



PLAN SUMMARY

State of Vermont 940050

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

As Of: March 31, 2021

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





Table of Contents

Section I	Plan Summary
Section II	Economic Outlook



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
Total Participants Balances	\$454,463,915	\$536,202,811	\$602,970,754
Contributions*	\$21,862,250	\$29,457,792	\$27,854,634
Distributions*	(\$28,796,971)	(\$36,054,205)	(\$29,188,172)
Cash Flow	(\$6,934,721)	(\$6,596,413)	(\$1,333,538)
Account Balances			
Average Participant Balance	\$60,660	\$68,912	\$76,104
National Average Benchmark**	\$102,586	\$103,108	\$110,278
Participation / Deferrals			
Participation Rate	83.4%	83.6%	82.6%
National Average Benchmark**	79.2%	78.9%	79.0%
Total Participants with a Balance	7,492	7,781	7,923
Asset Allocation			
% of Plan Assets in Stable Value	22.3%	19.4%	19.1%
<i>Prudential % of Plan Assets in Stable Value</i>	25.8%	22.1%	20.7%
% of Plan Assets for GoalMaker Participants	6.5%	10.2%	12.6%
Participation Rate in GoalMaker	13.8%	21.5%	24.2%
Number of Participants in GoalMaker	1,030	1,670	1,922
Number of Participants in One Fund	1,781	1,779	1,858
Number of Participants in Four or More Funds	4,251	4,611	4,746
Distributions			
Number of Distributions*	3,229	3,726	3,290
Termination	\$21,905,993	\$27,697,461	\$22,343,426
Hardship	\$77,552	\$79,397	\$48,843
In Service	\$78,748	\$247,186	\$104,826
Coronavirus-Related Withdrawal	\$0	\$0	\$1,051,388
Subtotal of Termination, Hardship, Inservice, Coronavirus-Related Withdrawal	\$22,062,292	\$28,024,044	\$23,548,482
Amount of Distributions Representing Rollovers	\$18,952,253	\$23,997,720	\$18,971,570
% of Assets Distributed*	6.3%	6.7%	4.8%

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

**External Benchmark Source: PLANSPONSOR Defined Contribution Annual Survey



Plan Summary

Plan Demographics Summary

	1/1/2020-3/31/2020	1/1/2021-3/31/2021
Total Participants*	7,926	7,966
Active Participants	5,787	5,785
Terminated Participants	2,126	2,166
Other Participants**	0	1
Multiple Status Participants***	13	14
Average Participant Balance	\$57,520	\$78,770
Average Account Balance for Active Participants	\$46,870	\$67,120
Median Participant Balance	\$20,740	\$28,977
Median Participant Balance for Active Participants	\$16,347	\$24,328
Participants Age 50 and Over	4,573	4,695
Total Assets for Participants Age 50 and Over	\$382,282,636	\$524,707,900
Total (Contributions + Rollovers In)	\$7,347,610	\$6,835,351
Employee Contributions	\$6,529,767	\$6,221,084
Rollovers In	\$817,843	\$614,267
Total Distributions	(\$8,252,938)	(\$7,412,398)
Percentage of Assets Distributed	1.8%	1.2%
Market Value Gain / Loss****	(\$34,586,941)	\$172,768,585
Total Participant Balances	\$455,905,295	\$627,482,566

*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	3/31/2020	3/31/2021
Plan Assets for Participants in GoalMaker	\$52,085,946	\$81,793,067
% of Plan Assets for GoalMaker Participants	11.4%	13.0%
# of Participants in GoalMaker	1,826	2,022
Participation Rate in GoalMaker	23.0%	25.3%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	3/31/2020	3/31/2021
Roth Assets	\$12,450,498	\$21,496,893
# of Participants in Roth	1,584	1,688
Participation Rate in Roth	20.0%	21.2%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

Stable Value	3/31/2020	3/31/2021
Participation Rate in Stable Value	60.4%	59.6%
% of Plan Assets in Stable Value	23.7%	18.4%
Prudential % of Plan Assets in Stable Value - As of 12/31/2020	20.7%	

Transaction Summary

Transactions	1/1/2020 - 3/31/2020	1/1/2021 - 3/31/2021
Total Enrollees*	170	120
Number of Participants with Transfers	2,097	2,275
Distributions	958	796

*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.

Participant Activity

Call Center	1/1/2020 - 3/31/2020	1/1/2021 - 3/31/2021
Total Call Volume	798	573

Enrollment by Age Group

	1/1/2021-3/31/2021						Grand Total
	Less than 25	25-34	35-44	45-54	55-64	65+	
Total	12	33	33	21	17	4	120



Benchmark Trends – Plan Features

<u>Plan Features</u>	<u>Your Plan</u>	<u>Prudential Book of Business</u>	<u>Industry Average*</u>	<u>Plan Sponsor Survey 2020**</u>	<u>Plan Sponsor Survey 2021***</u>
Auto Enrollment (Administered Through Prudential)	NA	56.2%	27.9%	48.2%	49.1%
Auto Enrollment Default Rate	NA	3% (43.5% of Plans)	18.2%	39.5%	36.0%
Contribution Accelerator (Administered Through Prudential)	NA	56.1%	25.0%	40.0%	42.3%
GoalMaker®	Yes	65.1%	0.0%	NA	NA
Investment Options	24.0	13.5	25.3	22.9	22.7
IncomeFlex®	NA	26.5%	13.3%	9.2%	11.1%
Loans	NA	63.5%	74.4%	82.0%	80.5%
Plan Allows Roth	Yes	34.0%	66.7%	76.9%	81.1%
Plan Allows Catch-Up Contributions (Administered Through Prudential)	Yes	48.1%	0.0%	NA	NA

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.

© 2021 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, the Rock symbol and Bring Your Challenges are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

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)



Benchmark Trends – Participant Behavior

<u>Plan Features</u>	<u>Your Plan</u>	<u>Prudential Book of Business</u>	<u>Industry Average*</u>	<u>Plan Sponsor Survey 2020**</u>	<u>Plan Sponsor Survey 2021***</u>
Participation Rate	79.1%	70.5%	76.6%	78.9%	79.0%
Average Contribution Rate (%)	NA	7.7%	6.8%	7.1%	7.5%
Average Account Balance	\$78,770	\$80,721	\$89,180	\$103,108	\$110,278
Median Account Balance	\$28,977	\$77,565	\$67,239	\$79,970	\$83,441
% of Plan Assets in Stable Value	18.4%	20.7%	0.0%	NA	NA
% of Plan Assets in Day One Funds	NA	1.3%	0.0%	NA	NA
Average # of Funds Held	5.3	5.2	6.7	6.3	5.0
% of 55+ Participants Utilizing IncomeFlex®	NA	9.1%	0.0%	NA	NA
% of Participants Utilizing GoalMaker®	25.3%	52.2%	0.0%	NA	NA
% of Participants have Outstanding Active Loans	NA	12.2%	18.3%	14.2%	12.8%
Average Loan Balance	NA	\$7,891	\$9,939	\$10,121	\$10,709

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.

