



PLAN SUMMARY

Vermont Deferred Compensation Plan 940050

As Of: June 30, 2023

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

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Table of Contents

Section I	Plan Summary
Section II	Economic Outlook

Section I Plan Summary



PLAN SUMMARY AND BENCHMARK TRENDS



Historical Plan Statistics

	7/1/2019 - 6/30/2020	7/1/2020 - 6/30/2021	7/1/2021 - 6/30/2022	7/1/2022 - 6/30/2023
Total Participants Balances	\$517,377,171	\$661,110,673	\$571,936,931	\$632,097,789
Contributions*	\$28,002,142	\$28,775,492	\$32,950,738	\$32,738,160
Distributions*	(\$31,854,668)	(\$29,061,689)	(\$40,058,304)	(\$35,749,943)
Cash Flow	(\$3,852,527)	(\$286,197)	(\$7,107,566)	(\$3,011,783)
Market Value Gain / Loss**	\$19,733,119	\$146,639,424	(\$78,431,367)	\$67,284,012
Account Balances				
Average Participant Balance	\$65,507	\$82,402	\$68,941	\$74,172
National Average Benchmark***	\$102,586	\$103,108	\$110,278	\$116,541
Participation / Deferrals				
Participation Rate	83.4%	82.2%	89.2%	86.7%
National Average Benchmark***	79.2%	78.9%	79.0%	79.7%
Total Participants with a Balance	7,898	8,023	8,296	8,522
Asset Allocation				
% of Plan Assets in Stable Value	21.5%	17.4%	20.3%	18.6%
<i>Book of Business % of Plan Assets in Stable Value</i>	22.1%	20.7%	18.3%	21.9%
% of Plan Assets for GoalMaker Participants	11.7%	13.5%	15.5%	17.3%
Participation Rate in GoalMaker	23.3%	26.4%	29.0%	30.4%
Number of Participants in GoalMaker	1,842	2,125	2,413	2,597
Number of Participants in One Fund	1,821	1,846	2,018	2,218
Number of Participants in Four or More Funds	4,720	4,881	5,023	5,104
Distributions				
Number of Distributions*	3,715	3,218	3,780	3,827
Termination	\$23,916,734	\$21,061,869	\$29,517,537	\$26,128,096
Hardship	\$76,978	\$18,727	\$4,122	\$127,614
In Service	\$289,356	\$22,006	\$126,752	\$393,831
Coronavirus-Related Withdrawal	\$354,182	\$697,206	\$0	\$0
Amount of Distributions	\$31,854,668	\$29,061,689	\$40,058,304	\$35,749,943
Amount of Distributions Representing Rollovers	\$20,837,020	\$17,959,387	\$26,812,319	\$22,088,058
% of Assets Distributed*	6.2%	4.4%	7.0%	5.7%

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

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

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

Plan Summary

Plan Demographics Summary

	1/1/2022-6/30/2022	1/1/2023-6/30/2023
Total Participants*	8,296	8,522
Active Participants	5,448	5,621
Terminated Participants	2,826	2,878
Other Participants**	1	1
Multiple Status Participants***	21	22
Average Participant Balance	\$68,941	\$74,172
Average Account Balance for Active Participants	\$53,081	\$58,164
Median Participant Balance	\$24,089	\$26,105
Median Participant Balance for Active Participants	\$18,663	\$21,477
Participants Age 50 and Over	4,786	4,864
Total Assets for Participants Age 50 and Over	\$480,871,852	\$526,486,282
Total (Contributions + Rollovers In)	\$16,897,771	\$16,469,030
Employee Contributions	\$14,773,771	\$14,974,953
Rollovers In	\$2,124,000	\$1,494,077
Total Distributions	(\$20,619,019)	(\$18,285,289)
Percentage of Assets Distributed	3.6%	2.9%
Market Value Gain / Loss****	(\$83,328,493)	\$63,471,195
Total Participant Balances	\$571,936,931	\$632,097,789

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

**Participant(s) who are not active, terminated or suspended, but have an account balance greater than \$0 (e.g. break-in-service, rehire, etc.).

*** Participant(s) with an account balance greater than \$0 in more than one participant status category (e.g. Active status in one subplan but Terminated status in another subplan).

