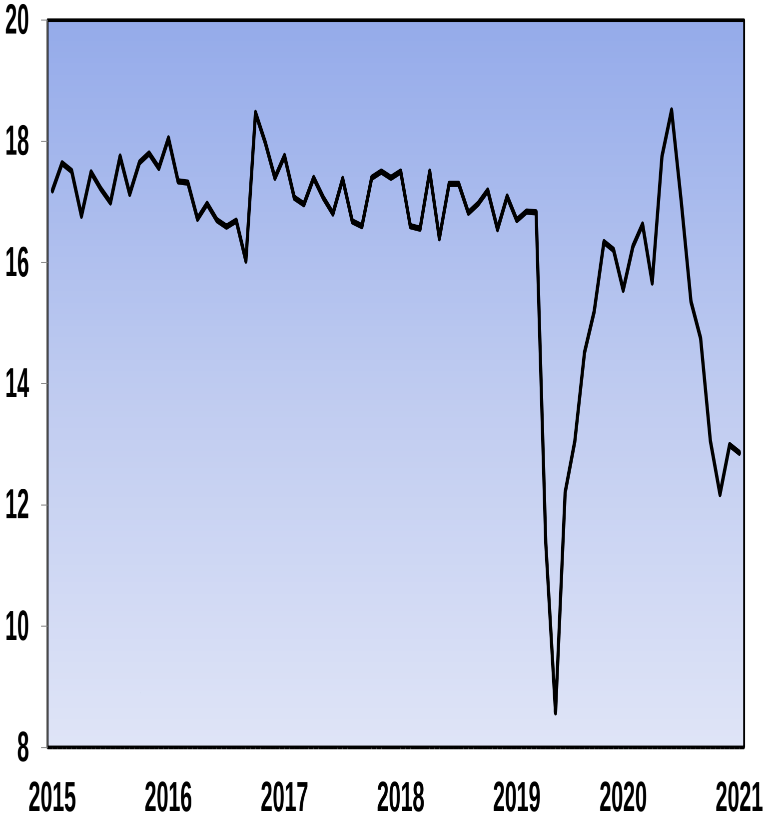
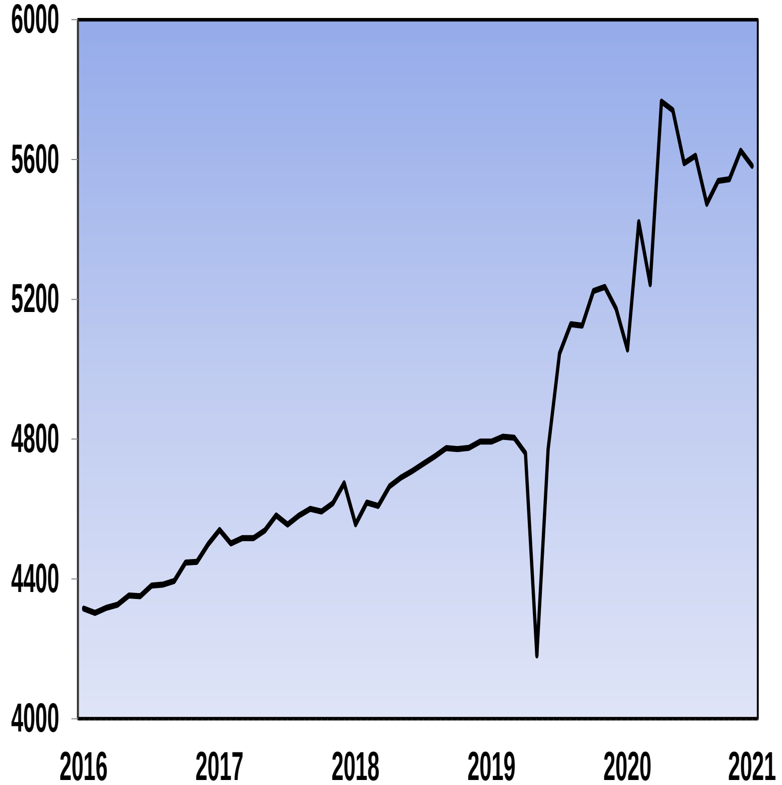


Chart 2: Consumption of Goods Well Above Historical Trendline
US Personal Consumption Expenditures, Consumer Goods
Adjusted for Inflation ($Billions)
Source: Bureau of Economic Analysis



- **Goods Inflation:** Core consumer inflation rose by 5% for all of 2021, the fastest pace since the early 1990s. *<u>Much of the spike in inflation can be understood by the surge in consumption of durable goods, which is 22% higher than pre-pandemic levels</u>*. Global supply chains were simply unprepared to process this level of volume, resulting in a 15% spike in prices for durable goods (see chart 2).