© 2021 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, the Rock symbol and Bring Your Challenges are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

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 March 31, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$252,363	\$12,778,732	\$44,639,045	\$121,786,295	\$201,058,588	\$246,967,542	\$627,482,566
% Assets	0.0%	2.0%	7.1%	19.4%	32.0%	39.4%	100.0%
Average Contribution Rate (\$)	\$0	\$40	\$52	\$182	\$366	\$406	\$258
Contributions	\$36,212	\$620,269	\$1,045,952	\$1,856,332	\$2,152,910	\$509,410	\$6,221,084
Rollovers In*	\$0	\$164,899	\$131,273	\$158,982	\$152,111	\$7,001	\$614,267
Total (Contributions + Rollovers In)	\$36,212	\$785,168	\$1,177,225	\$2,015,313	\$2,305,022	\$516,411	\$6,835,351
Cash Distributions	\$0	(\$12,796)	(\$26,623)	(\$409,568)	(\$674,617)	(\$2,292,595)	(\$3,416,199)
Rollovers Out	(\$1,536)	(\$15,710)	(\$3,828)	(\$542,036)	(\$2,113,538)	(\$1,319,551)	(\$3,996,199)
Total (Cash Distributions + Rollovers Out)	(\$1,536)	(\$28,506)	(\$30,451)	(\$951,605)	(\$2,788,155)	(\$3,612,146)	(\$7,412,398)
Net Activity	\$34,677	\$756,662	\$1,146,774	\$1,063,709	(\$483,133)	(\$3,095,735)	(\$577,047)
Total Participants**	67	995	1,401	1,855	2,018	1,631	7,967
Average Account Balance	\$3,767	\$12,843	\$31,862	\$65,653	\$99,633	\$151,421	\$78,760
<i>Prudential Avg. Account Balance as of 12/31/2020</i>	<i>\$3,940</i>	<i>\$17,635</i>	<i>\$49,972</i>	<i>\$97,117</i>	<i>\$136,242</i>	<i>\$138,917</i>	<i>\$80,721</i>
Median Account Balance	\$2,069	\$6,441	\$16,001	\$30,400	\$51,028	\$74,546	\$28,977
<i>Prudential Median Account Balance as of 12/31/2020</i>	<i>\$4,404</i>	<i>\$14,335</i>	<i>\$34,065</i>	<i>\$58,607</i>	<i>\$86,341</i>	<i>\$121,113</i>	<i>\$77,565</i>

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

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

A man with a beard and short dark hair, wearing a white button-down shirt, is looking down at a smartphone in his hands. He has a slight smile. The background is a blurred city street at night with red traffic lights and car lights.

RETIREMENT READINESS



Plan Summary

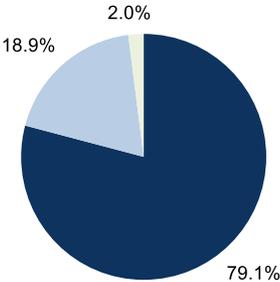
Participation Rate

	1/1/2020-3/31/2020	1/1/2021-3/31/2021
Total Eligible To Contribute Population	5,985	6,003
Contributing (A)	4,839	4,748
Enrolled Not Contributing (B)	1,012	1,134
Eligible Not Enrolled (C)	134	121

	1/1/2020-3/31/2020	1/1/2021-3/31/2021
Participation Rate *	80.9%	79.1%
<i>Prudential Book of Business 12/31/2020</i>	70.5%	
<i>Plan Sponsor Survey 2021 - National Average</i>	79.0%	

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

1/1/2021-3/31/2021



■ Contributing ■ Enrolled Not Contributing ■ Eligible Not Enrolled

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 - 3/31/2020	%	1/1/2021 - 3/31/2021	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	\$806,144	12.4%	\$831,898	13.4%	\$25,754	3.2%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$585,789	9.0%	\$597,631	9.6%	\$11,842	2.0%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$504,685	7.7%	\$508,980	8.2%	\$4,295	0.9%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$482,155	7.4%	\$498,489	8.0%	\$16,334	3.4%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$467,222	7.2%	\$452,095	7.3%	(\$15,128)	-3.2%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$453,125	6.9%	\$438,497	7.1%	(\$14,628)	-3.2%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$509,175	7.8%	\$436,584	7.0%	(\$72,590)	-14.3%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$466,124	7.1%	\$434,368	7.0%	(\$31,756)	-6.8%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$394,673	6.0%	\$352,403	5.7%	(\$42,270)	-10.7%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$369,439	5.7%	\$342,395	5.5%	(\$27,045)	-7.3%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$378,592	5.8%	\$300,041	4.8%	(\$78,551)	-20.7%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$182,176	2.8%	\$201,863	3.2%	\$19,687	10.8%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$155,271	2.4%	\$158,775	2.6%	\$3,504	2.3%
DODGE & COX BALANCED FUND	\$170,958	2.6%	\$126,319	2.0%	(\$44,639)	-26.1%
DODGE & COX INTERNATIONAL STOCK FUND	\$155,988	2.4%	\$125,360	2.0%	(\$30,628)	-19.6%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$89,581	1.4%	\$90,786	1.5%	\$1,205	1.3%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$94,978	1.5%	\$83,909	1.4%	(\$11,069)	-11.7%
CALVERT BOND FUND CLASS I	\$66,863	1.0%	\$54,580	0.9%	(\$12,282)	-18.4%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$55,373	0.9%	\$48,798	0.8%	(\$6,575)	-11.9%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$36,736	0.6%	\$39,461	0.6%	\$2,726	7.4%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$28,777	0.4%	\$35,368	0.6%	\$6,590	22.9%
FPA NEW INCOME FUND	\$39,719	0.6%	\$31,956	0.5%	(\$7,763)	-19.5%
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$36,223	0.6%	\$30,527	0.5%	(\$5,696)	-15.7%
Total Assets Contributed	\$6,529,767	100.0%	\$6,221,084	100.0%	(\$308,683)	-4.7%



Plan Summary

Interfund Transfers

1/1/2021 to 3/31/2021

INVESTMENT OPTIONS	IN	OUT	NET
STATE OF VERMONT STABLE VALUE FUND	\$3,768,726	(\$2,391,770)	\$1,376,955
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$1,562,911	(\$1,095,556)	\$467,355
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$920,512	(\$507,018)	\$413,494
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$389,264	(\$170,892)	\$218,371
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$1,887,277	(\$1,690,246)	\$197,031
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$198,641	(\$42,234)	\$156,406
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$534,867	(\$398,218)	\$136,649
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$217,951	(\$128,481)	\$89,470
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$285,570	(\$215,322)	\$70,248
SELF DIRECTED BROKERAGE ACCOUNT	\$1,000	\$0	\$1,000
FPA NEW INCOME FUND	\$170,351	(\$176,464)	(\$6,113)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$128,010	(\$136,737)	(\$8,727)
DODGE & COX BALANCED FUND	\$527,981	(\$541,485)	(\$13,505)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$508,097	(\$539,328)	(\$31,231)
CALVERT BOND FUND CLASS I	\$118,234	(\$197,924)	(\$79,690)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$118,127	(\$205,191)	(\$87,064)
DODGE & COX INTERNATIONAL STOCK FUND	\$250,571	(\$348,728)	(\$98,157)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$289,152	(\$391,393)	(\$102,242)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$555,358	(\$746,309)	(\$190,951)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$147,119	(\$339,452)	(\$192,332)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$1,538,296	(\$2,012,471)	(\$474,175)
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$989,878	(\$1,486,637)	(\$496,759)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$256,941	(\$757,044)	(\$500,103)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$575,940	(\$1,421,871)	(\$845,931)
TOTAL	\$15,940,772	(\$15,940,772)	\$0



Plan Summary

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2020 - 3/31/2020	1/1/2021 - 3/31/2021	Change	% Change	1/1/2020 - 3/31/2020	1/1/2021 - 3/31/2021	Change	% Change
Termination	\$6,187,110	\$5,191,542	(\$995,568)	(16%)	358	272	(86)	(24%)
Death Distribution	\$795,698	\$759,761	(\$35,937)	(5%)	24	27	3	13%
Direct Transfer	\$282,372	\$672,115	\$389,743	138%	6	22	16	267%
Installment Payment	\$476,850	\$501,109	\$24,259	5%	441	417	(24)	(5%)
Required Minimum Distribution	\$375,088	\$280,870	(\$94,217)	(25%)	62	53	(9)	(15%)
In-Service Withdrawal	\$89,650	\$6,830	(\$82,820)	(92%)	3	3	0	0%
Return of Excess Deferrals/Contributions	\$25,574	\$99	(\$25,475)	(100%)	59	1	(58)	(98%)
Hardship Withdrawal	\$19,927	\$0	(\$19,927)	(100%)	3	0	(3)	(100%)
QDRO	\$653	\$0	(\$653)	(100%)	1	0	(1)	(100%)
Gross Adjustment	\$16	\$72	\$56	340%	1	1	0	0%
Grand Total	\$8,252,938	\$7,412,398	(\$840,540)	(10%)	958	796	(162)	(17%)

1/1/2021 - 3/31/2021						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$137,136	\$3,859,064	\$3,996,199	10	47	57
Cash	\$73,840	\$3,342,359	\$3,416,199	9	730	739
Grand Total	\$210,975	\$7,201,423	\$7,412,398	19	777	796

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.

