

PLAN SUMMARY

State of Vermont

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

As of: June 30, 2020

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



Table Of Contents

Section I: Plan Summary

Section II: Economic Outlook

Section I: Plan Summary

Plan Summary and Benchmark Trends

Historical Plan Statistics

	3/31/2020	4/30/2020	5/31/2020	6/30/2020
Total Participants Balances	\$455,905,295	\$492,506,850	\$509,658,494	\$517,377,171
Contributions*	\$2,125,463	\$2,010,661	\$2,107,257	\$2,191,890
Distributions*	(\$2,552,234)	(\$1,167,065)	(\$1,781,364)	(\$3,751,962)
Cash Flow	(\$426,771)	\$843,596	\$325,894	(\$1,560,072)
Account Balances				
Average Participant Balance	\$57,520	\$62,193	\$64,424	\$65,507
Participation / Deferrals				
Participation Rate	79.2%	78.7%	77.9%	78.0%
Average Contribution Rate (%)	0.0%	0.0%	0.0%	0.0%
Total Participants with a Balance	7,926	7,919	7,911	7,898
Asset Allocation				
% of Plan Assets in Stable Value	23.7%	22.2%	21.7%	21.5%
% of Plan Assets for GoalMaker Participants	11.4%	11.4%	11.6%	11.7%
Participation Rate in GoalMaker	23.0%	23.1%	23.2%	23.3%
Number of Participants in GoalMaker	1,826	1,832	1,838	1,842
Number of Participants in One Fund	1,826	1,818	1,823	1,821
Number of Participants in Four or More Funds	4,739	4,740	4,735	4,720
Distributions				
Total Number of All Withdrawals*	286	249	234	266
Termination	\$1,767,517	\$746,287	\$1,347,610	\$3,329,275
Hardship	\$9,902	\$18,714	\$994	\$5,708
In Service	\$6,650	\$0	\$0	\$0
Coronavirus-Related Withdrawal	\$0	\$0	\$252,564	\$101,618
Subtotal of Termination, Hardship, Inservice, Coronavirus-Related Withdrawal	\$1,784,070	\$765,001	\$1,601,168	\$3,436,601
Amount of Distributions Representing Rollovers	\$1,854,177	\$601,591	\$1,061,961	\$3,133,657
% of Assets Distributed*	0.6%	0.2%	0.3%	0.7%

*Includes Rollovers

CARES Data

	6/30/2020
CRD Withdraw als	13
CRD Loans	0
CRD Loan Suspensions	0

CARES Distributions by Ranges

	6/30/2020
Up to \$5k	4
\$5,001-\$10k	2
\$10,001-\$25k	4
\$25,001-\$50k	1
\$50,001-\$75k	0
\$75,001+	2

CARES Distributions by Status as of 6/30/2020

	PPT Count	Total Coronavirus-Related Withdraw als
Active	12	\$349,994
Termed	1	\$4,189
Total	13	\$354,182

CARES Reporting Distribution

	6/30/2020
Average	\$27,245
Median	\$16,869
Total Withdraw als	\$354,182

Plan Demographics Summary

	1/1/2019- 6/30/2019	1/1/2020- 6/30/2020
Total Participants*	7,648	7,898
Active Participants	5,602	5,769
Terminated Participants	2,035	2,116
Suspended Participants	2	0
Multiple Status Participants***	9	13
Average Participant Balance	\$66,144	\$65,507
Average Account Balance for Active Participants	\$54,315	\$54,468
Median Participant Balance	\$24,753	\$23,978
Median Participant Balance for Active Participants	\$19,718	\$19,364
Participants Age 50 and Over	4,464	4,589
Total Assets for Participants Age 50 and Over	\$422,178,520	\$432,652,946
Total (Contributions + Rollovers In)	\$15,113,068	\$13,657,418
Employee Contributions	\$11,714,110	\$12,102,550
Rollovers In	\$3,398,958	\$1,554,868
Total Distributions	(\$19,152,865)	(\$14,953,329)
Percentage of Assets Distributed	3.8%	2.9%
Market Value Gain / Loss****	\$30,101,794	\$14,357,025
Total Participant Balances	\$505,870,924	\$517,377,171

*Participant(s) with an account balance greater than \$0.

*** 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 Features

GoalMaker	6/30/2019	6/30/2020
Plan Assets for Participants in GoalMaker	\$42,838,872	\$60,655,804
% of Plan Assets for GoalMaker Participants	8.5%	11.7%
# of Participants in GoalMaker	1,405	1,842
Participation Rate in GoalMaker	18.4%	23.3%
Prudential % of Participants in GoalMaker - As of 12/31/2019	52.3%	

Roth	6/30/2019	6/30/2020
Roth Assets	\$12,067,613	\$15,104,552
# of Participants in Roth	1,355	1,591
Participation Rate in Roth	17.7%	20.1%
Prudential % of Participants in Roth - As of 12/31/2019	13.6%	

Stable Value	6/30/2019	6/30/2020
Participation Rate in Stable Value	60.6%	60.3%
% of Plan Assets in Stable Value	20.0%	21.5%
Prudential % of Plan Assets in Stable Value - As of 12/31/2019	22.1%	

Transaction Summary

Transactions	1/1/2019 - 6/30/2019	1/1/2020 - 6/30/2020
Total Enrollees*	352	207
Number of Participants with Transfers	1,519	2,233
Distributions	1,718	1,707

*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	1/1/2019 - 6/30/2019	1/1/2020 - 6/30/2020
Total Call Volume	1,491	1,190

Enrollment by Age Group

1/1/2020-6/30/2020							
	Less than 25	25-34	35-44	45-54	55-64	65+	Grand Total
Total	22	77	44	40	18	6	207

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 2019**</u>	<u>Plan Sponsor Survey 2020***</u>
Auto Enrollment (Administered Through Prudential)	No	53.2%	27.9%	46.3%	48.2%
Auto Enrollment Default Rate	NA	3% (44.4% of Plans)	18.2%	38.9%	39.5%
Contribution Accelerator (Administered Through Prudential)	No	51.9%	25.0%	37.8%	40.0%
GoalMaker®	Yes	67.0%	0.0%	NA	NA
Investment Options	24.0	13.5	25.3	24.9	22.9
IncomeFlex®	No	25.3%	13.3%	9.9%	9.2%
Loans	No	63.5%	74.4%	91.6%	82.0%
Plan Allows Roth	Yes	32.8%	66.7%	71.8%	76.9%
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.

© 2020 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 12/31/2019

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

*Annual Survey, 2020 (Industry Specific Results) – Government Municipal

**2019 Annual Survey, 2019 (Overall)

***2020 Annual Survey, 2020 (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 2019**</u>	<u>Plan Sponsor Survey 2020***</u>
Participation Rate	81.4%	70.5%	76.6%	79.2%	78.9%
Average Contribution Rate (%)	NA	7.6%	6.8%	6.8%	7.1%
Average Account Balance	\$65,507	\$73,876	\$89,180	\$102,586	\$103,108
Median Account Balance	\$23,978	\$70,895	\$67,239	\$77,204	\$79,970
% of Plan Assets in Stable Value	21.5%	22.1%	0.0%	NA	NA
% of Plan Assets in Day One Funds	NA	1.1%	0.0%	NA	NA
Average # of Funds Held	5.3	5.3	6.7	5.5	6.3
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.5%	0.0%	NA	NA
% of Participants Utilizing GoalMaker®	23.3%	52.3%	0.0%	NA	NA
% of Participants have Outstanding Active Loans	N/A	13.6%	18.3%	13.5%	14.2%
Average Loan Balance	N/A	\$7,754	\$9,939	\$10,257	\$10,121

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.

© 2020 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 12/31/2019

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

*Annual Survey, 2020 (Industry Specific Results) – Government Municipal

**2019 Annual Survey, 2019 (Overall)

***2020 Annual Survey, 2020 (Overall)

Asset Allocation/Net Activity By Age

January 1, 2020 to June 30, 2020

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$230,087	\$9,355,837	\$34,964,312	\$100,269,762	\$171,936,192	\$200,620,982	\$517,377,171
% Assets	0.0%	1.8%	6.8%	19.4%	33.2%	38.8%	100.0%
Average Contribution Rate (\$)	\$0	\$40	\$52	\$219	\$479	\$321	\$288
Contributions	\$92,002	\$1,209,516	\$2,019,233	\$3,491,636	\$4,280,152	\$1,010,012	\$12,102,550
Rollovers In*	\$0	\$70,285	\$370,701	\$444,744	\$350,920	\$318,218	\$1,554,868
Total (Contributions + Rollovers In)	\$92,002	\$1,279,801	\$2,389,934	\$3,936,380	\$4,631,071	\$1,328,229	\$13,657,418
Cash Distributions	(\$3,415)	(\$44,351)	(\$225,572)	(\$470,487)	(\$1,486,114)	(\$2,646,164)	(\$4,876,103)
Rollovers Out	\$0	(\$39,944)	(\$380,703)	(\$1,500,578)	(\$3,195,420)	(\$4,960,581)	(\$10,077,226)
Total (Cash Distributions + Rollovers Out)	(\$3,415)	(\$84,295)	(\$606,275)	(\$1,971,065)	(\$4,681,534)	(\$7,606,745)	(\$14,953,329)
Net Activity	\$88,587	\$1,195,506	\$1,783,659	\$1,965,315	(\$50,462)	(\$6,278,515)	(\$1,295,911)
Total Participants**	80	987	1,376	1,877	2,017	1,563	7,900
Average Account Balance	\$2,876	\$9,479	\$25,410	\$53,420	\$85,244	\$128,356	\$65,491
<i>Prudential Avg. Account Balance as of 12/31/2019</i>	\$3,645	\$16,118	\$46,246	\$89,262	\$123,641	\$125,460	\$73,876
Median Account Balance	\$1,339	\$4,695	\$12,908	\$25,120	\$43,550	\$64,835	\$23,978
<i>Prudential Median Account Balance as of 12/31/2019</i>	\$4,531	\$11,969	\$31,729	\$52,216	\$78,108	\$116,384	\$70,895