ECONOMIC OUTLOOK

<u>It has become increasingly obvious over the past two years that the direction of the economy and financial markets is inextricably dependent upon trends in the public health arena</u>. Econometric studies show a strong ***correlation*** between cases of COVID-19 and incoming economic data, with a time lag of several months. The strong rebound in economic growth during the first half of last year was aborted by the surge in the Delta variant. The equity market has also exhibited a strong tendency to respond to breaking news regarding the pandemic. This close statistical relationship is likely to assert itself once again in 2022, until the pandemic becomes endemic.

Omicron Variant: Medical experts believe that the Delta wave is in its final phase, and that the current spike in infections in the Northeast, upper Midwest, and Mid-Atlantic states are likely to peak early next year. *And while the new Omicron variant constitutes a new risk to the economy, there are credible reasons to believe that the impact is likely to be manageable*. My major assumption is that the pandemic will have progressively less impact on the economy in 2022, based upon the following considerations:

- Each successive wave of the pandemic over the past two years has taken a smaller toll on the economy. Businesses, consumers, and policymakers have learned to deal more effectively with SARS-CoV-2 with the passage of time.

- While only 62% of Americans have been fully vaccinated against the coronavirus, 73% of the population have been partially vaccinated and nearly 85% have either been partially vaccinated or protected by antibodies from a previous infection.

- While other variants of COVID-19 are likely, the pattern of previous mutations suggests that each new variant could be less virulent than previous ones.

- Greatly reduced risk from COVID-19 will occur only when the world population becomes vaccinated, a level currently at 58%. Whereas 2021 was the year of developed-economy vaccinations, 2022 could be the year of developing-economy vaccinations.

- The medical profession has responded admirably to the virus with vaccines and other medical solutions, most recently *oral therapeutics* that have demonstrated the ability to offer protection against severe illness when taken within five days of infection.

THEMES IN THE ECONOMIC OUTLOOK

US ECONOMIC GROWTH

- New waves of SARS-CoV-2 should not undermine the economic recovery in 2022, as the disease is likely to evolve from pandemic to ***endemic***. New infections and hospitalizations should become less widespread as 2022 unfolds, which would mean that mobility and economic activity will be increasingly less affected by new infections. The highly reliable Index of Leading Economic Indicators has been rising at a consistently rapid rate (see chart 3).

Chart 3: Leading Economic Indicators Signaling Strong Growth Ahead
The Index of Leading Economic Indicators
Source: The Conference Board