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

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

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.

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

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

	4/1/2020 - 6/30/2020	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021
Call Center				
Unique Callers	280	249	323	375
Total Call Volume	423	374	511	573
Participant Website				
Unique Web Logins	2,538	2,671	2,606	3,042
Total Web Logins	42,221	43,684	35,108	37,625

Call Center Reason Category	4/1/2020 - 6/30/2020	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021
Account Explanations	89	79	124	136
Allocation Changes & Exchange	10	12	6	10
Contributions	11	17	19	23
Disbursements	203	201	256	287
Enrollments	2	4	2	1
Forms	7	7	20	3
Fund Information	8	2	3	7
Hardships	11	1	5	9
IFX	0	1	0	0
IVR or Web Assistance	18	10	15	17
Loans	1	1	3	3
Other	19	11	24	24
Payment Questions	0	0	0	0
Plan Explanations	9	2	10	13
Regen Reg Letter	0	0	0	0
Status of Research	3	2	2	2
Tax Information	5	1	0	20
Website Processing	27	23	22	18
Total	423	374	511	573

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).

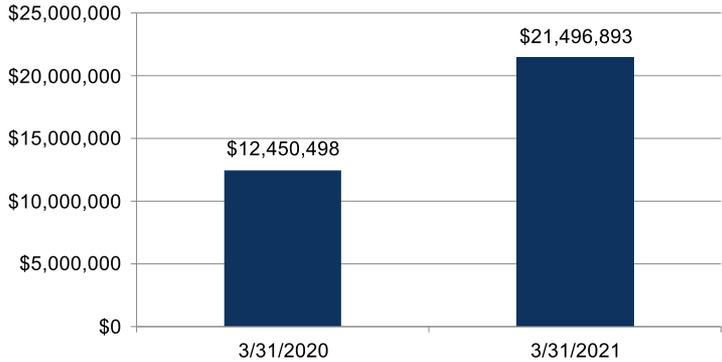
Total Call Volume – The number of calls to a Participant Service Center Representative during the reporting period (e.g., If the same individual called five times during the reporting period, they would be counted five times).



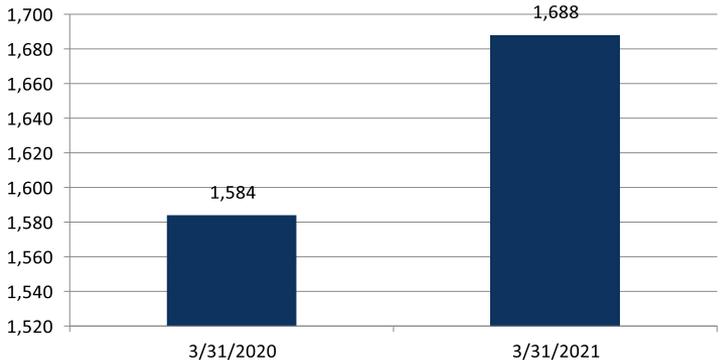
Plan Summary

Roth Summary

Roth Assets



Roth Participants



	3/31/2020	3/31/2021
Roth Assets	\$12,450,498	\$21,496,893
# of Participants in Roth	1,584	1,688
Participation Rate in Roth	20.0%	21.2%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

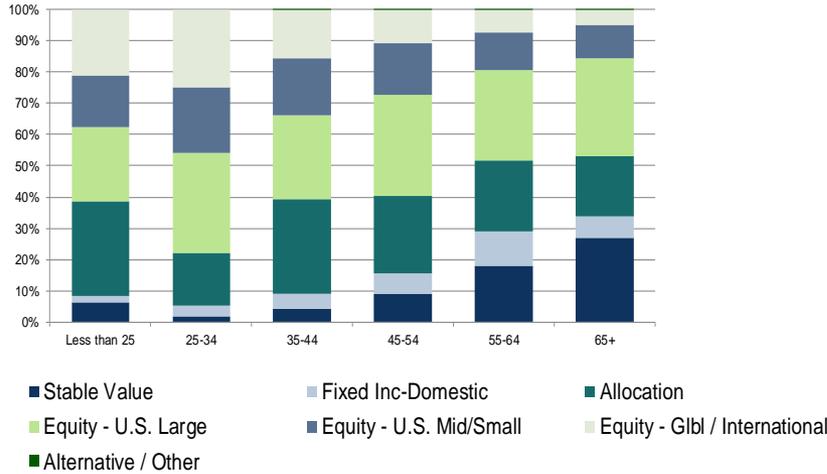


INVESTMENT DIVERSIFICATION



Plan Summary

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



Asset Allocation

Asset Class	Your Plan Assets as of 3/31/2021	Your Plan % as of 3/31/2021
Stable Value	\$115,515,621	18.4%
Fixed Inc-Domestic	\$49,955,258	8.0%
Allocation	\$139,250,178	22.2%
Equity - U.S. Large	\$190,518,184	30.4%
Equity - U.S. Mid/Small	\$81,971,600	13.1%
Equity - Gbl / International	\$49,401,787	7.9%
Alternative / Other	\$869,937	0.1%
Total Participant Balances	\$627,482,566	100.0%

Fund Utilization By Age As of March 31, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	18	190	298	389	470	483	1,848
Average # of Funds per Participant	4.3	6.1	6.2	5.6	5.1	4.0	5.3
<i>Prudential Participants Avg. # of Funds per Participant as of 12/31/2020</i>	5.1	5.3	5.4	5.4	5.2	4.2	5.2
% of Plan Assets in Stable Value	6.3%	1.9%	4.1%	9.1%	18.0%	26.8%	18.4%
<i>Prudential % of Plan Assets in Stable Value as of 12/31/2020</i>	7.4%	6.7%	9.0%	13.8%	24.0%	38.3%	20.7%
Self Directed Brokerage Account # of Participants	0	0	2	3	5	2	12