*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

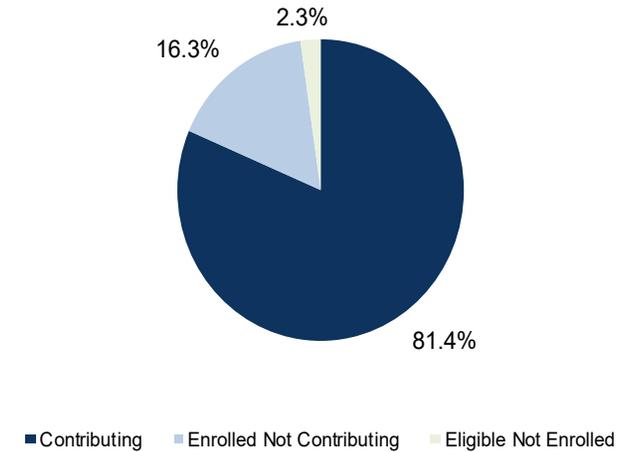
Participation Rate

	1/1/2019-6/30/2019	1/1/2020-6/30/2020
Total Eligible To Contribute Population	5,808	5,975
Contributing (A)	4,743	4,865
Enrolled Not Contributing (B)	922	975
Eligible Not Enrolled (C)	143	135

	1/1/2019-6/30/2019	1/1/2020-6/30/2020
Participation Rate *	81.7%	81.4%
<i>Prudential Book of Business 12/31/2019</i>	70.5%	
<i>Plan Sponsor Survey 2020 - National Average</i>	78.9%	

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

1/1/2020-6/30/2020



Definitions:

Contributing – Count of participants who are active/eligible and a contribution was received to an employee source (within the reporting period).

Enrolled Not Contributing – An individual who is enrolled in the plan, but did not have a contribution to an employee source (within the reporting 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%

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

Plan Activity

Contributions by Fund

INVESTMENT OPTIONS	1/1/2019 - 6/30/2019	%	1/1/2020 - 6/30/2020	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	\$1,463,621	12.5%	\$1,540,701	12.7%	\$77,080	5.3%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$873,445	7.5%	\$1,094,787	9.1%	\$221,342	25.3%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$899,231	7.7%	\$930,897	7.7%	\$31,666	3.5%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$992,603	8.5%	\$929,959	7.7%	(\$62,644)	-6.3%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$726,707	6.2%	\$905,015	7.5%	\$178,307	24.5%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$819,399	7.0%	\$871,651	7.2%	\$52,252	6.4%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$853,976	7.3%	\$861,724	7.1%	\$7,748	0.9%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$787,902	6.7%	\$849,528	7.0%	\$61,626	7.8%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$714,235	6.1%	\$735,863	6.1%	\$21,628	3.0%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$544,528	4.7%	\$667,982	5.5%	\$123,454	22.7%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$765,517	6.5%	\$663,224	5.5%	(\$102,293)	-13.4%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$240,349	2.1%	\$351,140	2.9%	\$110,791	46.1%
DODGE & COX BALANCED FUND	\$427,712	3.7%	\$295,003	2.4%	(\$132,709)	-31.0%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$276,374	2.4%	\$294,273	2.4%	\$17,899	6.5%
DODGE & COX INTERNATIONAL STOCK FUND	\$332,619	2.8%	\$281,753	2.3%	(\$50,866)	-15.3%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$204,450	1.8%	\$180,550	1.5%	(\$23,899)	-11.7%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$221,220	1.9%	\$159,665	1.3%	(\$61,555)	-27.8%
CALVERT BOND FUND CLASS I	\$141,345	1.2%	\$118,924	1.0%	(\$22,422)	-15.9%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$115,434	1.0%	\$103,187	0.9%	(\$12,247)	-10.6%
FPA NEW INCOME FUND	\$96,325	0.8%	\$77,129	0.6%	(\$19,196)	-19.9%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$86,440	0.7%	\$69,822	0.6%	(\$16,618)	-19.2%
PAX SUSTAINABLE ALLOCATION FUND INDIVIDUAL INVESTOR CLASS	\$75,308	0.6%	\$66,849	0.6%	(\$8,458)	-11.2%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$55,370	0.5%	\$52,925	0.4%	(\$2,445)	-4.4%
Total Assets Contributed	\$11,714,110	100.0%	\$12,102,550	100.0%	\$388,440	3.3%

Interfund Transfers

1/1/2020 to 6/30/2020

INVESTMENT OPTIONS	IN	OUT	NET
STATE OF VERMONT STABLE VALUE FUND	\$15,570,147	(\$7,495,216)	\$8,074,931
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$5,753,757	(\$3,503,908)	\$2,249,849
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$2,054,305	(\$1,459,750)	\$594,555
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$644,949	(\$387,134)	\$257,815
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$388,500	(\$271,418)	\$117,082
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$1,738,883	(\$1,662,410)	\$76,473
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$172,016	(\$110,440)	\$61,576
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$283,520	(\$238,334)	\$45,186
FPA NEW INCOME FUND	\$910,483	(\$880,943)	\$29,540
CALVERT BOND FUND CLASS I	\$520,447	(\$501,710)	\$18,736
SELF DIRECTED BROKERAGE ACCOUNT	\$9,600	\$0	\$9,600
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$490,415	(\$552,826)	(\$62,410)
PAX SUSTAINABLE ALLOCATION FUND INDIVIDUAL INVESTOR CLASS	\$111,426	(\$196,817)	(\$85,391)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$119,522	(\$321,810)	(\$202,289)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$122,550	(\$337,789)	(\$215,239)
DODGE & COX INTERNATIONAL STOCK FUND	\$139,026	(\$648,868)	(\$509,842)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$629,975	(\$1,332,832)	(\$702,858)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$493,807	(\$1,435,118)	(\$941,311)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$756,762	(\$1,782,400)	(\$1,025,638)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$1,281,078	(\$2,378,055)	(\$1,096,977)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$2,135,833	(\$3,336,420)	(\$1,200,587)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$1,268,637	(\$2,498,903)	(\$1,230,266)
DODGE & COX BALANCED FUND	\$453,724	(\$2,096,586)	(\$1,642,863)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$1,500,805	(\$4,120,480)	(\$2,619,674)
TOTAL	\$37,550,170	(\$37,550,170)	\$0

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2019 - 6/30/2019	1/1/2020 - 6/30/2020	Change	% Change	1/1/2019 - 6/30/2019	1/1/2020 - 6/30/2020	Change	% Change
Termination	\$15,391,010	\$11,610,282	(\$3,780,728)	-25%	610	627	17	3%
Death Distribution	\$970,941	\$1,037,581	\$66,640	7%	58	38	(20)	-34%
Installment Payment	\$953,038	\$947,012	(\$6,025)	-1%	891	872	(19)	-2%
Direct Transfer	\$1,014,793	\$422,024	(\$592,769)	-58%	17	13	(4)	-24%
Required Minimum Distribution	\$562,440	\$421,338	(\$141,102)	-25%	124	73	(51)	-41%
Coronavirus-Related Withdrawal	\$0	\$354,182	\$354,182	n/a	0	13	13	n/a
QDRO	\$165,384	\$326	(\$165,057)	-100%	4	2	(2)	-50%
In-Service Withdrawal	\$47,480	\$89,650	\$42,170	89%	9	3	(6)	-67%
Hardship Withdrawal	\$47,762	\$45,343	(\$2,419)	-5%	4	6	2	50%
Return of Excess Deferrals/Contributions	\$0	\$25,574	\$25,574	n/a	0	59	59	n/a
Gross Adjustment	\$18	\$16	(\$1)	-8%	1	1	0	0%
Grand Total	\$19,152,865	\$14,953,329	(\$4,199,536)	-22%	1,718	1,707	(11)	-1%

1/1/2020 - 6/30/2020						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$526,499	\$9,550,728	\$10,077,226	15	72	87
Cash	\$351,528	\$4,524,575	\$4,876,103	58	1,562	1,620
Grand Total	\$878,026	\$14,075,302	\$14,953,329	73	1,634	1,707

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.

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

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

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 Withdrawal - 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.