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

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

Plan Summary

Plan Features

GoalMaker	6/30/2022	6/30/2023
Plan Assets for Participants in GoalMaker	\$88,557,831	\$109,375,270
% of Plan Assets for GoalMaker Participants	15.5%	17.3%
# of Participants in GoalMaker	2,413	2,597
Participation Rate in GoalMaker	29.0%	30.4%
Book of Business % of Participants in GoalMaker - As of 12/31/2022	56.0%	

Roth	6/30/2022	6/30/2023
Roth Assets	\$23,427,764	\$31,011,600
# of Participants in Roth	1,961	2,137
Participation Rate in Roth	23.6%	25.1%
Book of Business % of Participants in Roth - As of 12/31/2022	16.5%	

Stable Value	6/30/2022	6/30/2023
Participation Rate in Stable Value	57.4%	56.1%
% of Plan Assets in Stable Value	20.3%	18.6%
Book of Business % of Plan Assets in Stable Value - As of 12/31/2022	21.9%	

eDelivery	6/30/2022	6/30/2023
# of Participants Enrolled in eDelivery	4,740	4,896
# of Participants Affirmatively Elected eDelivery	4,722	4,880
# of Participants Defaulted into eDelivery	18	16
% of Participants in eDelivery	56.7%	56.9%
Book of Business % of Participants in eDelivery - As of 12/31/2022	56.0%	

Enrollment by Age Group

1/1/2023-6/30/2023								
	Less than 25	25-34	35-44	45-54	55-64	65+	Unknown	Grand Total
Total	34	99	67	47	36	3	9	295

Participant Activity

Call Center	1/1/2022 - 6/30/2022	1/1/2023 - 6/30/2023
Total Call Volume	1,182	1,092

Transaction Summary

Transactions	1/1/2022 - 6/30/2022	1/1/2023 - 6/30/2023
Total Enrollees*	277	295
Number of Participants with Transfers	2,774	2,881
Distributions	1,805	1,771

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

eDelivery by Document Type	6/30/2022	6/30/2023
Statements	4,629	4,782
Confirms	4,722	4,875
Tax Forms	4,632	4,776
Plan Related Documents	4,855	4,855

Benchmark Trends – Plan Features

<u>Plan Features</u>	<u>Your Plan</u>	<u>Book of Business</u>	<u>Industry Average*</u>	<u>Plan Sponsor Survey 2021**</u>	<u>Plan Sponsor Survey 2022***</u>
Auto Enrollment (Administered through Empower)	N/A	57.7%	25.8%	49.1%	43.2%
Auto Enrollment Default Rate	N/A	3% (40.4% of Plans)	14.3%	36.0%	37.5%
Contribution Accelerator (Administered through Empower)	N/A	60.5%	35.5%	42.3%	39.3%
GoalMaker®	Yes	60.4%	N/A	N/A	N/A
Investment Options	24.0	13.5	20.2	22.7	22.3
IncomeFlex®	N/A	27.5%	27.8%	11.1%	7.0%
Loans	N/A	62.5%	64.5%	80.5%	79.7%
Plan Allows Roth	Yes	35.7%	62.1%	81.1%	75.9%
Plan Allows Catch-Up Contributions (Administered through Empower)	Yes	45.8%	N/A	N/A	N/A
Default eDelivery	No	N/A	N/A	N/A	N/A

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Book of Business averages are as of 12/31/2022

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

*Annual Survey, 2022 (Industry Specific Results) – Government Municipal

**2021 Annual Survey, 2021 (Overall)

***2022 Annual Survey, 2022 (Overall)

Benchmark Trends – Participant Behavior

<u>Plan Features</u>	<u>Your Plan</u>	<u>Book of Business</u>	<u>Industry Average*</u>	<u>Plan Sponsor Survey 2021**</u>	<u>Plan Sponsor Survey 2022***</u>
Participation Rate	84.5%	69.0%	74.0%	79.0%	77.9%
Average Contribution Rate (%)	N/A	7.7%	7.6%	7.5%	7.3%
Average Account Balance	\$74,172	\$72,964	\$107,090	\$110,278	\$116,541
Median Account Balance	\$26,105	\$69,065	\$98,000	\$83,441	\$89,421
% of Plan Assets in Stable Value	18.6%	21.9%	N/A	N/A	N/A
% of Plan Assets in Day One Funds	N/A	1.4%	N/A	N/A	N/A
Average # of Funds Held	5.1	5.4	5.8	5.0	5.0
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.3%	N/A	N/A	N/A
% of Participants Utilizing GoalMaker®	30.4%	56.0%	N/A	N/A	N/A
% of Participants have Outstanding Active Loans	N/A	10.3%	11.1%	12.8%	11.6%
Average Loan Balance	N/A	\$8,143	\$8,068	\$10,709	\$10,368
% of Participants Utilizing eDelivery	56.9%	56.0%	N/A	N/A	N/A