Plan Summary

Utilization by Fund

as of March 31, 2021

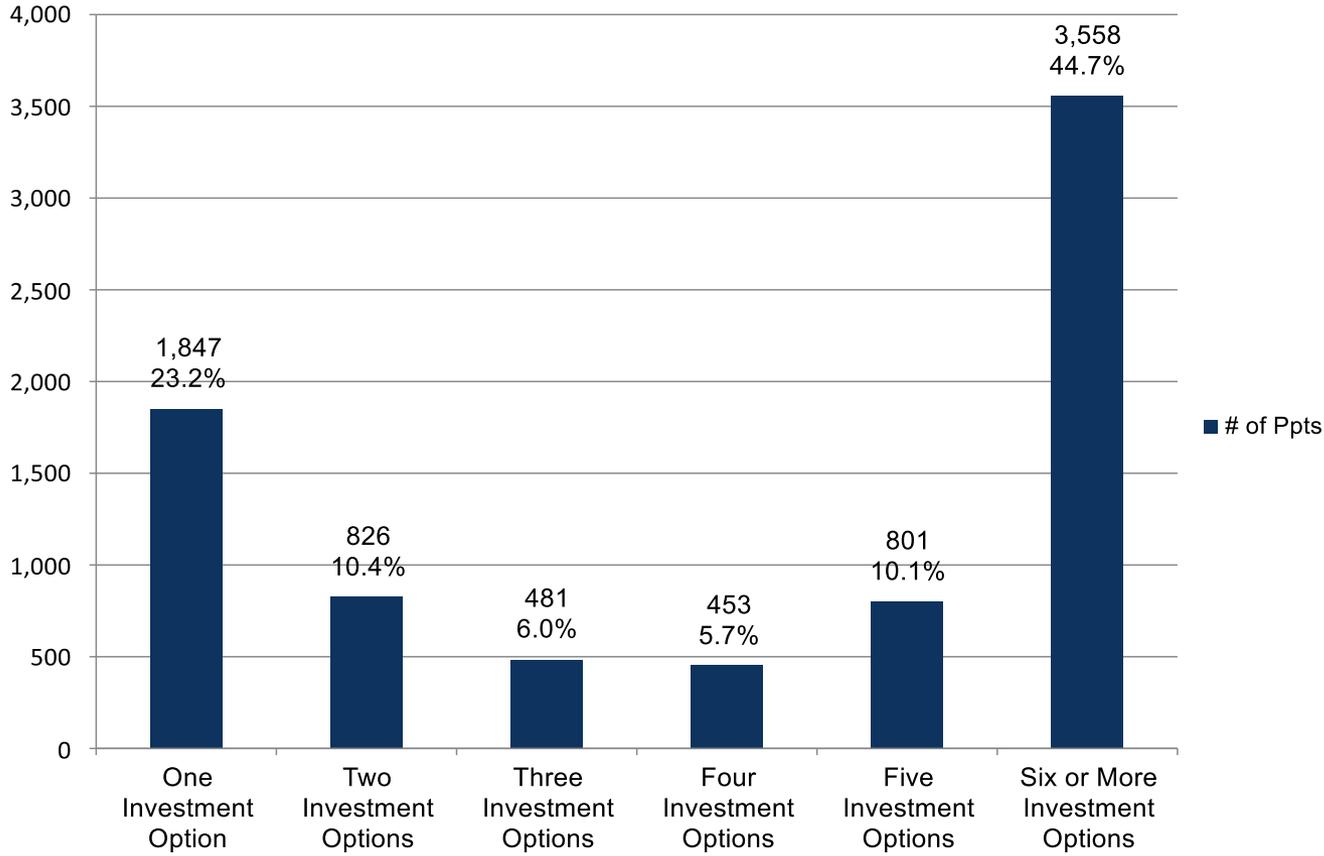
INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	\$115,515,621	18.4%	4,748	536
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$67,820,799	10.8%	2,415	87
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$56,189,833	9.0%	4,291	16
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$45,294,411	7.2%	4,277	8
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$40,051,981	6.4%	4,155	9
DODGE & COX BALANCED FUND	\$38,666,786	6.2%	1,002	47
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$36,677,189	5.8%	4,252	12
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$31,946,700	5.1%	545	223
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$30,591,941	4.9%	3,057	7
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$26,841,455	4.3%	608	250
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$26,455,572	4.2%	663	29
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$26,247,042	4.2%	3,534	0
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$18,179,447	2.9%	512	252
DODGE & COX INTERNATIONAL STOCK FUND	\$13,245,976	2.1%	1,734	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$10,915,647	1.7%	252	94
FPA NEW INCOME FUND	\$7,183,643	1.1%	344	8
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$6,876,078	1.1%	1,611	1
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$6,805,388	1.1%	1,644	7
CALVERT BOND FUND CLASS I	\$5,303,596	0.8%	1,331	0
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$5,112,492	0.8%	238	42
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$4,268,737	0.7%	342	210
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$3,318,914	0.5%	198	2
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$3,103,381	0.5%	581	3
SELF DIRECTED BROKERAGE ACCOUNT	\$869,937	0.1%	12	0
Total	\$627,482,566	100.0%		

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



Plan Summary

Investment Utilization as of March 31, 2021



Due to rounding, bar graph may not equal 100%



Plan Summary

GoalMaker® Participation

as of 3/31/2021

	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Plan Assets for Participants in GoalMaker	\$60,655,804	\$65,946,706	\$75,671,401	\$81,793,067
# of Participants in GoalMaker	1,842	1,875	1,922	2,022
Participation Rate in GoalMaker	23.3%	23.7%	24.2%	25.3%
% of Plan Assets for GoalMaker Participants	11.7%	12.1%	12.6%	13.0%

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

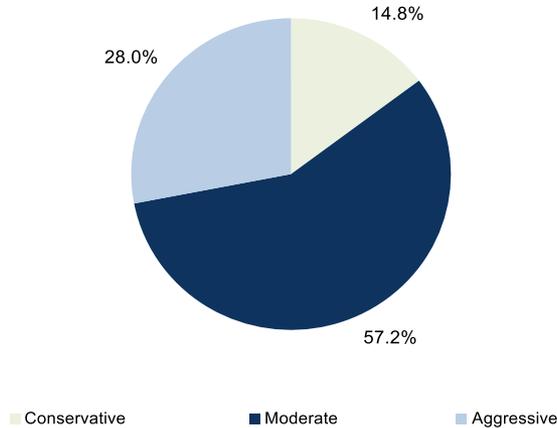
The participation rate in GoalMaker is 52.2%.

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

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	2	0	10	2	22	5	41
25-34	21	1	175	13	242	19	471
35-44	25	2	225	12	188	13	465
45-54	43	5	265	15	148	9	485
55-64	80	13	266	17	80	8	464
65+	21	12	38	18	6	1	96
Total	192	33	979	77	686	55	2,022

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$7,555	\$0	\$24,677	\$11,140	\$91,068	\$5,925	\$140,365
25-34	\$108,049	\$7,178	\$1,796,681	\$81,901	\$3,201,628	\$195,441	\$5,390,878
35-44	\$586,992	\$20,490	\$4,804,273	\$169,162	\$4,839,804	\$181,062	\$10,601,784
45-54	\$1,254,757	\$468,527	\$10,224,085	\$837,467	\$6,325,118	\$653,754	\$19,763,707
55-64	\$5,022,681	\$1,062,580	\$17,429,715	\$1,753,533	\$5,414,957	\$986,968	\$31,670,434
65+	\$1,929,191	\$1,615,260	\$4,879,952	\$4,776,309	\$874,562	\$150,624	\$14,225,899
Total	\$8,909,225	\$3,174,035	\$39,159,383	\$7,629,512	\$20,747,139	\$2,173,774	\$81,793,067

Percentage of Assets by GoalMaker® Participation Portfolio As of 3/31/2021



2.0 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

25.3%

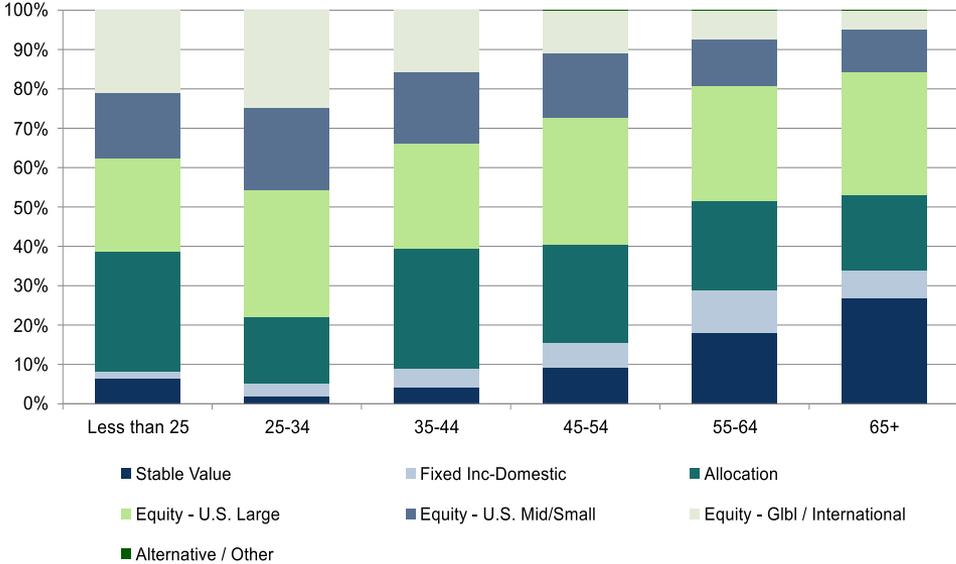
GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%