Participant Transaction Statistics

	7/1/2019 - 9/30/2019	10/1/2019 - 12/31/2019	1/1/2020 - 3/31/2020	4/1/2020 - 6/30/2020
Call Center				
Unique Callers	404	373	511	275
Total Call Volume	642	559	776	414
Participant Website				
Unique Web Logins	2,636	2,549	3,092	2,538
Total Web Logins	33,240	37,007	42,213	42,221

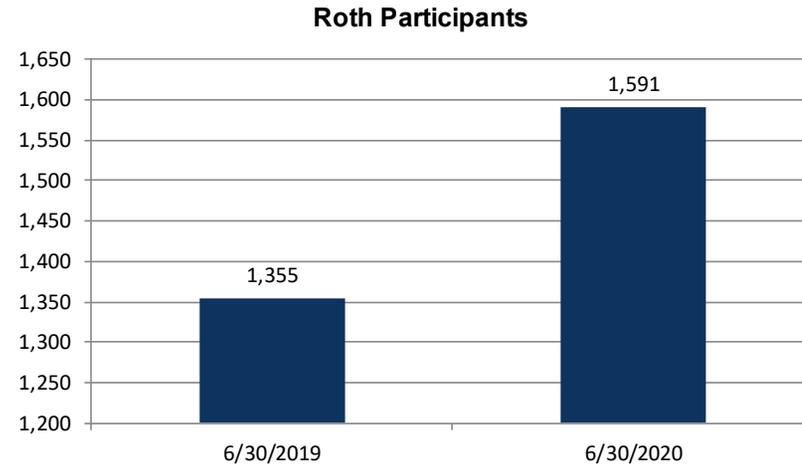
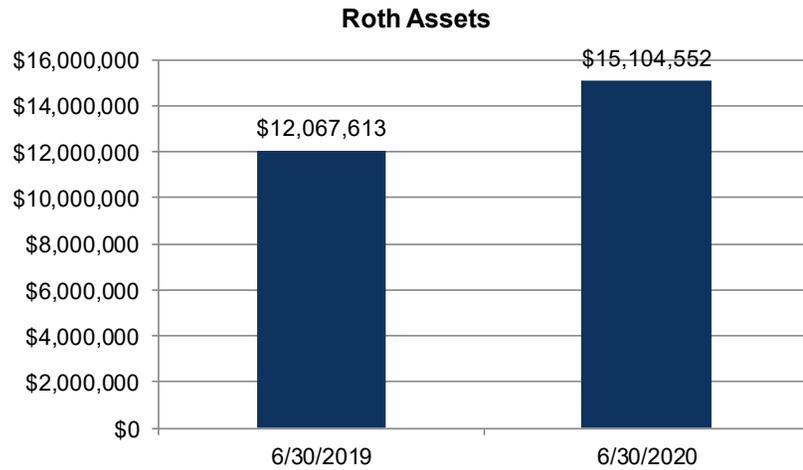
Call Center Reason Category	7/1/2019 - 9/30/2019	10/1/2019 - 12/31/2019	1/1/2020 - 3/31/2020	4/1/2020 - 6/30/2020
Account Explanations	134	146	183	86
Allocation Changes & Exchange	9	13	14	10
Contributions	20	22	33	11
Disbursements	344	264	344	198
Enrollments	3	0	0	2
Forms	4	1	1	7
Fund Information	7	7	9	8
Hardships	36	24	17	11
IFX	0	1	0	0
IVR or Web Assistance	21	23	35	18
Loans	4	2	0	1
Other	22	19	36	18
Payment Questions	0	0	0	0
Plan Explanations	13	11	21	9
Regen Reg Letter	0	0	0	0
Status of Research	1	4	14	3
Tax Information	1	0	20	5
Website Processing	23	22	49	27
Total	642	559	776	414

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).

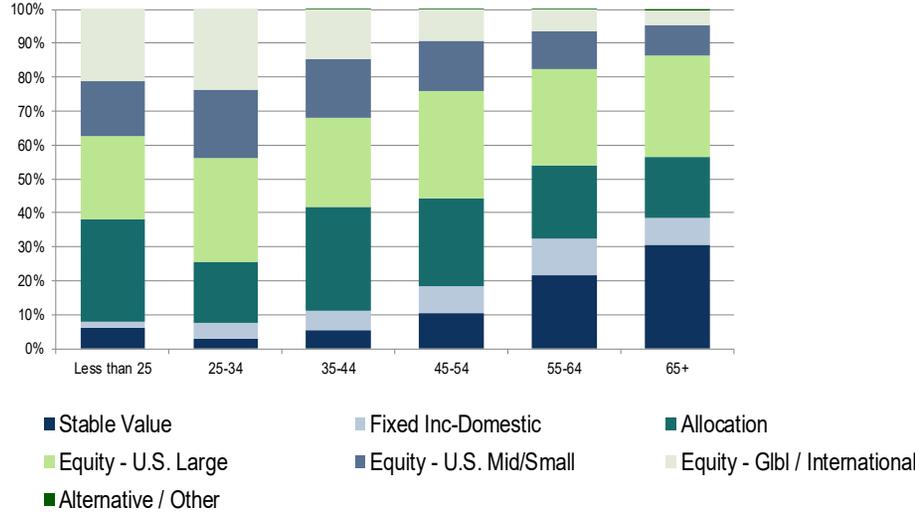
Roth Summary



	6/30/2019	6/30/2020
Roth Assets	\$12,067,613	\$15,104,552
# of Participants in Roth	1,355	1,591
Participation Rate in Roth	17.7%	20.1%
Prudential % of Participants in Roth - As of 12/31/2019	13.6%	

Investment Diversification

Assets by Asset Class and Age as of June 30, 2020



Asset Allocation

Asset Class	Your Plan Assets as of 6/30/2020	Your Plan % as of 6/30/2020
Stable Value	\$111,144,438	21.5%
Fixed Inc-Domestic	\$44,462,393	8.6%
Allocation	\$112,138,768	21.7%
Equity - U.S. Large	\$152,288,404	29.4%
Equity - U.S. Mid/Small	\$60,359,352	11.7%
Equity - Gbl / International	\$36,397,927	7.0%
Alternative / Other	\$585,889	0.1%
Total Participant Balances	\$517,377,171	100.0%

Fund Utilization By Age as of June 30, 2020

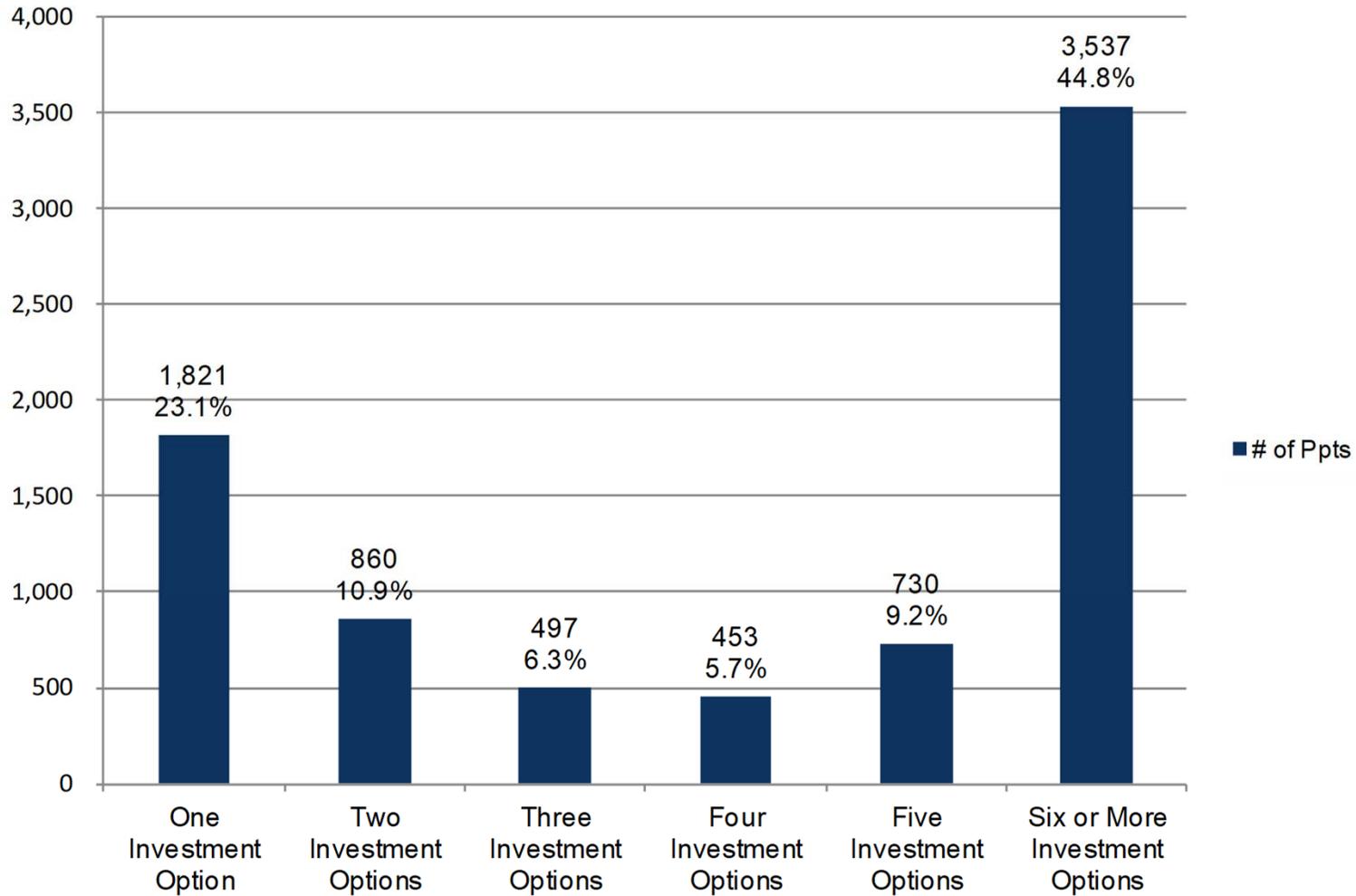
	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	21	182	291	396	468	466	1,824
Average # of Funds per Participant	4.5	6.4	6.3	5.7	4.9	4.0	5.3
<i>Prudential Participants Avg. # of Funds per Participant as of 12/31/2019</i>	5.5	5.5	5.5	5.5	5.3	4.2	5.3
% of Plan Assets in Stable Value	6.3%	3.1%	5.4%	10.5%	21.7%	30.4%	21.5%
<i>Prudential % of Plan Assets in Stable Value as of 12/31/2019</i>	9.0%	8.2%	10.3%	14.8%	25.3%	41.4%	22.1%