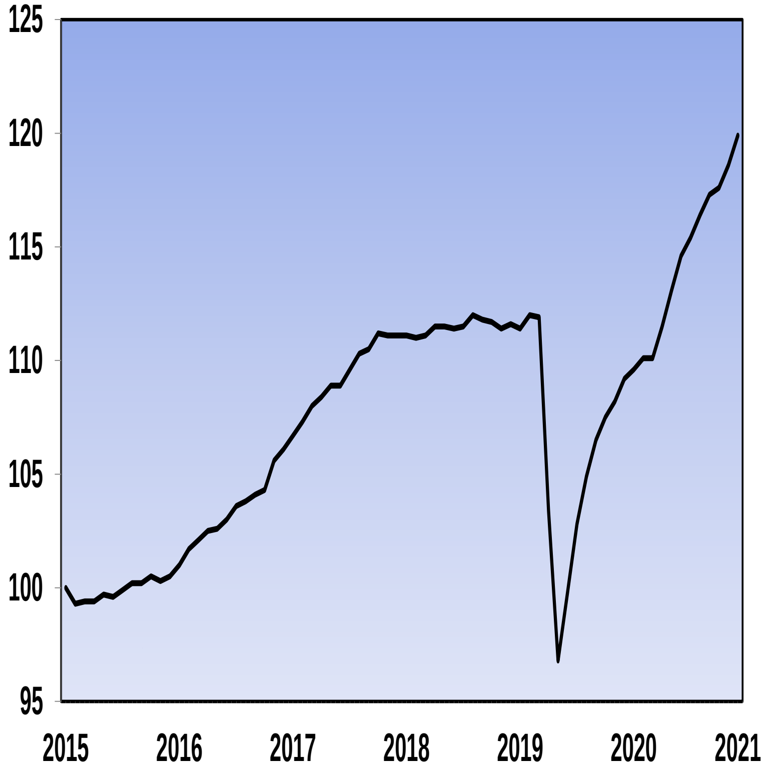
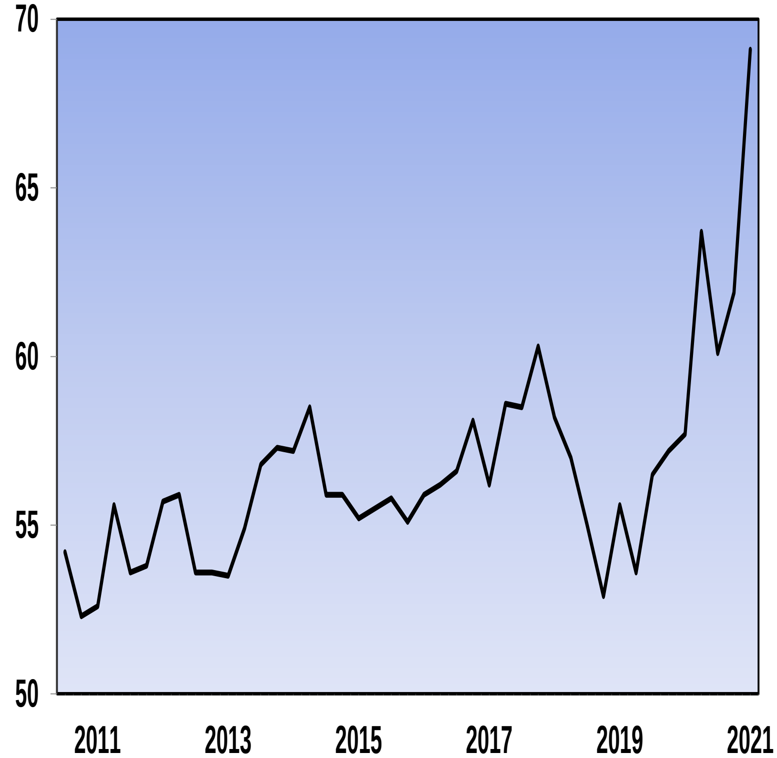


Chart 4: Service Sector in Full Recovery Mode
Index of Purchasing Managers, US Service Industries
Source: Institute for Supply Management (ISM)



- The rate of US GDP growth is likely to exceed the current consensus forecast of economists. My forecast assumes GDP growth of 5% this year, slightly less than the 5.5% growth rate achieved in 2021. Unlike 2021 — which was led by very rapid growth in consumer spending — the US economic growth engine should be firing on all cylinders, with virtually all sectors supporting growth. *A strong rebound in service sector spending is expected as infections and hospitalizations fade* (see chart 4).

- Capital formation should be especially strong this year, led by business spending on plant, equipment, and software, along with construction of single-family homes. The moderate slowdown in housing starts since the middle of last year was strictly a supply, not demand, phenomenon. The current shortage of single-family homes is the most severe in decades, implying several years of strong residential construction to meet the rising demand of the millennial generation (see chart 5).

- All available evidence suggests that the US economy could be on the brink of the most powerful capital goods cycle since the 1990s. Core capital goods orders are increasing at a 13% rate, the fastest pace in several decades. Robust earnings and cash flow, an exceptionally low cost of capital, and a strong desire of companies to locate factories in more secure locations should boost demand for investment in the US economy (see chart 6).

Chart 5: Unprecedented Shortage of Homes
Homeowner Vacancy Rate, Single-Family Homes
Source: US Census Bureau