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Book of Business averages are as of 12/31/2022

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

*Annual Survey, 2022 (Industry Specific Results) – Government Municipal

**2021 Annual Survey, 2021 (Overall)

***2022 Annual Survey, 2022 (Overall)

Plan Summary

Asset Allocation/Net Activity By Age

January 1, 2023 to June 30, 2023

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$454,081	\$14,846,930	\$49,400,412	\$111,863,755	\$191,253,171	\$264,279,439	\$632,097,789
% Assets	0.1%	2.3%	7.8%	17.7%	30.3%	41.8%	100.0%
Average Contribution Rate (\$)	\$0	\$0	\$62	\$204	\$226	\$495	\$241
<i>Book of Business Avg. Contribution Rate (%) as of 12/31/2022</i>	5.2%	6.2%	7.1%	8.1%	9.6%	11.0%	7.7%
Contributions	\$191,958	\$1,761,378	\$2,990,015	\$4,174,139	\$4,836,185	\$1,021,277	\$14,974,953
Rollovers In*	\$229	\$190,779	\$600,838	\$536,948	\$52,064	\$113,220	\$1,494,077
Total (Contributions + Rollovers In)	\$192,187	\$1,952,157	\$3,590,853	\$4,711,086	\$4,888,249	\$1,134,497	\$16,469,030
Cash Distributions	(\$562)	(\$45,706)	(\$306,089)	(\$633,518)	(\$1,627,905)	(\$3,290,819)	(\$5,904,598)
Rollovers Out	\$0	(\$117,576)	(\$667,532)	(\$1,137,292)	(\$4,920,696)	(\$5,537,595)	(\$12,380,691)
Total (Cash Distributions + Rollovers Out)	(\$562)	(\$163,281)	(\$973,620)	(\$1,770,810)	(\$6,548,601)	(\$8,828,414)	(\$18,285,289)
Net Activity	\$191,625	\$1,788,876	\$2,617,233	\$2,940,276	(\$1,660,352)	(\$7,693,917)	(\$1,816,260)
Total Participants**	118	1,123	1,608	1,855	2,003	1,819	8,526
Average Account Balance	\$3,848	\$13,221	\$30,722	\$60,304	\$95,483	\$145,288	\$74,138
<i>Book of Business Avg. Account Balance as of 12/31/2022</i>	\$3,440	\$15,672	\$43,688	\$86,397	\$126,474	\$130,782	\$72,964
Median Account Balance	\$1,873	\$6,567	\$14,447	\$26,698	\$46,348	\$69,878	\$26,105
<i>Book of Business Median Account Balance as of 12/31/2022</i>	\$3,501	\$11,330	\$28,895	\$49,702	\$73,040	\$106,715	\$69,065

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

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



RETIREMENT READINESS



Plan Summary

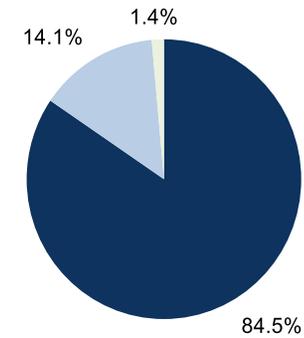
Participation Rate

	1/1/2022-6/30/2022	1/1/2023-6/30/2023
Total Eligible To Contribute Population	5,638	5,816
Contributing (A)	4,915	4,914
Enrolled Not Contributing (B)	618	819
Eligible Not Enrolled (C)	105	83

	1/1/2022-6/30/2022	1/1/2023-6/30/2023
Participation Rate *	87.2%	84.5%
<i>Book of Business 12/31/2022</i>	69.0%	
<i>Plan Sponsor Survey 2022 - National Average</i>	77.9%	