Plan Summary

Asset Allocation by Age Group



As of March 31, 2021

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	\$15,982	\$246,184	\$1,835,461	\$11,056,108	\$36,115,175	\$66,246,711	\$115,515,621
Fixed Inc-Domestic	\$4,992	\$413,012	\$2,215,872	\$7,888,595	\$22,101,612	\$17,331,175	\$49,955,258
Allocation	\$76,663	\$2,154,643	\$13,563,785	\$30,276,044	\$45,499,402	\$47,679,643	\$139,250,178
Equity - U.S. Large	\$60,011	\$4,112,015	\$11,897,609	\$39,200,947	\$58,397,068	\$76,850,534	\$190,518,184
Equity - U.S. Mid/Small	\$41,570	\$2,687,266	\$8,114,796	\$20,154,293	\$24,272,051	\$26,701,625	\$81,971,600
Equity - Gbl / International	\$53,146	\$3,165,612	\$6,999,222	\$13,053,858	\$14,470,628	\$11,659,320	\$49,401,787
Alternative / Other	\$0	\$0	\$12,301	\$156,450	\$202,653	\$498,534	\$869,937
Total Assets	\$252,363	\$12,778,732	\$44,639,045	\$121,786,295	\$201,058,588	\$246,967,542	\$627,482,566
% of Assets	0.0%	2.0%	7.1%	19.4%	32.0%	39.4%	100.0%
Total Participants	67	995	1,401	1,855	2,018	1,631	7,967
Avg Account Balance	\$3,767	\$12,843	\$31,862	\$65,653	\$99,633	\$151,421	\$78,760

For Plan Sponsor or Consultant Use Only | Please refer to the end of this section for important notes and disclaimers.



Plan Summary

Rep Stats

	4/1/2020-6/30/2020	7/1/2020-9/30/2020	10/1/2020-12/31/2020	1/1/2021-3/31/2021	Total
Group Presentations	6	6	14	17	43
Individual Participant Meetings	407	494	480	748	2,129
New Enrollments as a result of Group/Individual Meeting*	18	45	50	95	208
GoalMaker as a result of Group/Individual Meeting*	27	48	56	106	237
Contribution Rate Increases	62	88	96	177	423
Number of Rollovers	8	17	17	20	62
Rollover Dollars	\$317,219	\$637,970	\$131,000	\$601,000	\$1,687,189

*Enrollments above obtained by TDA Education Representatives



Plan Summary

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 3/31/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	\$3,578,300	150	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$4,883,878	1,149	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$399,094	63	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$390,255	8	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$432,726	14	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$4,256	1	
940050 - 457b Plan					
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	\$3,318,914	198	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$6,876,078	1,611	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	\$26,455,572	663	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$3,103,381	581	



Plan Summary

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 3/31/2021

Market-to-Book Value Ratio102.22%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	3/31/2021	
1 MONTH	0.18%	0.01%
3 MONTH	0.52%	0.03%
YTD	0.52%	0.03%
1 YEAR	2.29%	0.12%
3 YEAR	2.45%	1.49%
5 YEAR	2.37%	1.19%
10 YEAR	2.46%	0.63%
SINCE INCEPTION	2.49%	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).

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

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

© 2021 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

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



Section II Economic Outlook



QUARTERLY ECONOMIC OUTLOOK

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

My projections for GDP growth over the next two years are well in excess of the economy's potential long-term growth rate of 2%. In other words, spending and output over the next two years are likely to exceed the economy's capacity for sustained noninflationary growth estimated at 2%. The central long-term issue for equity investors involves an assessment of the risks of an overheating economy once it reaches full employment and once surplus resources and economic slack are fully absorbed.

Summary and Major Conclusions:

- The US economy gathered momentum during the first quarter, as reflected in accelerating growth in household income, retail sales, building permits, factory orders, and business investment in equipment and software.
- Real GDP expanded at an estimated 6% annual rate in the quarter, 50% faster than the growth rate in Q4 of last year. The absolute level of real GDP has returned to its 2019 peak in only five quarters, the fastest recovery from any recession since 1950.
- Despite continued monetary easing by the Federal Reserve, long-term interest rates soared in the quarter. From a low of 0.92% at the end of last year, the ten-year US Treasury bond doubled to an interim peak of 1.75% in late March, an 18-month high.
- Corporate profitability benefitted enormously from the boom in economic output. Operating earnings per share (EPS) for the companies in the S&P 500 increased by an estimated 25% in Q1 versus the year-ago quarter.
- The central theme in my outlook is that the US economy is entering a period of very rapid growth that could persist through most of 2022. I expect quarterly GDP growth rates to rival those of the economic booms following World War II — when growth exceeded 12% — and during the mid-1980s, when real GDP growth exceeded 8%.
- The overarching long-term issue for investors involves an assessment of the risks of an overheating economy once it reaches full employment and once economic slack and surplus resources are fully absorbed.
- There currently exists a confluence of forces — pertaining to COVID-19 vaccines, pent-up demand, and government stimulus — that are forming a perfect storm, supporting the case for an outright economic boom.
- News on the pandemic front appears to be trending in the right direction. Public health officials project that the country will reach herd immunity during the summer months, which implies a full reopening of the economy during the third and fourth quarters.
- The economic rebound will be magnified by massive pent-up demand. At nearly \$4 trillion, household savings are double the normal level, providing massive firepower for consumer spending this year and in 2022.
- The forthcoming new round of fiscal stimulus will supercharge the US economy over the next two years. President Biden's \$1.9 trillion American Rescue Act is the equivalent of 7% of GDP.

- My forecast assumes GDP growth of 7% for this year, within a range of 6% to 8%, followed by growth of 4% to 6% in 2022. If so, the next two years would be the strongest consecutive years of economic growth since 1983 and 1984.
- Earnings per share for the companies in the S&P 500 could increase by 30% this year, the fastest yearly increase since 2010. Operating profit margins could reach 16% this year, up from less than 14% in 2020, a result of operating leverage and tight cost containment by business firms.
- The long-term outlook for inflation is the major variable in the outlook. Although inflation remains under good control, the long-range outlook is highly uncertain. Currently at 1.5%, core consumer inflation could average 2% for all of this year, rising to 2.5% in 2022 and 3.5% or higher in 2023.
- The combination of rapid economic growth and rising inflationary expectations should exert steady upward pressure on long-term interest rates over the next two years. Currently at 1.6%, government bond yields could rise to 2% by the end of this year and to 3% by yearend 2022.
- With the notable exception of China, the global economy is lagging the recovery in the US. Following a slow start to the year, most regional economies should be on a sustained recovery path during the second half of this year and in 2022. World GDP could expand at a 6% rate this year followed by 5% growth in 2022.
- Along with the US, China will be at the forefront of world economic growth this year, with GDP expanding by 8%. Eurozone GDP could grow by 3% to 4% both this year and in 2022, led by manufacturing and business investment spending.
- The primary risks to the outlook pertain to central bank policy and the potential for higher inflation and interest rates. While inflation is a lagging indicator, expectations of future inflation is a leading indicator and currently on a steep incline.
- Another risk is a surge in COVID-19 infections during the next several months as the more transmissible UK B.1.1.7 variant of the coronavirus becomes the increasingly dominant strain in the US, lifting the number of cases and hospitalizations. Investors should view the next several months as a race between vaccinations and coronavirus variants.

ECONOMIC REVIEW

The US economy gathered momentum during the first quarter, as manifested in accelerating growth in household income, retail sales, automobile production, building permits, factory orders, and business investment in equipment and software. Residential construction continues to be the fastest-growing sector within the domestic economy. February data were adversely affected by severe weather, but economic data in March and April should resemble an economic boom. Consumer confidence remains depressed but is in an improving trend and reached the highest level of the pandemic in March (see chart 1).