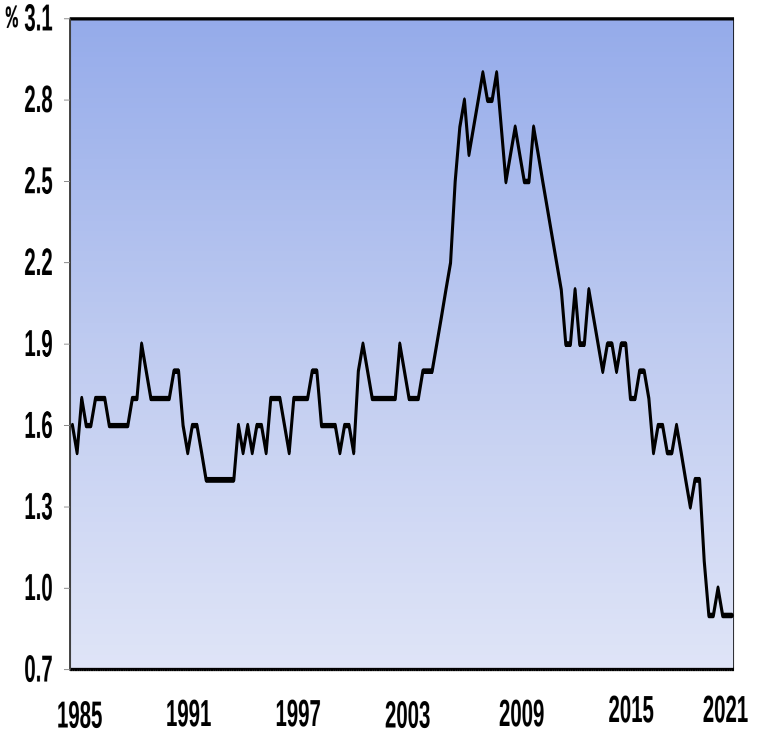
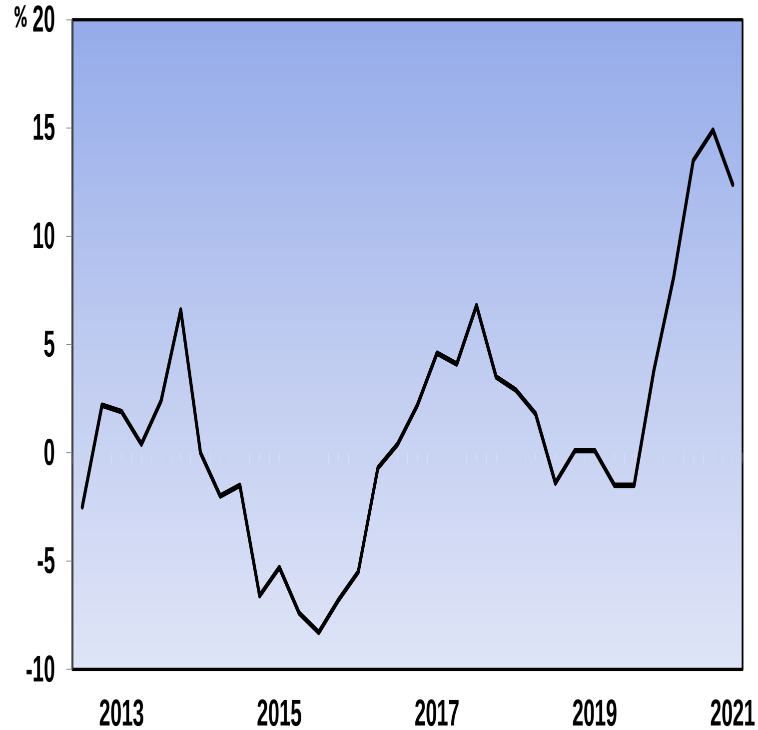


Chart 6: The Early Stages of a New Capital Goods Cycle
New Orders Core Capital Goods, Annual Percentage Growth
Source: US Census Bureau