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

1/1/2023-6/30/2023



■ 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	1/1/2022 - 6/30/2022	%	1/1/2023 - 6/30/2023	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	\$1,731,392	11.7%	\$1,805,035	12.1%	\$73,643	4.3%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$1,627,050	11.0%	\$1,724,783	11.5%	\$97,733	6.0%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$1,240,014	8.4%	\$1,283,821	8.6%	\$43,807	3.5%
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	\$1,328,381	9.0%	\$1,255,383	8.4%	(\$72,997)	-5.5%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$1,122,878	7.6%	\$1,145,765	7.7%	\$22,887	2.0%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$1,072,130	7.3%	\$1,128,593	7.5%	\$56,462	5.3%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$1,099,067	7.4%	\$1,037,244	6.9%	(\$61,823)	-5.6%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$935,573	6.3%	\$984,432	6.6%	\$48,859	5.2%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$913,345	6.2%	\$912,456	6.1%	(\$889)	-0.1%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$655,925	4.4%	\$877,793	5.9%	\$221,868	33.8%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$855,050	5.8%	\$847,535	5.7%	(\$7,516)	-0.9%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$525,170	3.6%	\$484,814	3.2%	(\$40,356)	-7.7%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$323,697	2.2%	\$301,365	2.0%	(\$22,332)	-6.9%
DODGE & COX BALANCED FUND CLASS I	\$285,012	1.9%	\$256,405	1.7%	(\$28,607)	-10.0%
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$263,872	1.8%	\$248,746	1.7%	(\$15,126)	-5.7%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$157,450	1.1%	\$136,668	0.9%	(\$20,782)	-13.2%
CALVERT BOND FUND CLASS I	\$114,242	0.8%	\$113,780	0.8%	(\$462)	-0.4%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$147,961	1.0%	\$104,108	0.7%	(\$43,854)	-29.6%
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$99,446	0.7%	\$83,211	0.6%	(\$16,235)	-16.3%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$97,969	0.7%	\$82,954	0.6%	(\$15,015)	-15.3%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$72,051	0.5%	\$61,802	0.4%	(\$10,249)	-14.2%
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$64,155	0.4%	\$52,822	0.4%	(\$11,333)	-17.7%
FPA NEW INCOME FUND	\$41,938	0.3%	\$45,439	0.3%	\$3,501	8.3%
Total Assets Contributed	\$14,773,771	100.0%	\$14,974,953	100.0%	\$201,182	1.4%

Plan Summary

Interfund Transfers

1/1/2023 to 6/30/2023

INVESTMENT OPTIONS	IN	OUT	NET
STATE OF VERMONT STABLE VALUE FUND	\$4,163,802	(\$1,702,336)	\$2,461,465
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$2,284,736	(\$1,218,468)	\$1,066,267
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$1,864,920	(\$1,582,123)	\$282,797
CALVERT BOND FUND CLASS I	\$165,902	(\$88,180)	\$77,723
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$820,963	(\$749,820)	\$71,143
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$1,069,897	(\$1,007,203)	\$62,694
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$115,984	(\$66,128)	\$49,856
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$425,996	(\$376,673)	\$49,322
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$90,292	(\$77,921)	\$12,371
SELF DIRECTED BROKERAGE ACCOUNT	\$0	(\$28,000)	(\$28,000)
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$96,468	(\$127,772)	(\$31,304)
FPA NEW INCOME FUND	\$26,353	(\$70,920)	(\$44,567)
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$71,184	(\$119,356)	(\$48,172)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$164,079	(\$240,175)	(\$76,096)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$44,490	(\$179,812)	(\$135,322)
DODGE & COX BALANCED FUND CLASS I	\$194,068	(\$353,888)	(\$159,820)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$789,984	(\$952,796)	(\$162,812)
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$88,280	(\$283,262)	(\$194,983)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$127,275	(\$350,491)	(\$223,216)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$43,565	(\$292,415)	(\$248,850)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$61,146	(\$317,977)	(\$256,831)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$779,713	(\$1,039,988)	(\$260,275)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$51,419	(\$414,321)	(\$362,902)
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	\$1,485,249	(\$3,385,738)	(\$1,900,489)
TOTAL	\$15,025,764	(\$15,025,764)	\$0