Utilization by Fund as of June 30, 2020

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	\$111,144,438	21.5%	4,764	545
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$56,475,427	10.9%	2,523	85
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	\$44,635,586	8.6%	4,166	19
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$32,316,216	6.2%	4,186	5
DODGE & COX BALANCED FUND	\$31,685,127	6.1%	1,043	48
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$31,230,687	6.0%	4,077	9
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$28,043,136	5.4%	4,154	11
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$27,749,655	5.4%	569	228
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$25,844,281	5.0%	2,984	7
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$20,617,692	4.0%	602	248
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$19,946,703	3.9%	659	29
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$18,558,235	3.6%	3,405	0
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$13,185,004	2.5%	501	244
DODGE & COX INTERNATIONAL STOCK FUND	\$10,478,096	2.0%	1,821	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$9,325,436	1.8%	260	96
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$7,004,444	1.4%	1,692	1
FPA NEW INCOME FUND	\$6,551,319	1.3%	358	7
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$5,428,074	1.0%	1,718	6
CALVERT BOND FUND CLASS I	\$5,062,348	1.0%	1,426	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$4,440,646	0.9%	231	38
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$2,670,712	0.5%	312	186
PAX SUSTAINABLE ALLOCATION FUND INDIVIDUAL INVESTOR CLASS	\$2,464,496	0.5%	202	2
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$1,933,522	0.4%	575	2
SELF DIRECTED BROKERAGE ACCOUNT	\$585,889	0.1%	10	0
Total	\$517,377,171	100.0%		

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

Investment Utilization as of June 30, 2020



Due to rounding, bar graph may not equal 100%

GoalMaker® Participation

as of 6/30/2020

	9/30/2019	12/31/2019	3/31/2020	6/30/2020
Plan Assets for Participants in GoalMaker	\$48,423,804	\$54,924,726	\$52,085,946	\$60,655,804
# of Participants in GoalMaker	1,513	1,670	1,826	1,842
Participation Rate in GoalMaker	19.7%	21.5%	23.0%	23.3%
% of Plan Assets for GoalMaker Participants	9.5%	10.2%	11.4%	11.7%

Prudential Book of Business For Plans Offering GoalMaker – As of 12/31/2019

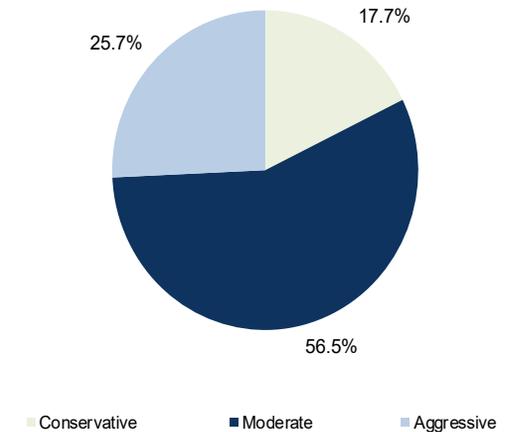
The participation rate in GoalMaker is 52.3%.

The percentage of plan assets for GoalMaker participants is 21.7%.

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	1	0	11	1	29	5	47
25-34	21	0	174	8	221	11	435
35-44	28	0	205	9	165	9	416
45-54	41	1	267	8	132	6	455
55-64	76	10	237	16	61	6	406
65+	20	12	28	14	7	2	83
Total	187	23	922	56	615	39	1,842

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$3,497	\$0	\$20,821	\$3,893	\$78,629	\$5,835	\$112,675
25-34	\$67,125	\$0	\$1,336,567	\$43,572	\$1,911,879	\$111,077	\$3,470,221
35-44	\$605,824	\$0	\$3,130,077	\$123,483	\$3,465,754	\$101,656	\$7,426,795
45-54	\$1,229,372	\$305,098	\$8,539,834	\$276,493	\$4,214,953	\$293,249	\$14,859,000
55-64	\$4,321,862	\$714,327	\$11,830,929	\$1,390,371	\$3,765,333	\$561,726	\$22,584,549
65+	\$1,679,422	\$1,835,859	\$3,907,046	\$3,682,278	\$789,874	\$308,086	\$12,202,564
Total	\$7,907,102	\$2,855,284	\$28,765,274	\$5,520,091	\$14,226,424	\$1,381,630	\$60,655,804

Percentage of Assets by GoalMaker® Participation Portfolio - As of 6/30/2020



1.5 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

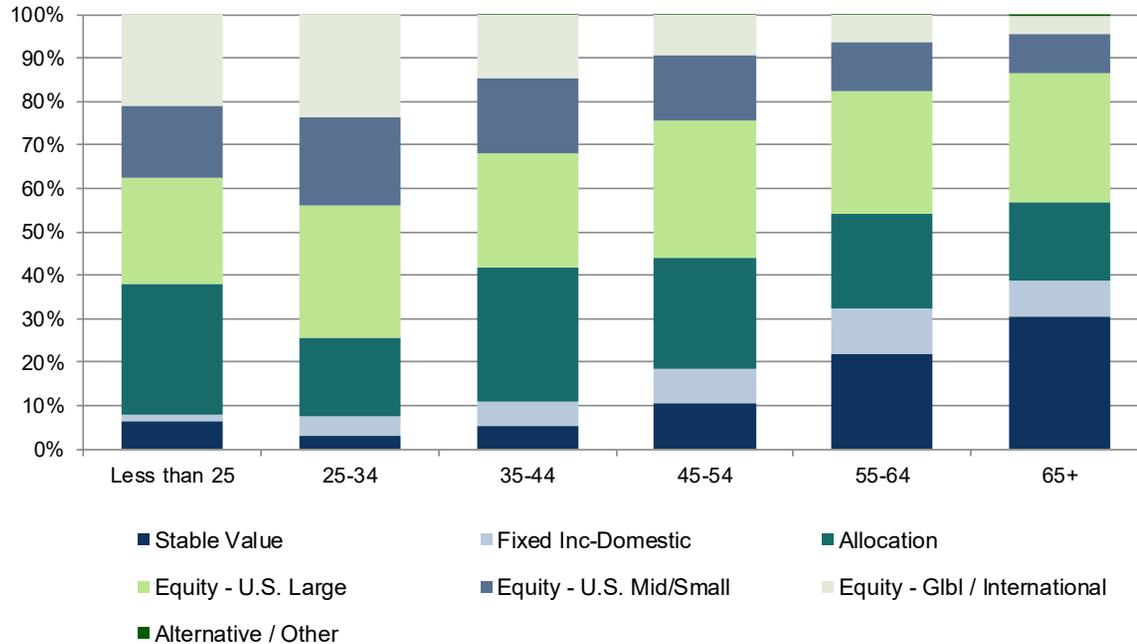
23.3%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

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

Asset Allocation by Age Group



As of June 30, 2020

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	\$14,399	\$285,866	\$1,901,686	\$10,509,266	\$37,369,175	\$61,064,046	\$111,144,438
Fixed Inc-Domestic	\$3,697	\$418,225	\$1,937,900	\$7,782,526	\$17,991,665	\$16,328,380	\$44,462,393
Allocation	\$69,614	\$1,695,390	\$10,718,409	\$25,920,228	\$37,589,741	\$36,145,385	\$112,138,768
Equity - U.S. Large	\$56,116	\$2,844,938	\$9,200,618	\$31,719,860	\$48,727,851	\$59,739,021	\$152,288,404
Equity - U.S. Mid/Small	\$37,589	\$1,886,391	\$6,029,826	\$14,991,172	\$19,184,918	\$18,229,456	\$60,359,352
Equity - Gbl / International	\$48,672	\$2,225,026	\$5,166,528	\$9,227,520	\$11,008,843	\$8,721,338	\$36,397,927
Alternative / Other	\$0	\$0	\$9,346	\$119,190	\$63,998	\$393,355	\$585,889
Total Assets	\$230,087	\$9,355,837	\$34,964,312	\$100,269,762	\$171,936,192	\$200,620,982	\$517,377,171
% of Assets	0.0%	1.8%	6.8%	19.4%	33.2%	38.8%	100.0%
Total Participants	80	987	1,376	1,877	2,017	1,563	7,900
Avg Account Balance	\$2,876	\$9,479	\$25,410	\$53,420	\$85,244	\$128,356	\$65,491