Chart 1: US Manufacturing Sector Enjoying Solid Growth
Monthly Survey of Manufacturers, New Orders Index
Source: The Institute for Supply Management (ISM)

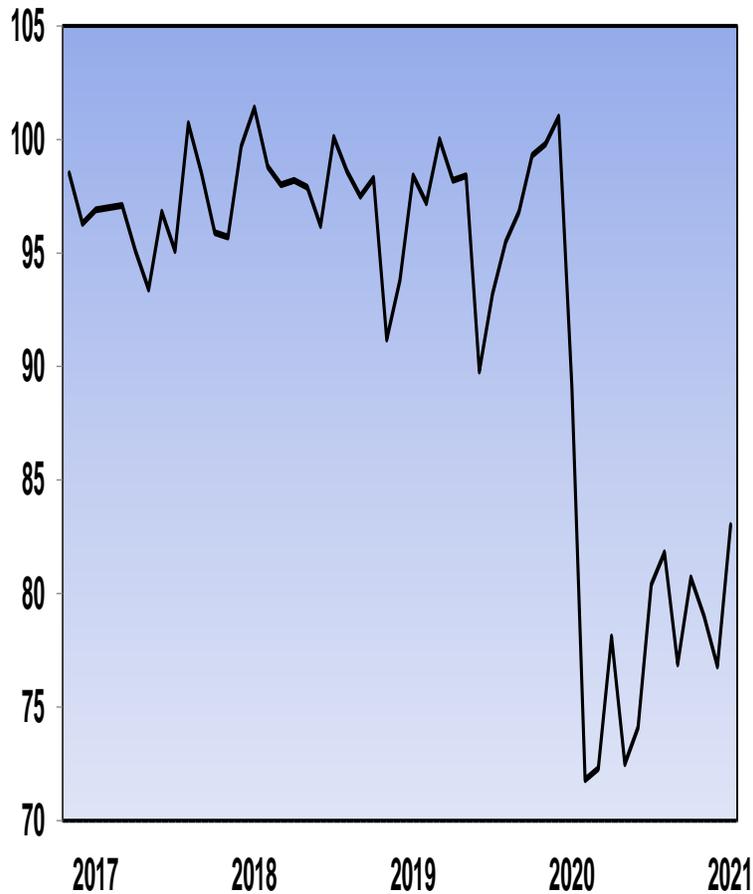
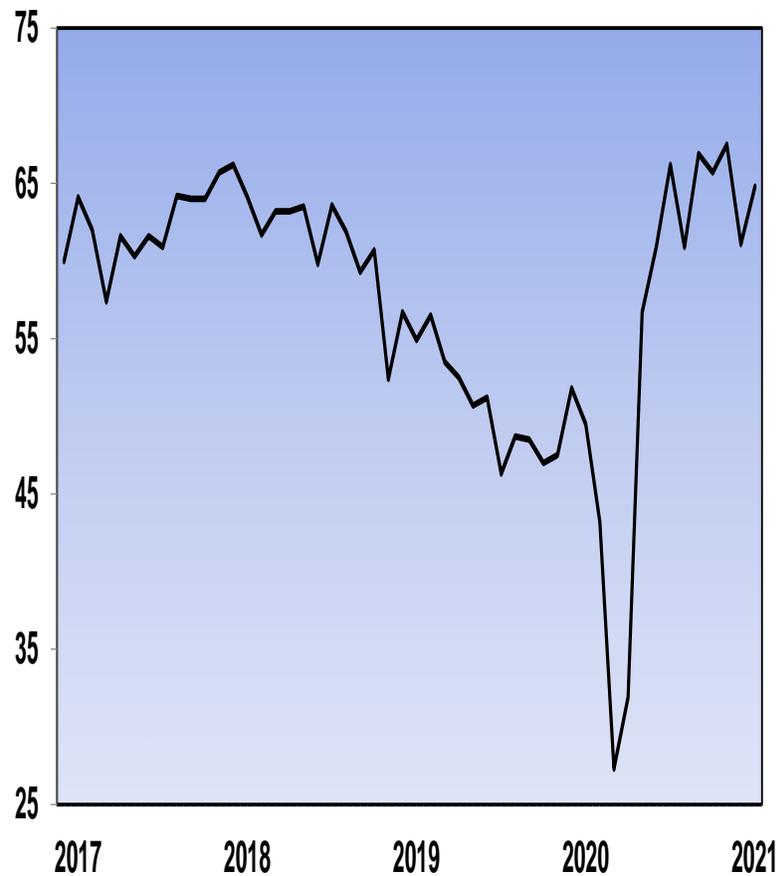


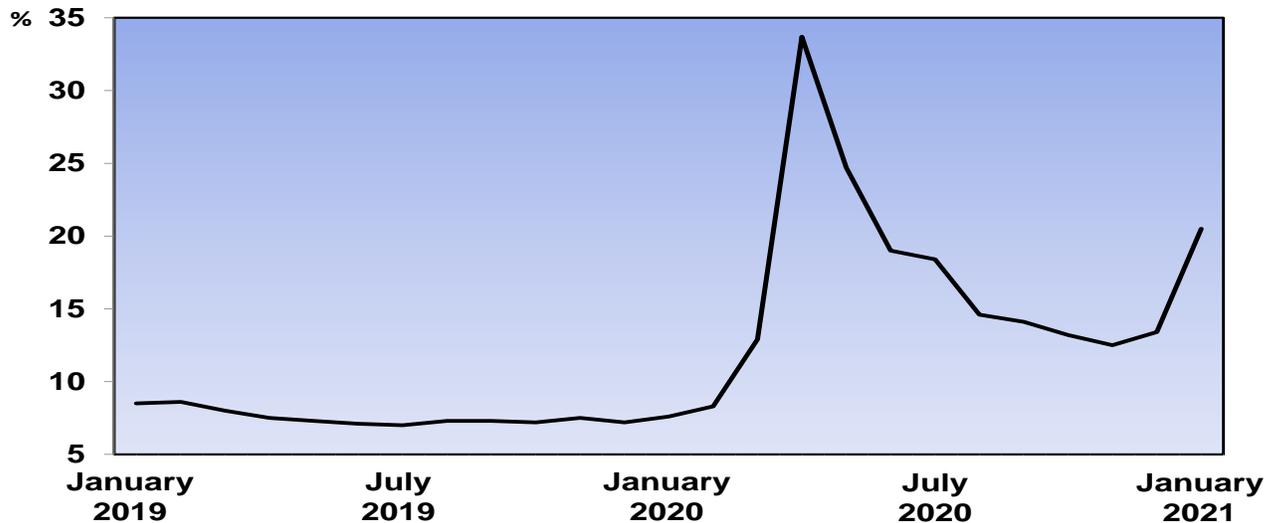
Chart 2: Inflationary Expectations on the Rise
Market-Implied Future Inflation Rate in Five Years
Treasury Inflation-Protected Securities (TIPS)
Source: Federal Reserve



Gross Domestic Product: Real GDP expanded at an estimated **6%** annual rate in the quarter, 50% faster than the growth rate in Q4 of last year. Excluding the artificial rebound in the third quarter of last year, this would be the fastest quarterly growth rate since 2003. The absolute level of real GDP has returned to its pre-pandemic peak reached in late 2019 in the space of only five quarters, the fastest recovery from any recession since 1950. Real GDP following the 2008 financial crisis did not return to its previous peak for 12 quarters.

Company Earnings: Corporate profitability benefitted enormously from the boom in economic output. Operating earnings per share (EPS) for the companies in the S&P 500 increased by an estimated 25% in Q1, with revenue growth of 5%. Profit margins widened significantly as a result of **operating leverage** along with rigorous cost containment. Because of manufacturing businesses comprise more than 40% of the S&P 500, profit growth tends to respond to the strength in factory orders (see chart 2).

Chart 3: Exceptionally Elevated Personal Savings Will Boost Spending
The US Personal Savings Rate (%)
Personal Savings as a Percent of Disposable Personal Income
Source: Bureau of Economic Analysis



Public Health: Developments pertaining to the pandemic were mostly positive in the quarter, as the number of coronavirus infections and hospitalizations declined precipitously and as vaccination programs gathered momentum. The Biden administration announced that there will be sufficient vaccine supply to inoculate all adults by Memorial Day. *However, while the worst of the pandemic appears to be behind us, risks remain.*

- **Reversal in March:** Daily infections bottomed in February, followed by a worrisome upturn in March, as the new highly infectious UK B.1.1.7 variant became the dominant strain in the US. The potential magnitude of the current outbreak is unknown and is a wild card in the near-term outlook. *The ongoing race between vaccinations and variants will eventually be won by science, but perhaps not until the summer months.*

Economic Policy: Government policy remained decidedly expansionary in the quarter, as the Federal Reserve continued to inject massive amounts of liquidity into the financial system. Even more dramatic is the thrust of fiscal policy. The strong economic rebound in the quarter was reinforced by the \$900 billion COVID relief package signed into law late last year. Beyond that, the economy will be invigorated during the final three quarters of this year by President Biden’s landmark \$1.9 trillion American Rescue Plan Act.