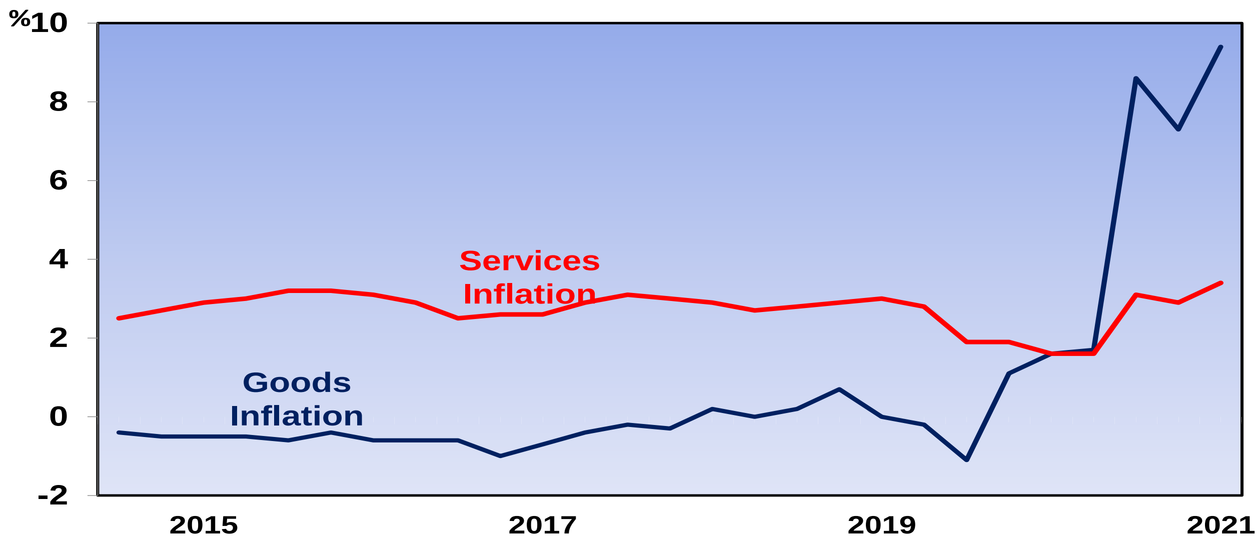
- Corporate earnings should advance again this year, but at a rate well below the spectacular pace of 2021. My forecast assumes that earnings per share (EPS) for companies in the S&P 500 Index will rise by 12% this year on revenue growth of 10%. Profit margins are likely to stabilize at 2021 levels, the highest on record.

- The US labor market should continue to heal as this year unfolds. Compared with a total of six million in 2021, nonfarm payrolls could rise by four million this year, an average monthly rate of 350 thousand in net new job creation. *The current number of job openings nationwide of 11 million is nearly double the number of unemployed workers*. The current 4.2% unemployment rate could decline to 3.5% by the end of the year, the lowest monthly rate since 1968. Wages could increase at a 5% rate this year, the fastest increase in decades.

US INFLATION

- Inflation is the critical independent variable in the economic outlook because it will determine the pace at which the Federal Reserve tightens monetary policy. From its peak rate of 6% during the second half of last year, core consumer inflation could decline to 2.5% by the summer of this year, as global supply-chain disruptions gradually ease and as workers return to the labor market. Services inflation lagged goods inflation in 2021 but a reversal in relative inflation rates is likely this year (see chart 7).

Chart 7: Goods Inflation Significantly Outpacing Service Sector Inflation
Core Consumer Inflation Services
Core Consumer Inflation Goods
Source: Bureau of Labor Statistics



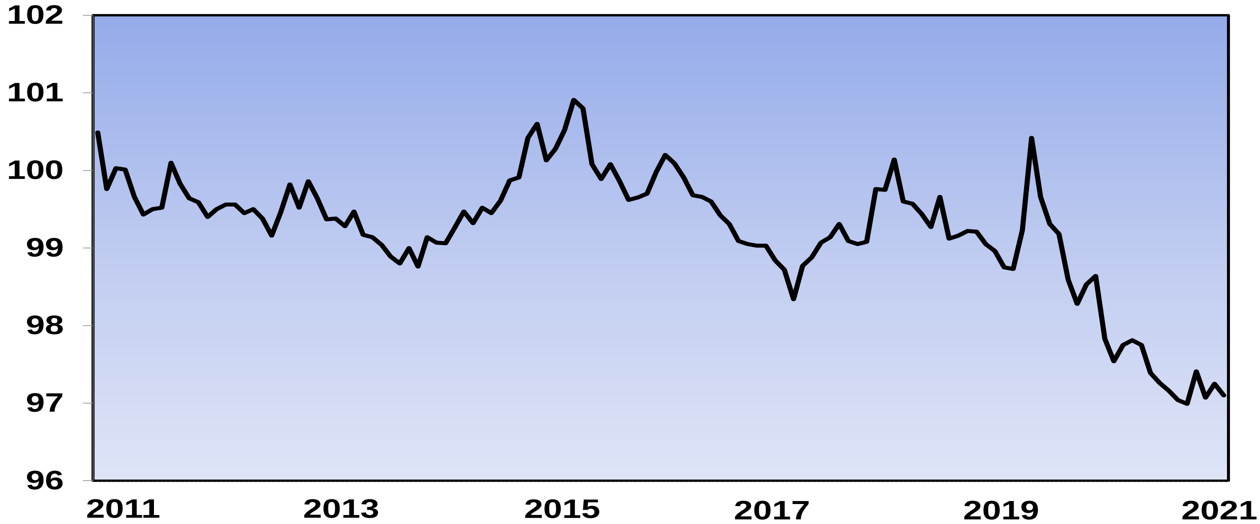
- The moderation in inflation that I expect during the middle of this year is likely to prove transitory. There are several factors that could trigger a temporarily lower rate of inflation during the year: A shift in spending from goods to services; an easing of global supply chain pressures; a sustained rise in the labor participation rate; and a decline in commodity prices, including for oil and natural gas.