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

Rep Stats

	7/1/2019-9/30/2019	10/1/2019-12/31/2019	1/1/2020-3/31/2020	4/1/2020-6/30/2020	Total
Group Presentations	14	16	5	6	41
Individual Participant Meetings	351	448	544	407	1,750
New Enrollments as a result of Group/Individual Meeting*	90	122	110	18	340
GoalMaker as a result of Group/Individual Meeting*	115	156	156	27	454
Contribution Rate Increases	109	118	210	62	499
Number of Rollovers	37	19	22	8	86
Rollover Dollars	\$1,320,547	\$995,528	\$625,811	\$317,219	\$3,259,105

*Enrollments above obtained by TDA Education Representatives

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 6/30/2020	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	\$2,917,036	143	
	PIMCO Total Return ESG Institutional	PTSAX	\$5,028,105	1193	
	Pax Global Environmental Mkts Instl	PGINX	\$191,249	51	
940020 - State Defined Contribution					
	Pax Global Environmental Mkts Instl	PGINX	\$184,074	5	
	PIMCO Total Return ESG Institutional	PTSAX	\$489,278	14	
940030 - Muni Defined Contribution					
	Pax Global Environmental Mkts Instl	PGINX	\$3,042	1	
940050 - 457b Plan					
	Pax Balanced Individual Investor	PAXWX	\$2,464,496	202	
	PIMCO Total Return ESG Institutional	PTSAX	\$7,004,444	1692	
	Vanguard FTSE Social Index I	VFTNX	\$19,946,703	659	
	Pax Global Environmental Mkts Instl	PGINX	\$1,933,522	575	

**State of Vermont ICMA-RC Stable Income fund Performance Reporting
As of 6/30/2020**

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	6/30/2020	
1 MONTH	0.20%	0.01%
3 MONTH	0.60%	0.02%
YTD	1.23%	0.60%
1 YEAR	2.55%	1.63%
3 YEAR	2.48%	1.77%
5 YEAR	2.35%	1.19%
SINCE INCEPTION	2.51%	N/A

*returns for periods greater than one year are annualized.

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.

© 2020 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 12/31/2019.

Section II: Economic Outlook



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

QUARTERLY ECONOMIC REVIEW AND OUTLOOK

Based upon economic data for May and June, the recession ended in April and a new business expansion cycle is underway. Employment, retail sales, and construction are in a cyclical uptrend that could gain momentum in coming months. However, the strength and sustainability of the economic recovery will remain in doubt until the coronavirus pandemic is brought under control or until an effective vaccine is available for mass inoculation. The resurgence in new cases and hospitalizations in the south and west in recent weeks is worrisome and could result in renewed partial lockdowns in certain regional hot spots.

Summary and Major Conclusions:

- The plunge in second quarter US GDP was the largest contraction for any quarter since the 1930s, with an estimated annualized decline in real GDP of 33%. This compares with a decline of 8.5% in the fourth quarter of 2008, and the post-World War II record of 10% in the first quarter of 1958.
- The contraction in aggregate spending, output, and employment can be attributed to the COVID-19 pandemic, which prompted a lockdown of virtually all economies worldwide. The pandemic ended the longest economic expansion in US history.
- The sudden halt to economic growth has been highly deflationary, with selling prices in decline in each of the past several months. The core consumer price index plunged at a 1.5% annual rate over the past three months, the worst decline on record.
- The recession ended in April, and data for May and June suggest that a moderate economic recovery is underway. The COVID-19 recession was the deepest but also the shortest recession since the Civil War, encompassing only two months.
- There is a wide range of data signaling a rebound in economic activity in May and June. Most encouraging is broad evidence of a cyclical rebound in the housing market. Every economic recovery since 1950 has been led by the housing sector, with the obvious exception of the 2009 recovery.
- Other signs of improvement can be found in May data on automobile sales, chain store sales, and household income. Nonfarm payrolls increased by a surprisingly large 2.5 million workers and the unemployment rate fell to 13.3%.
- That said, there are growing risks to the outlook as this report goes to print. The recent resurgence in new COVID-19 infections and hospitalizations — mainly in the west, southwest, and deep south — could threaten the currently in-process economic recovery if strict social distancing practices need to be reinstated.
- The assumptions for my economic forecast have not changed, although these could be at risk, depending upon the severity of the coronavirus outbreak in coming weeks. Any backsliding in terms of keeping an open economy will be reflected in disappointing economic and profit data.
- My forecast assumes a decline in real GDP of 5% this year, followed by growth rates of 4.5% in both 2021 and 2022. The absolute level of real GDP is not likely to return to its pre-coronavirus peak until the second half of 2022.

- Corporate earnings tend to closely track GDP and should therefore rise and fall along with the economy. Operating earnings could decline by 30% for all of 2020, but rebound by 25% next year and another 20% in 2022.
- Consumer inflation will likely remain suppressed until late 2022 or 2023. Following an estimated 1% increase this year, core consumer prices could rise by 1.5% in 2021 and 2% in 2022. Faster inflation is possible in 2023, depending upon the thrust of monetary policy in 2021.
- My conviction in a sustained business expansion cycle rests upon several key factors, including unprecedented monetary and fiscal stimulus, improving credit conditions, and massive pent-up consumer demand, following three months of lockdown.
- There can be little doubt regarding the resolve of the Federal Reserve. Additional fiscal support from Congress and the White House is also likely but far from certain. With funds from previous spending programs winding down, the sustainability of the recovery is critically dependent upon further government spending.
- Governments outside the US have responded to the crisis with breathtaking speed. The amounts of fiscal stimulus authorized by policymakers in Germany and Japan are triple those provided in response to the 2008 financial crisis. Monetary stimulus in Europe, China, and Japan has also been aggressive.
- The unanticipated revival in coronavirus cases in the final weeks of June both regionally and nationwide is worrisome. The blatant disregard for wearing protective masks and practicing social distancing evident in many states as they reopen is a clear and present danger to the economic recovery.
- The primary risk to my economic forecast is the potential for a worse than expected second wave of the pandemic in the fall and winter months. My assumption is that the outbreak of new infections will be regional, rather than nationwide, and is unlikely to reach dangerous levels.
- I also assume that policymakers will be extremely reluctant to order another nationwide lockdown. As a result, although a second wave would almost certainly have a negative economic effect, another economic downturn appears unlikely.
- In the positive column, the pace of medical research and development has been unprecedented. There are numerous vaccines in advanced clinical trials, and one or more could be approved by yearend and be available for inoculations on a mass scale during the first half of next year.
- Widespread availability of an effective vaccine would be a game changer, and could trigger a V-shaped economic recovery in 2022. Availability of a therapeutic would also facilitate a faster pace of economic recovery. Absent powerful new medications, the economic recovery is likely to be sluggish and uneven, and constantly at risk.

Note to Readers: *As this report goes to print, the coronavirus epidemic is at a crucial juncture. The US appears to be in the early stages of an untimely resurgence of COVID-19 cases and hospitalizations in more than two dozen southern and western states, raising the risk of renewed lockdowns and quarantines. Consequently, the future path of the coronavirus epidemic in the US is becoming increasingly uncertain, with obvious associated risks to the fragile and tentative economic recovery currently underway. The upshot is that the actual path of the economy during the remainder of this year could vary substantially from current forecasts, depending upon the unfolding of public health trends over the next several weeks.*

ECONOMIC REVIEW

The plunge in second quarter US GDP was the largest since the 1930s, with an annualized decline of 33%. This compares with a decline of 8.5% in the fourth quarter of 2008 and a post-World War II record of 10% in the first quarter of 1958. The level of real GDP in Q2 is nearly 10% below that of 2019, and the lowest level since 2015.

The unemployment rate spiked from a 50-year low of 3.5% in February to a post-war peak of 14.7%, improving slightly to 13.3% in May and an estimated 12% in June. US corporate earnings fell at an annual rate of 30% in the quarter, the worst quarterly decline since 2008.

Global Pandemic: The collapse in aggregate spending, output, and employment can be attributed to the COVID-19 pandemic, which prompted a lockdown of virtually all economies worldwide. In the US, businesses shut down in response to a collapse in consumer demand, as shelter-in-place orders issued by most states across the country resulted in economic paralysis. The pandemic ended the longest economic expansion in American history.

Public Health Conditions: The second quarter witnessed rapidly unfolding developments in the public health arena during the second quarter. Although the numbers of new cases, hospitalizations, and fatalities have been steadily declining since April, the most recent data are discouraging in two respects:

- The steady decline in new infections since April has been extremely disappointing when compared with Europe and Japan, where new cases have declined precipitously, a result of vigilant sheltering in place along with aggressive testing and contact tracing.
- At the regional level, new cases and hospitalizations have spiked in more than 20 southern and western states, most notably Arizona, California, Florida, Arkansas, North and South Carolina, Tennessee, Texas, Nevada, Alabama, and Oklahoma (see chart 1).