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2022 - 6/30/2022	1/1/2023 - 6/30/2023	Change	% Change	1/1/2022 - 6/30/2022	1/1/2023 - 6/30/2023	Change	% Change
	Termination	\$14,748,210	\$14,901,858	\$153,647	1%	618	606	(12)
Death Distribution	\$2,340,934	\$656,512	(\$1,684,422)	(72%)	56	49	(7)	(13%)
Direct Transfer	\$1,392,302	\$411,857	(\$980,445)	(70%)	31	11	(20)	(65%)
Installment Payment	\$1,332,609	\$1,337,102	\$4,493	0%	970	966	(4)	(0%)
Required Minimum Distribution	\$640,511	\$588,393	(\$52,118)	(8%)	107	108	1	1%
In-Service Withdrawal	\$97,860	\$160,036	\$62,176	64%	6	8	2	33%
QDRO	\$61,948	\$154,428	\$92,480	149%	8	9	1	13%
Hardship Withdrawal	\$2,522	\$57,189	\$54,667	2,168%	1	10	9	900%
Return of Excess Deferrals/Contributions	\$1,639	\$17,880	\$16,241	991%	2	2	0	0%
Gross Adjustment	\$485	\$36	(\$449)	(93%)	6	2	(4)	(67%)
Grand Total	\$20,619,019	\$18,285,289	(\$2,333,730)	(11%)	1,805	1,771	(34)	(2%)

Distribution Sub-Type	1/1/2023 - 6/30/2023					
	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$1,027,470	\$11,353,221	\$12,380,691	35	85	120
Cash	\$422,773	\$5,481,825	\$5,904,598	35	1,616	1,651
Grand Total	\$1,450,243	\$16,835,046	\$18,285,289	70	1,701	1,771

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.

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

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

	7/1/2022 - 9/30/2022	10/1/2022 - 12/31/2022	1/1/2023 - 3/31/2023	4/1/2023 - 6/30/2023
Call Center				
Unique Callers	292	323	380	306
Total Call Volume	470	511	604	488
Participant Website				
Registered Participants	6,163	6,173	6,169	6,143
Unique Web Logins	2,612	2,556	3,304	2,658
Total Web Logins	24,146	26,726	34,578	24,816

Call Center Reason Category	7/1/2022 - 9/30/2022	10/1/2022 - 12/31/2022	1/1/2023 - 3/31/2023	4/1/2023 - 6/30/2023
Account Explanations	92	98	101	118
Allocation Changes & Exchange	9	13	8	4
Contributions	7	10	20	11
Disbursements	242	272	300	238
Enrollments	0	0	1	0
Forms	0	0	2	0
Fund Information	4	10	5	4
Hardships	11	17	21	24
IFX	0	0	0	0
IVR or Web Assistance	16	14	18	16
Loans	1	0	2	4
Other	28	37	40	30
Payment Questions	0	0	0	0
Plan Explanations	17	9	15	15
Regen Reg Letter	0	0	0	0
Status of Research	7	14	24	7
Tax Information	2	1	29	4
Website Processing	34	16	18	13
Total	470	511	604	488

Definitions:

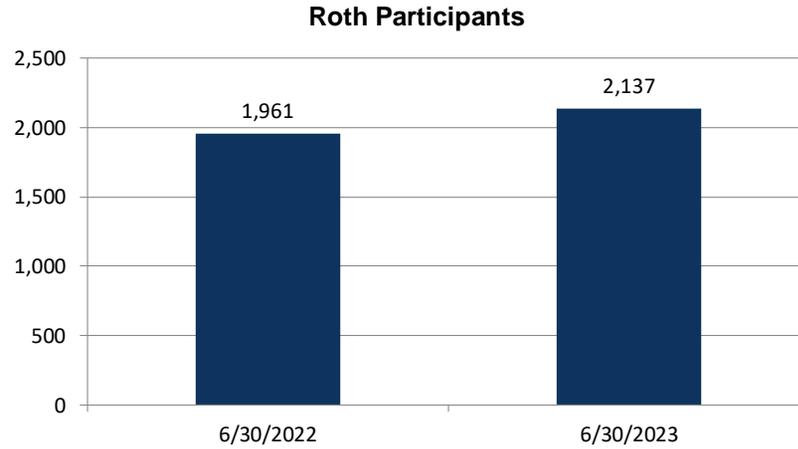
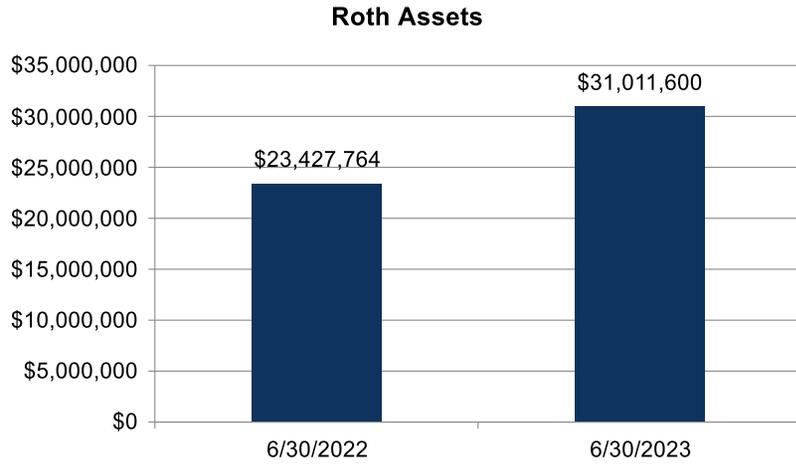
Unique Callers – The number of individuals that spoke to a Participant Service Center Representative during the reporting period (e.g., If the same individual called five times during the reporting period, they would only be counted once).