- Looking beyond 2022, my forecast assumes a sharp acceleration in the rate of inflation, beginning later this year and persisting throughout 2023 and 2024. In contrast to the ***cost-push*** inflation of the past year, the acceleration in inflation that I expect in 2023 and 2024 is likely to be a ***demand-pull*** phenomenon, a more dangerous form of inflation. Continued strong consumer and business demand as the economy reaches full employment later this year and in 2023 should be the catalyst for a rapid and sustained rise in consumer prices, possibly increasing to 5% in 2024.

US ECONOMIC POLICY

- Monetary policy is a critical variable in the outlook and is likely to be influenced primarily by trends in inflation. I continue to believe that the Federal Reserve has a strong bias toward monetary accommodation, but that the central bank will be forced to pivot to an aggressive policy stance when demand-pull inflation becomes apparent in 2023. In the meantime, *financial conditions are as expansionary as any time in recent memory, while credit risks remain depressed (see chart 8)*.

Chart 8: US Financial Conditions Have Never Been Better
An Index of Factors Reflecting US Credit Market Conditions
Source: Goldman Sachs



- I expect the Federal Reserve to terminate its purchases of government bonds early in the new year and to begin its rate-tightening cycle around midyear. I continue to believe that the Fed will raise its short-term policy rate at a measured and cautious pace but could accelerate the pace of rate increases as inflationary pressures begin to build in 2023 as I anticipate.

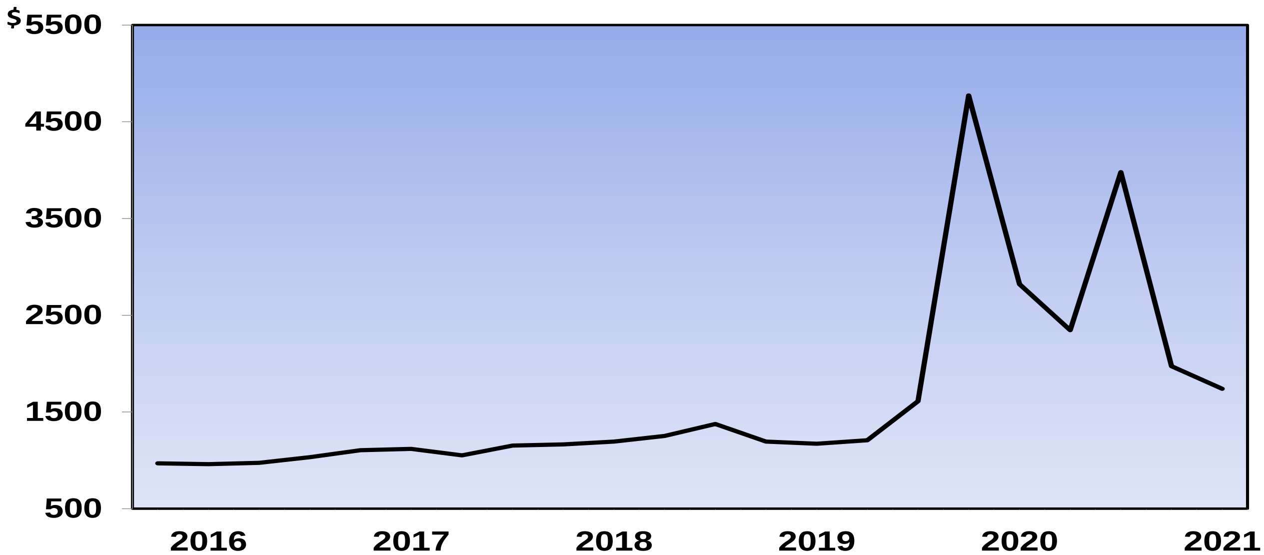
- My forecast assumes a federal funds rate of 0.75% at the end of this year, rising to 1.75% by the end of 2023, up from zero today. The market expectation for a short and shallow rate-tightening cycle appears to be misguided.