- **Transfer Payments:** The power of fiscal stimulus can be seen in monthly data on personal income and savings. Real disposable income rose at an annual rate of 14% in January, fueled by government payments associated with COVID relief legislation. Excluding transfer payments, personal income actually declined. Because most of these payments were not spent, the savings rate jumped from 13% in December to 21% in January (see chart 3).

Chart 4: US Service Inflation at the Lowest Level in a Decade
Consumer Price Index, Services, Annual % Growth
Source: Bureau of Labor Statistics

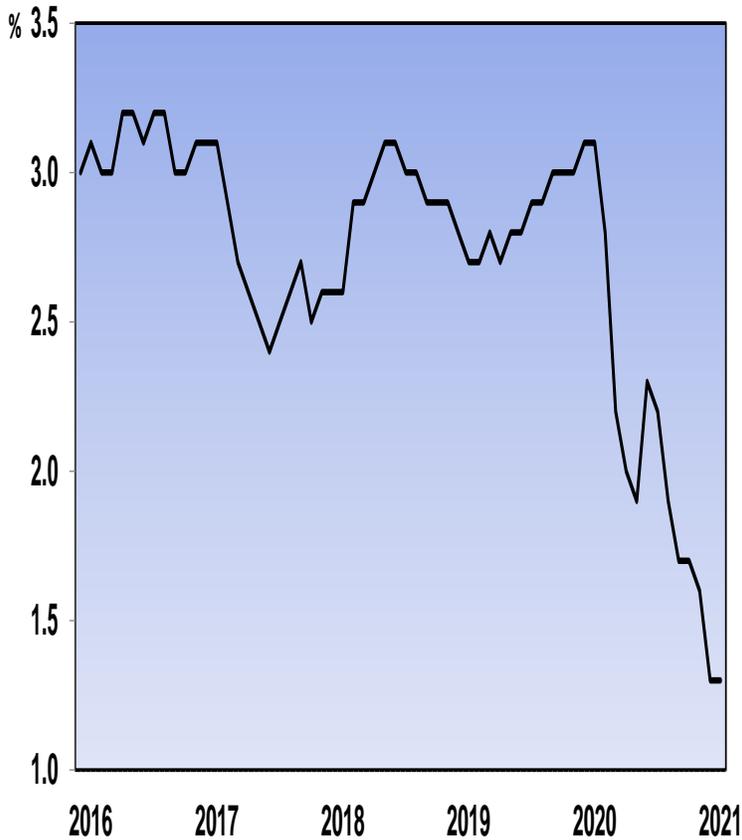


Chart 5: Pronounced Steepening of the Yield Curve Underway
Yield on Ten-Year Treasury Bonds Minus
Yield on Three-Month Treasury Bills (Basis Points)
Source: Federal Reserve



Inflation and Employment: As two classic lagging economic indicators, both new hiring and inflation remained depressed in the quarter. The core consumer inflation rate has stabilized around 1.5%, while the inflation rate for **consumer services** fell to 1.3%, the lowest level in more than a decade. Inflation will likely lag the economic recovery until the labor market begins to approach full employment later next year (see chart 4).

Long-Term Interest Rates: Despite continued monetary easing by the Federal Reserve, long-term interest rates soared in the quarter. From a low of 0.92% at the end of last year, the ten-year US Treasury bond doubled to a yield of 1.75% in late March, an 18-month high. With short-term rates pinned at zero, the Treasury yield curve steepened to the highest level since 2017, a signal of market expectations for rapid economic growth and rising inflation ahead (see chart 5).

The World Economy: The global economic recovery continues to lag that of the US and China, as COVID-19 containment measures continue to shape regional activity. Europe and the UK are in double-dip recessions, while partial recoveries in Japan, India, Canada, and Brazil have recently slowed. The Asia-Pacific region is leading the global recovery, led by China, Taiwan, and Vietnam, with India and South Korea slightly behind.

ECONOMIC OUTLOOK

The central theme of my economic outlook is that the US is entering a period of very rapid growth that could persist through most of 2022. I expect GDP growth rates to rival those of the economic booms following World War II — when growth exceeded 12% — and during the mid-1980s, when real GDP growth exceeded 8%. My forecast assumes GDP growth of 6% to 8% this year followed by another 4% to 6% growth in 2022. By way of perspective, the normal pace of GDP growth during periods of economic expansion has typically been within a range of 3% to 3.5%.

Potential Growth: These projected growth rates are well in excess of the economy's potential growth rate of 2%, based upon estimates for productivity and labor force growth. In other words, spending and output over the next two years are likely to exceed the economy's capacity for sustained noninflationary growth of 2%. ***The central long-term issue for equity investors involves an assessment of the risks of an overheating economy once it reaches full employment and once surplus resources are fully absorbed.*** This issue is discussed more fully below.

A PERFECT STORM

Whereas the long-term direction of the economy remains in doubt, it appears highly likely that a period of healthy noninflationary economic growth lies immediately ahead. *There currently exists a confluence of forces that are forming a perfect storm, supporting the case for an outright economic boom.* These fall within the category of favorable developments in the realms of public health, government policy, and underlying economic and financial conditions.

- **Economy Reopening:** News on the pandemic front appears to be trending in the right direction. Public health officials estimate that the country will reach herd immunity during the early summer months, which implies a full reopening of the economy during the third and fourth quarters. Increased mobility will result in accelerating growth in spending, output, employment, and capital formation.
- **Credit Conditions:** Unlike the aftermath of the world financial crisis in 2008, economic and financial conditions are healthy, and therefore supportive of robust growth. Household balance sheets are the strongest in several decades and the financial system is in good health. The default rate is in a declining trend. In short, impediments to economic growth in the form of credit-related problems are minimal.

- **Pent-Up Demand:** The massive accumulation of pent-up demand can be attributed to the steep economic downturn last year along with generous government payments to households. At nearly \$4 trillion, household savings are nearly *fourfold* pre-pandemic levels, providing powerful firepower for consumer spending this year and in 2022. Business inventories are also below normal, thereby providing additional support for the manufacturing sector.
- **Monetary Policy:** My forecast assumes no changes in monetary policy this year, implying a continuation of very favorable financial conditions. Beyond that, the thrust in monetary policy is likely to change in two respects: (1) The Fed should begin to reduce the volume of government bond purchases within the next year, currently at a monthly rate of \$110 billion; and (2) The Fed will begin to gradually lift its policy rate beginning later next year.
- **Fiscal Stimulus:** The forthcoming new round of fiscal stimulus will supercharge the US economy over the next two years. President Biden's \$1.9 trillion American Rescue Plan Act is the equivalent of 7% of GDP. When added to the \$900 billion COVID relief package from very early this year, total fiscal stimulus for this year will be the equivalent of 12% of GDP. When nearly \$2.5 trillion in fiscal stimulus from 2020 is included, the total rises to more than \$5 trillion, an unprecedented 25% of GDP.

ECONOMIC FORECAST

The US economy will soon be firing on all cylinders in response to improving public health conditions and massive fiscal policy stimulus. Consumer purchases of autos and household durable goods, business investment in equipment and software, and residential construction should be at the leading edge of the rebound in aggregate spending. My GDP forecast for this year assumes 6% growth in consumer spending and 15% growth each for business investment and residential construction.

Factory Output: The outlook for manufacturing is also positive, as companies lift production to meet the surge in current demand and rebuild depleted inventories. I expect manufacturing production to increase by 5% both this year and in 2022. Net exports and government purchases should lag the recovery in overall GDP.

GDP Growth: My forecast assumes real GDP growth of 7% for this year, within a range of 6% to 8%, followed by growth of 4% to 6% in 2022. If so, the next two years would be the strongest consecutive years of economic growth since 1983 and 1984, when real GDP increased by an average of 6.8% over a period of six quarters. Nominal (current dollar) GDP could increase by nearly 10% this year.