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

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

Plan Summary

Roth Summary



	6/30/2022	6/30/2023
Roth Assets	\$23,427,764	\$31,011,600
# of Participants in Roth	1,961	2,137
Participation Rate in Roth	23.6%	25.1%
Book of Business % of Participants in Roth - As of 12/31/2022	16.5%	

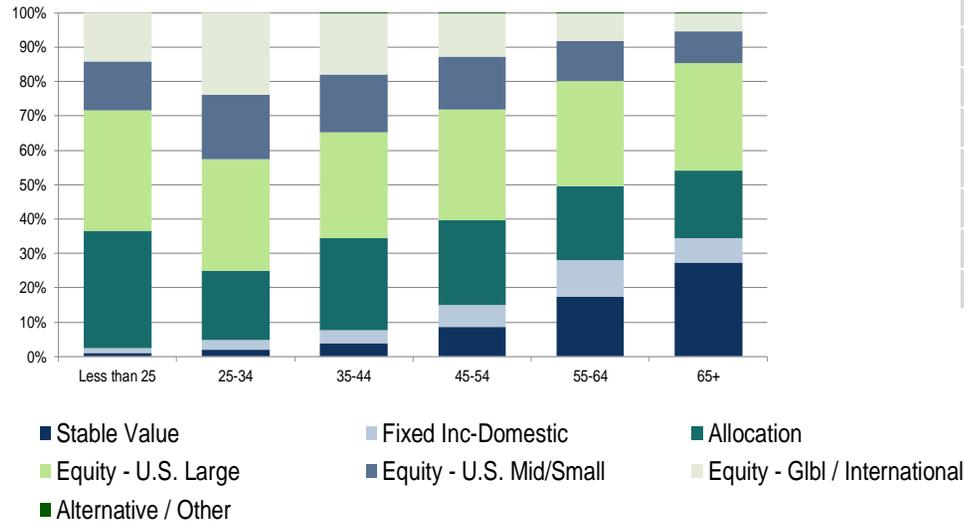


INVESTMENT DIVERSIFICATION



Plan Summary

Assets by Asset Class and Age As of June 30, 2023



Asset Allocation

Asset Class	Your Plan Assets as of 6/30/2023	Your Plan % as of 6/30/2023
Stable Value	\$117,395,805	18.6%
Fixed Inc-Domestic	\$48,063,792	7.6%
Allocation	\$137,376,630	21.7%
Equity - U.S. Large	\$197,241,148	31.2%
Equity - U.S. Mid/Small	\$75,163,981	11.9%
Equity - Gbl / International	\$55,845,227	8.8%
Alternative / Other	\$1,011,207	0.2%
Total Participant Balances	\$632,097,789	100.0%

Fund Utilization By Age As of June 30, 2023

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	54	333	400	415	475	543	2,220
Average # of Funds per Participant	3.4	4.9	5.8	5.6	5.1	4.1	5.1
<i>Book of Business Participants Avg. # of Funds per Participant as of 12/31/2022</i>	5.5	5.4	5.5	5.6	5.4	4.3	5.4
% of Plan Assets in Stable Value	1.1%	2.0%	3.8%	8.5%	17.4%	27.4%	18.6%
<i>Book of Business % of Plan Assets in Stable Value as of 12/31/2022</i>	7.5%	6.6%	8.9%	14.0%	24.9%	39.3%	21.8%
Self Directed Brokerage Account # of Participants	0	0	2	2	6	4	14