- Fiscal policy could be a more expansionary force this year than anticipated by most economists. While it seems clear that the rate of government stimulus peaked last year, there remains a large amount of residual stimulus that will impact the economy in both 2022 and 2023, albeit to a far lesser extent than it did in 2020 and 2021.

- The outlook for fiscal policy is highly nuanced. The recently passed $1 trillion infrastructure bill will not begin to lift economic growth until 2023, with the biggest impact in 2024 and 2025. Nonetheless, fiscal policy should be a modest positive for growth this year. Spending by state and local governments should also be additive to GDP this year.

- The massive government emergency income-support programs passed in 2020 and 2021 will have a considerable residual impact on economic growth in 2022 because the funds paid to individuals, workers, and households were not entirely spent during those years, but rather saved. This massive excess household savings — estimated at $2.5 trillion — will likely be spent during 2022 and 2023 (see chart 9).

Chart 9: Cumulative Excess Household Savings Are Inflationary
Personal Savings US Households ($ Billions)
Source: Bureau of Economic Analysis



THE WORLD ECONOMY

The world economy tends to lag that of the US and should also enjoy solid growth during the upcoming year. There are several substantive sources of growth for the world economy in 2022:

1. Strong export demand from US consumers

2. Easing pandemic constraints on mobility and commercial activity

3. A strong rebound in spending on services as public health conditions improve

4. Favorable credit conditions and healthier banking sectors

5. Continued monetary and fiscal stimulus that should exceed that in the US

6. A far more favorable outlook for inflation in Europe, Japan, and China when compared to the US

- **The Eurozone:** Economic prospects for the eurozone should gradually improve as this year unfolds. The strong headwinds to growth in recent months — soaring energy costs, surging infections, and crippling supply-chain restrictions — are expected to diminish over the course of the year. As the pandemic becomes endemic, global supply-chain conditions will improve and the service sector should enjoy a significant revival in growth.

- **Upside Surprise:** More importantly, underlying fundamentals remain upbeat: The financial condition of European banks has improved massively over the past decade; the demand for labor is strong as reflected in the recent ManpowerGroup Employment Outlook Survey; consumer confidence exceeds that in the US; and capital spending plans are rising. Fiscal and monetary policies should also support growth in 2022. Eurozone GDP could expand by nearly 4% this year, well above consensus estimates, followed by 2.5% growth in 2023.

- **China's Economic Headwinds:** The outlook for China is clouded. *China's policymakers are faced with a serious dilemma*. In principle, persistent weakness in demand requires substantial monetary and fiscal stimulus, but the existence of severe structural imbalances prevents such actions. Debt is at record levels and the number of unsold houses in China's 100 largest cities reached a five-year high at yearend. In an environment of falling sales and house prices, deleveraging within the real estate industry raises the risk of a financial crisis.

- **Cautious Consumers:** Elsewhere, aggregate demand in China remains weak because of continued sporadic outbreaks of COVID-19 and the government's strict (zero-tolerance) virus control measures. Consumer spending is weak because of public health concerns and a rise in precautionary savings. Capital formation is weak because of chronic overcapacity and weakness in business profits.

The bottom line is that China's traditional sources of growth are fading, implying a much slower growth trajectory in coming years. GDP growth in China is unlikely to exceed 5% this year, the slowest annual growth rate in decades, with weakness in domestic demand partially offset by strength in exports. *Weakness in domestic spending could act as a constraint on world economic growth, while exerting downward pressure on commodity prices.*

- **Japanese Recovery Path:** The economic outlook for Japan is predicated upon resumed growth in private consumption, business investment, and exports. Growth in each of these areas has been constrained by government containment measures and severe supply chain disruptions, but the outlook is improving because of increased vaccinations. More than 75% of the population has been vaccinated, and the current infection rate in Japan is among the lowest in the world. The new government led by Prime Minister Kishida announced a stimulus package amounting to 5% of GDP. Following growth of 2% last year, GDP could expand by 2.8% this year and 1.5% in 2023. Inflation is expected to remain under good control.

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