Chart 1: Exponential Rise in COVID-19 Cases in Arizona
Confirmed Coronavirus Cases, State of Arizona
Source: Johns Hopkins University

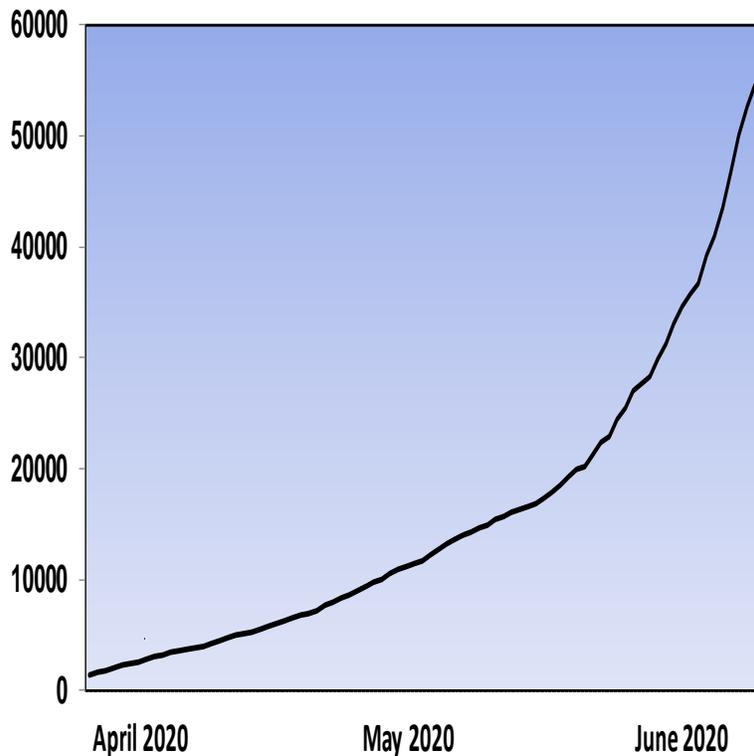
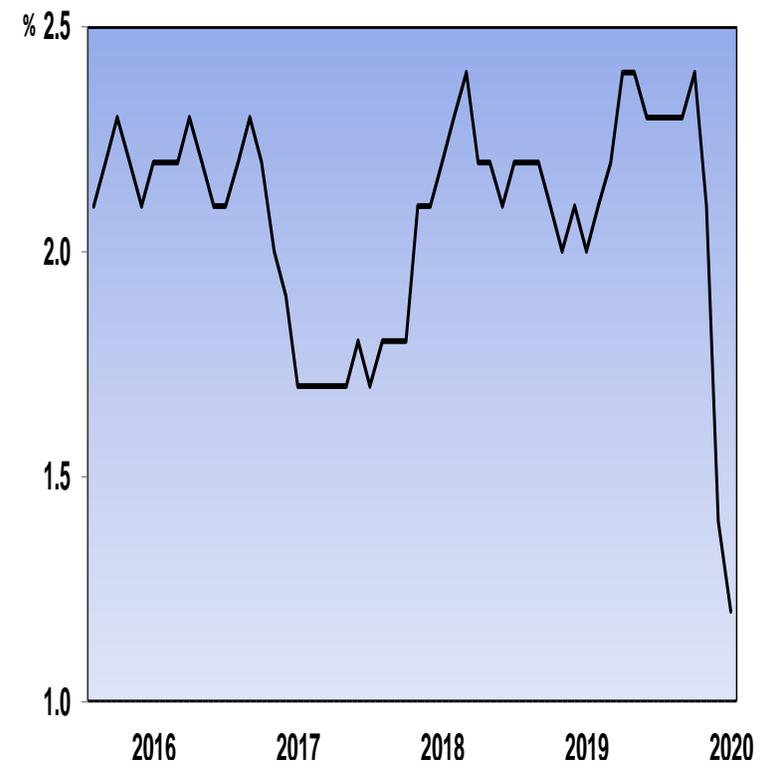


Chart 2: US Consumer Inflation Falling at a Record Pace
Core Consumer Price Index, Annual % Change
Source: Bureau of Labor Statistics



The offsetting good news has been concrete progress in the development of an effective vaccine at an unprecedented pace. However, the recent unfavorable trends pertaining to new cases and accelerating transmission are worrisome, and in the worst case could undermine the economic recovery, at least until there is a vaccine for mass distribution.

Deflationary Pressures: As would be expected, the collapse in economic activity was highly deflationary, with selling prices actually in decline over the past several months. The core consumer price index (CPI) **plunged** at a 1.5% annual rate over the three months ending in April, the worst decline on record. The core CPI ended the quarter at a level only 1% above that of a year ago, the lowest annual pace in nearly a decade (see chart 2).

ECONOMIC OUTLOOK

The recession ended in April, and data for May and June suggest that a moderate and uneven economic recovery is underway. The COVID-19 recession was the deepest but also the shortest recession since the Civil War. Just as the catalyst for the recession was a voluntary shutdown of the economy by state government mandates, the catalyst for the recovery is the staggered reopening of the economy on a state-by-state basis and in several phases.

Chart 3: Residential Housing Market on a Solid Recovery Path
Monthly Index of Homebuilder Sentiment
Source: The National Association of Home Builders

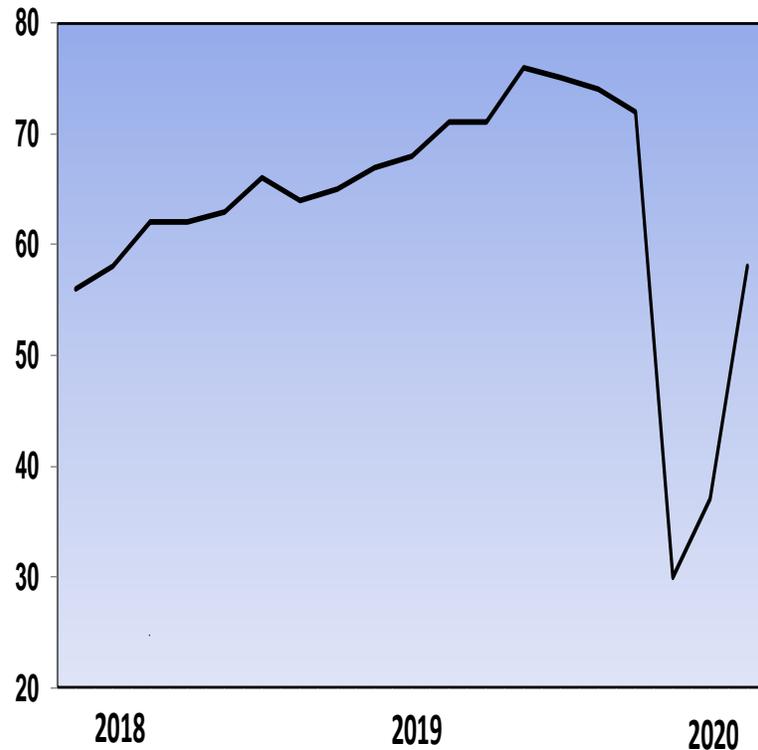
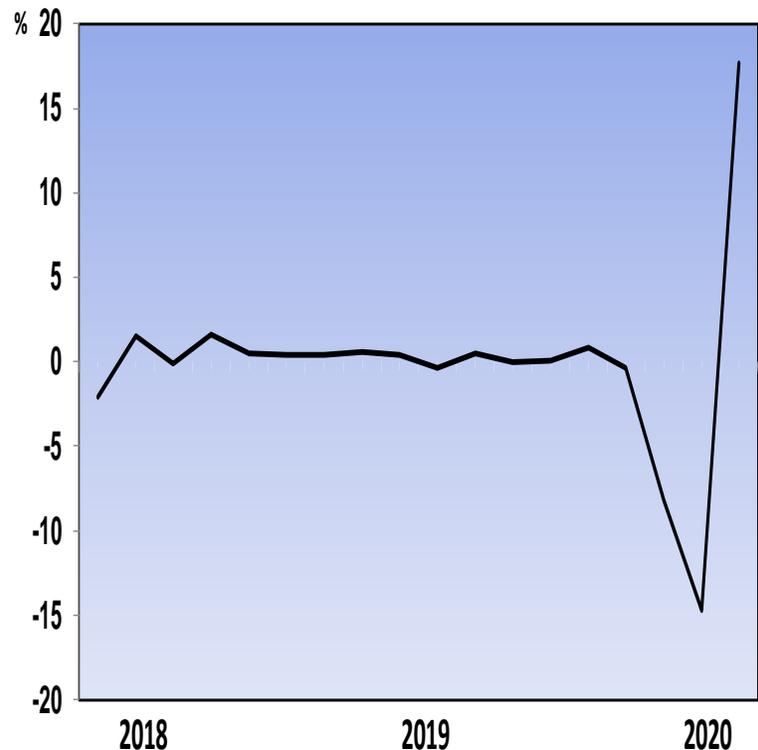


Chart 4: US Consumer Spending Rebounded Strongly in May
US Retail Sales, Month-to-Month % Change
Source: US Census Bureau



Signs of Recovery: There is a wide range of data signaling the rebound in economic activity in May and June.