Chart 6: Inflationary Expectations on the Rise
Market-Implied Future Inflation Rate in Five Years
Treasury Inflation-Protected Securities (TIPS)
Source: Federal Reserve

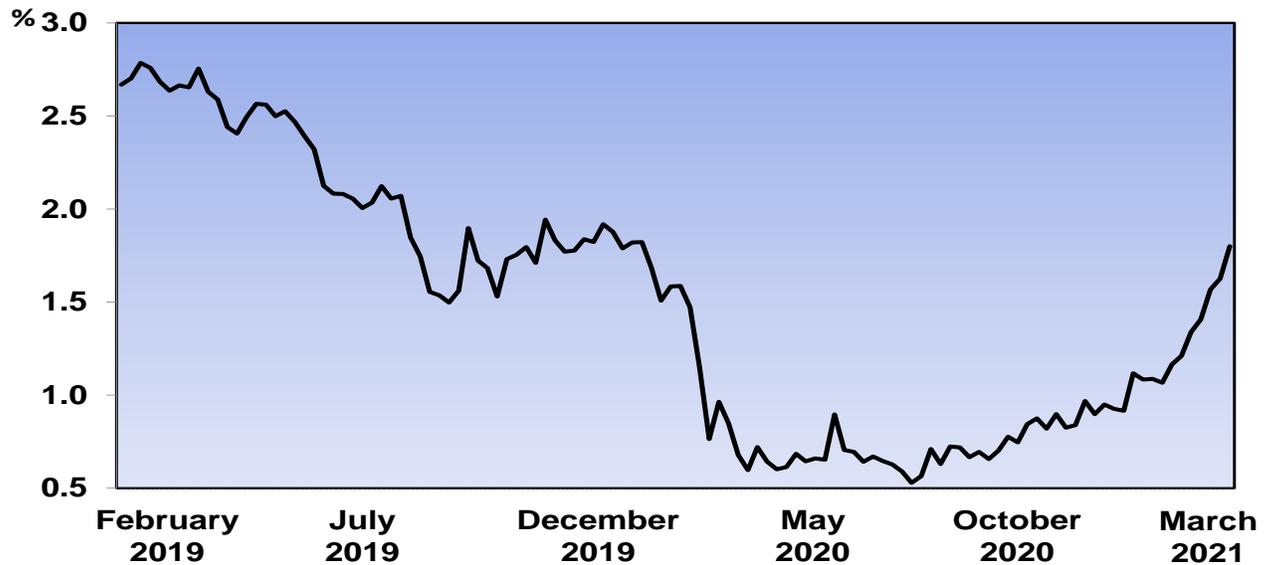


Corporate Earnings: Company revenues should match the expected 10% growth in nominal GDP this year — the fastest yearly growth rate since the 1980s — followed by growth of 8% in 2022. Operating profit margins could reach 16% this year, up from less than 14% in 2020, a result of operating leverage and tight cost containment by business firms. EPS for the companies in the S&P 500 could increase by 30% this year — the biggest yearly increase since 2010 — and by another 20% in 2022.

Employment: The US labor market should reach an inflection point within the next six months, at which point the pace of job creation could accelerate sharply. Compared with average monthly increases of 275,000 so far this year, nonfarm payrolls could grow at a monthly rate of 400,000 for the remainder of this year and during all of 2022. Currently at 6.2%, the unemployment rate could decline to 5.5% by the fourth quarter of this year and to 4.5% by yearend 2022.

Consumer Inflation: Although the long-range outlook is highly uncertain, inflation is likely to remain depressed over the next 12 months, at a minimum. Wages and prices should remain stable until the economy reaches a higher level of resource utilization and the labor market is at full employment. Currently at 1.5%, core consumer inflation could average 2% for all of this year, rising to 2.5% in 2022. The inflation rate could approach 3% later next year and possibly exceeding 3.5% during 2023. Measures of inflationary expectations are already flashing red (see chart 6).

Chart 7: Steady Rise in Long-Term Interest Rates
Market % Yield, Ten-Year US Treasury Bond
Source: Federal Reserve



Long-Term Interest Rates: The combination of rapid economic growth and rising inflationary expectations should exert steadily increasing upward pressure on long-term interest rates over the next two years. I expect government bond yields to rise in waves, followed by periods of consolidation. In terms of levels, the ten-year US Treasury bond, currently at 1.6%, could rise to 2% by the end of this year and approach 3% by yearend 2022. The yield curve has already steepened to a four-year high and should remain in a steadily steepening trend throughout 2022 (see chart 7).

THE WORLD ECONOMY

With the exception of China, the global economy is lagging the economic recovery in the US. Following a slow start to the year, most regional economies should be on a recovery path during the second half of this year, as coronavirus containment measures are gradually lifted along with a steady increase in vaccine availability. World GDP could expand at a 6% rate this year followed by 5% growth in 2022.

Along with the US, China will be at the forefront of world economic growth this year, with GDP expanding by 7.5%. Economic recovery in Europe will be supported by strong exports to China and the US, while domestic demand should benefit from continued large-scale government stimulus and an accelerating pace of vaccinations.

Eurozone GDP could grow by 3% to 4% both this year and in 2022, led by manufacturing and business investment spending. Impeded by powerful structural economic headwinds, growth in Japanese GDP will likely be within a range of 2% to 3% in both 2021 and 2022. Emerging Asian economies appear poised for very rapid growth, projected at 7% to 8% both this year and in 2022.

RISKS TO THE OUTLOOK

The major risks to the outlook pertain to central bank policy and the potential for higher inflation and interest rates. Whereas monthly government data on inflation are notorious lagging indicators, inflationary expectations are a leading indicator. A further increase in inflationary psychology would become embedded in valuations of both fixed-income and equity assets. Consequently, the most immediate risk to the economy and financial markets is a sharp rise in long-term interest rates, which could restrain spending, investment, employment, and asset prices.

Another significant risk is a surge in COVID-19 infections during the next several months as the more transmissible strains of the coronavirus gain traction in the US, lifting the number of cases and hospitalizations. I view the next several months as a race between infections of the new UK B.1.1.7 variant and vaccinations.

The emergence of new variants from Brazil, South Africa, New York, and California is also a concern. My assumption is that scientists will persistently gain the upper hand on future mutations as they emerge — albeit with a time lag — but that these potential outbreaks could be very disruptive to commerce, mobility, and consumer and business confidence in the interim.



Robert F. DeLucia, CFA, was formerly Senior Economist and Portfolio Manager for Prudential Retirement. Prior to that role, he spent 25 years at CIGNA Investment Management, most recently serving as Chief Economist and Senior Portfolio Manager. He currently serves as the Consulting Economist for Prudential Retirement. Bob has 45 years of investment experience.

This material is intended to provide information only. This material is not intended as advice or recommendation about investing or managing your retirement savings. By sharing this information, Prudential Retirement® is not acting as your fiduciary as defined by the Department of Labor or otherwise. If you need investment advice, please consult with a qualified professional.

The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients or prospects. No determination has been made regarding the suitability of any securities, financial instruments or strategies for particular clients or prospects. For any securities or financial instruments mentioned herein, the recipient(s) of this report must make its own independent decisions.

Certain information contained herein may constitute "forward-looking statements," (including observations about markets and industry and regulatory trends as of the original date of this document). Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making any decisions. No representation or warranty is made as to future performance or such forward-looking statements.

The financial indices referenced herein are provided for informational purposes only. You cannot invest directly in an index. The statistical data regarding such indices has been obtained from sources believed to be reliable but has not been independently verified.

Bloomberg Barclays US Aggregate Bond Index: is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. Investors frequently use the index as a stand-in for measuring the performance of the US bond market.

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

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

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

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

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

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

S&P 500[®] 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.

These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. Past performance is not a guarantee or reliable indicator of future results.

The information provided is not intended to provide investment advice and should not be construed as an investment recommendation by Prudential Financial or any of its subsidiaries.

©2021 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