- Most encouraging is evidence of a solid rebound in the housing market. Applications for mortgage loans are in a steady rise, while sales of newly built homes in May were actually higher than those of May 2019. *Every economic recovery since 1950 has been led by the housing sector, with the obvious exception of 2009* (see chart 3).
- Automobile sales rose by more than 40% in May versus the previous month.
- Nonfarm payrolls increased by a surprising 2.5 million in May.
- Despite an 8% month-to-month decline in wages and salaries in May, household income rose by 10%, supported by a \$3 trillion increase in government transfer payments.
- Monthly retail sales in May increased at a record 17% rate versus the previous month, the fastest monthly rate on record (see chart 4).

Chart 5: Restaurants Are in a Slow Recovery Mode
The Year-Over-Year % Decline in Seated Diners
Source: Open Table

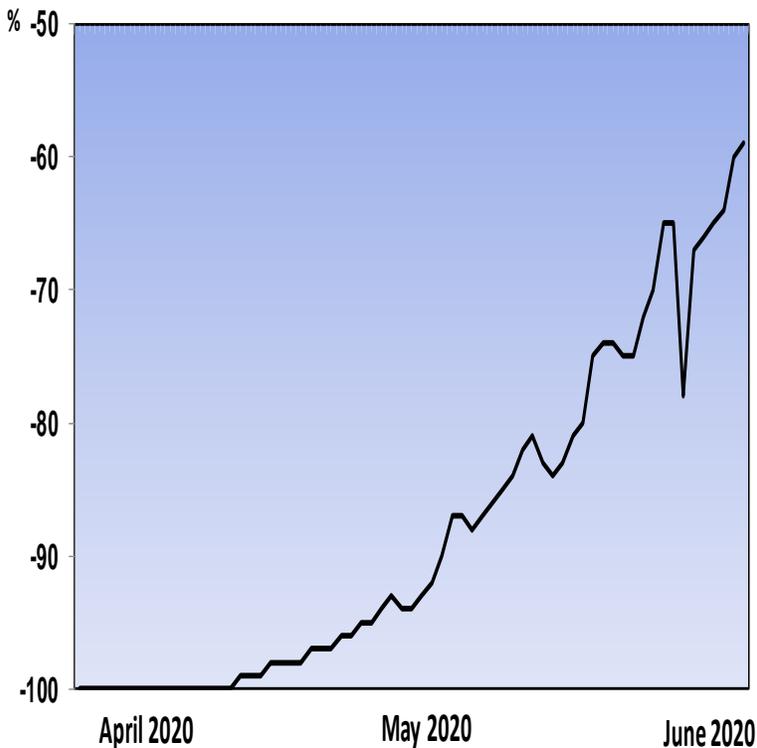
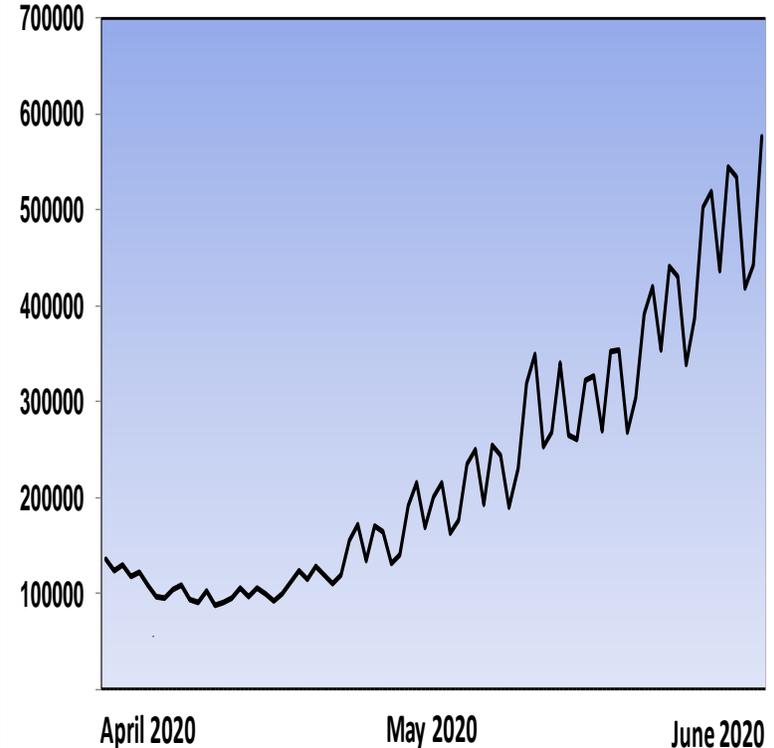


Chart 6: Airline Bookings in a Very Gradual Uptrend
US TSA Checkpoint Number of Travelers
Source: Transportation Security Administration

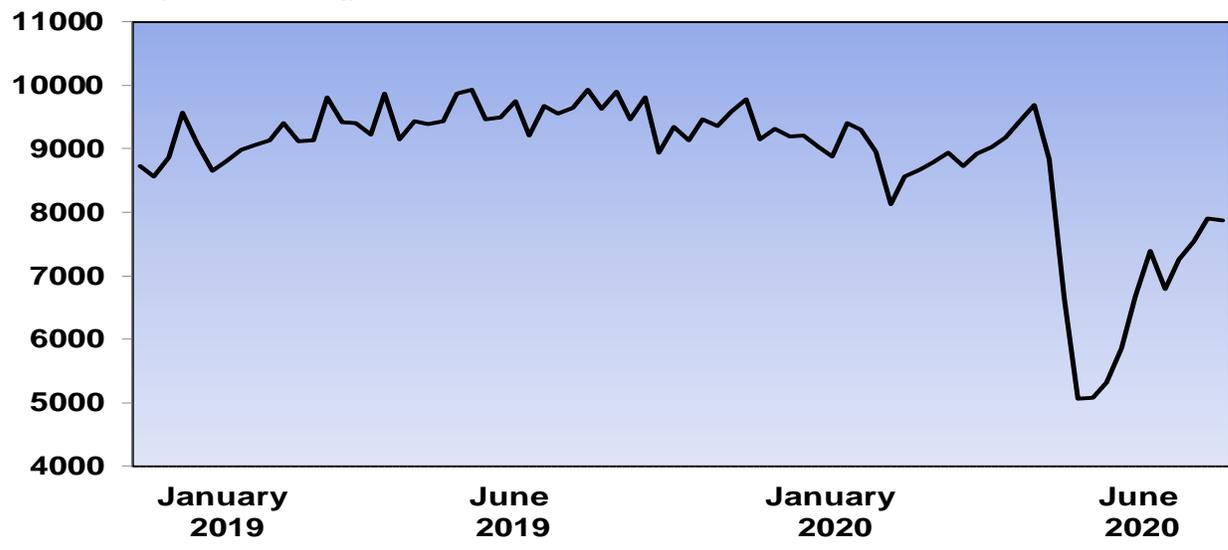


- Restaurant sales have increased from deeply depressed levels (see chart 5).
- Similarly, airline bookings are increasing from deeply depressed levels (see chart 6).
- Domestic gasoline consumption has rebounded by 40% from its April low (see chart 7).
- Rail container and trailer loadings have also bounced off their April bottoms.
- Average hotel occupancy rates have risen from a low of 10% to 51%.

ECONOMIC FORECAST

The underlying assumptions for my economic forecast have not changed. I believe that the demand side of the economy bottomed in April, while production bottomed in May. Virtually all key indicators should show sequential growth in June, continuing throughout the second half of this year. The details of my forecast can be summarized as follows:

Chart 7: Rising Gasoline Demand Signals Recovery in Miles Driven
US Gasoline Consumption, Thousands of Barrels Per Day
Source: US Department of Energy



- Real GDP could decline by 5% for all of 2020, followed by rebounds of 4% to 5% in both 2021 and 2022. The absolute level of real GDP is not likely to return to its 2019 all-time peak of \$19.22 until the second half of 2022.
- A sustained recovery in the US economy should be evident in quarterly GDP data. Following its record decline in Q2, real GDP should rebound strongly in Q3 and somewhat less so in Q4. My forecast assumes annualized GDP growth of 18% to 20% in Q3 and 5% to 10% in Q4.
- Residential construction should be the leading edge of recovery in 2021 and 2022. New housing starts could rise to 1.5 million units next year and climb to 1.85 million in 2022, the highest level in nearly 15 years, led by the single-family segment.
- Automobile sales should also be at the forefront of the recovery. Following an estimated decline of 20% this year, vehicle sales could rise by 25% in 2021 and another 15% in 2022.
- Nonfarm payrolls could rise by an average monthly rate of 200,000 in 2021 and 350,000 in 2022. Currently at 13.3%, the unemployment rate could fall to 9.5% at the end of this year and to 7.5% by yearend 2021. A return to full employment, estimated at 5%, is unlikely until 2024.
- Consumer inflation will likely remain suppressed until late 2022 or 2023. Following an estimated 1% pace this year, core consumer inflation could rise to 1.5% in 2021 and 2% in 2022. Faster inflation is possible in 2023, depending upon the thrust of monetary policy in 2021.

Chart 8: US Money Supply Expanding at a Record Pace
The M2 Money Supply, Annual % Growth
Source: Federal Reserve



- Corporate earnings closely track GDP and industrial production, and should therefore rise and fall along with the economy. Operating earnings could decline by close to 30% for all of 2020, but rebound by 25% next year. A further gain of 20% appears likely in 2022.
- For the companies in the S&P 500, my forecast assumes earnings per share (EPS) of \$115 this year, down from \$163 in 2019. I expect EPS to rise to \$145 and \$175 in 2021 and 2022, respectively.

It must be emphasized that any forecast for the economy over the next six to nine months must be viewed by necessity as very fragile and fluid. The resurgence in confirmed coronavirus cases in recent weeks is a major threat to economic growth because of the increased potential for partial shutdowns in regional hot spots. At a minimum, investors should not expect the economy to recover in a straight line over the next year, but rather in fits and starts. Investors should also be prepared for downgrades to company earnings expectations, depending upon the news on COVID-19.

CRITICAL ECONOMIC VARIABLES

The direction of financial markets over the next year ultimately depends upon the outlook for growth in US GDP and corporate earnings. There is no change in my base case scenario that the recession ended in April and that a U-shaped recovery is underway. My conviction in a sustained economic expansion rests upon the following key factors:

- ◆ **Monetary Policy:** Fed Chairman Jerome Powell has made it clear that policy will continue to support the economy and financial system with whatever tools necessary. The M2 money supply is currently growing at an annualized rate of nearly 25%, the fastest pace on record (see chart 8).

Chart 9: Home Mortgage Commitment Rates at an All-Time Low
Interest Rate on Residential Real Estate Loans
Conventional 30-Year Fixed-Rate Loan
Source: Freddie Mac

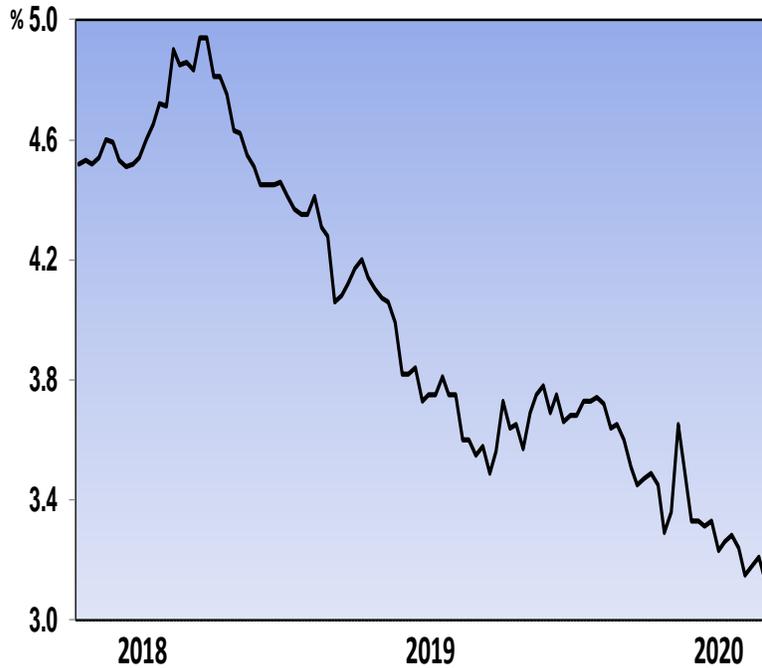
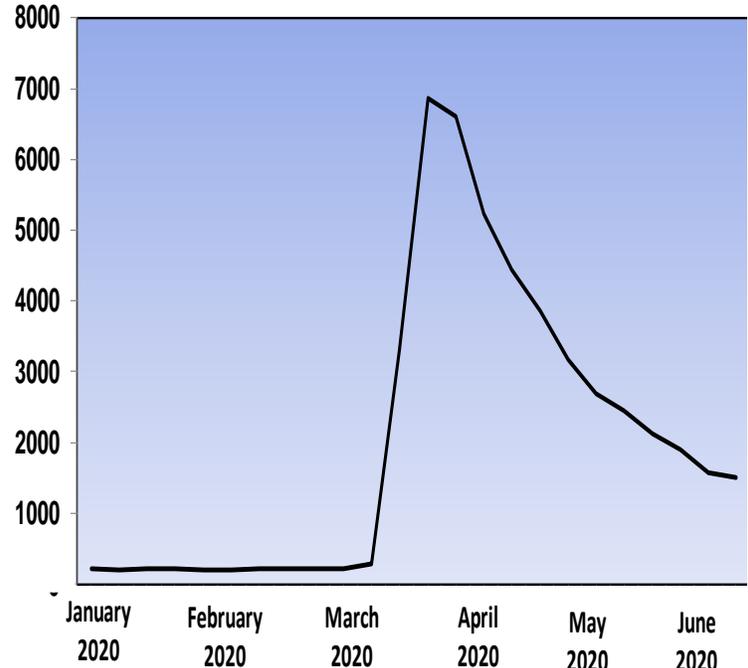


Chart 10: US Labor Market Depressed But Slowly Healing
Weekly Initial Claims for Unemployment Insurance
Thousands of Workers
Source: US Labor Department



- ◆ Fiscal Policy: Congress and the Treasury have responded aggressively to the crisis with massive spending programs exceeding \$3 trillion in the form of greatly expanded unemployment benefits, generous payments to households, and grants to small and medium-sized businesses. But additional spending is needed: *With funds from previous spending programs winding down, the sustainability of the recovery is critically dependent upon further government spending.*
- ◆ Credit Markets: The availability of credit for businesses and households remains plentiful, thanks to the extraordinary policy support of the Federal Reserve. The amount of corporate bond issuance has shattered all records. Mortgage rates have declined to an all-time low of 3.1% (see chart 9).
- ◆ Non-US Governments: Major governments worldwide have responded to the crisis with breathtaking speed. The amounts of fiscal stimulus authorized by policymakers in Germany and Japan are **triple** those provided in response to the 2008 financial crisis. Monetary stimulus in Europe, China, and Japan has also been aggressive.
- ◆ Employment: The surge in job losses peaked in April, as did the unemployment rate. Nonfarm payrolls rose by 2.5 million in May and should continue to trend higher in coming months, as temporarily furloughed workers return to their jobs. Initial jobless claims remain elevated but are in a slowly improving trend (see chart 10).

- ◆ Household Income: Although wage and salary income has declined, total household income rose sharply in April and May as a result of massive federal government transfer payments to households.
- ◆ Pent-Up Demand: The sharp pullback in household spending has resulted in considerable deferred demand accumulated during the lockdown, which could be unleashed in coming months as employment, incomes, and confidence improve. The personal savings rate is at an all-time high of 33%, more than **double** the previous high in 1975.

COVID-19 Risks: While recent economic data have been encouraging, the future direction of the US economy remains heavily dependent upon developments relating to the coronavirus pandemic. In that regard, the rapid pace of business reopenings in recent weeks has ignited a sharp upturn in infections. There are four crucial considerations with respect to the pandemic:

- Regional Resurgence: The revival in confirmed cases in the second half of June both regionally and nationwide cannot be easily dismissed. Most worrisome is the blatant disregard for wearing protective masks and practicing social distancing that has characterized the reopening of the economy, most notably in the south and southwest.
- Second Wave: Another risk to my economic forecast is the potential for a large second wave of the pandemic in the fall and winter months. My forecast assumes that the outbreak of new infections later this year will be regional, rather than nationwide, and not of catastrophic magnitude.
- Nationwide Lockdown Unlikely: I am also assuming that policymakers will be extremely reluctant to order another nationwide lockdown, which means that outbreaks will be dealt with by the private sector — comparable to Apple’s decision to close stores in Arizona and Florida — and through targeted interventions by state and local authorities. Although a second wave would clearly have a negative impact on business conditions, a severe downturn in the economy appears unlikely.
- Scientific Innovation: In the positive column, the pace of medical research and development is unprecedented. There are numerous vaccines in advanced clinical trials, and one or more could be approved by yearend, with inoculations on a mass scale beginning early next year. Availability of one or more coronavirus therapeutics would also increase private sector confidence and result in a faster pace of economic recovery.

Until the arrival of inventive medications, the US economy will continue to operate well below full employment, with only moderate growth in spending and output.



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 U.S. Treasury Inflation-Protected Securities (TIPS) Index: Measures the performance of rules based, market value-weighted inflation protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

CBOE Volatility Index: An index of implied equity market volatility, reflecting the market estimate of future volatility for the S&P 500 Stock Index over the next 30 days, using options.

MSCI Emerging Market Index: An index of equity market performance for developing markets, primarily in Asia, Latin America, and Eastern Europe. The index tracks both large-cap and small-cap stocks and is weighted by market capitalization.

MSCI World Ex US Index: Measures the performance of the large and mid-cap segments of world, excluding US equity securities. It is free float-adjusted market-capitalization weighted.

Russell 2000 Small-Cap Index: Is an index measuring the performance of approximately 2,000 small-cap companies within the United States.

S&P 500® Index: The S&P 500 or Standard & Poor's 500 Index® is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

S&P 500 Equal Weight Index (EWI) 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.

Value Line Index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

State Street Investor Confidence Index: measures investor confidence or risk appetite quantitatively by compiling actual buying and selling patterns of institutional investors.

US Trade-Weighted Dollar Index: An index that measures the value of the US dollar in relationship with other currencies, statistically weighted on the basis of importance to the US as trading partners.

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.

©2020 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.



280 Trumbull Street
Hartford, CT 06103