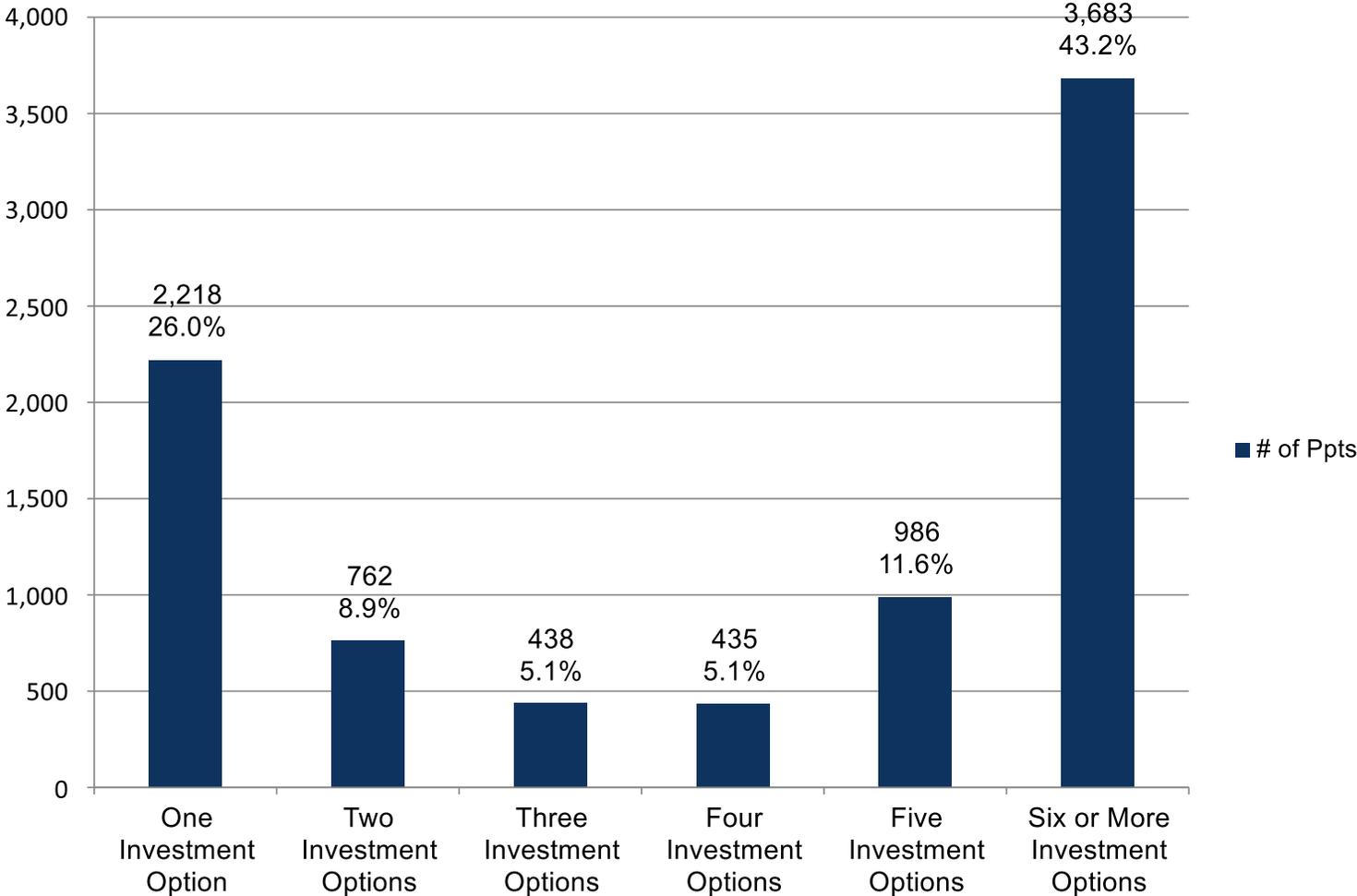
Plan Summary

Utilization by Fund as of June 30, 2023

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	\$117,395,805	18.6%	4,779	532
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$74,102,449	11.7%	2,197	95
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	\$49,609,246	7.8%	4,599	18
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$47,180,082	7.5%	4,560	15
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$38,437,823	6.1%	4,560	7
DODGE & COX BALANCED FUND CLASS I	\$36,884,756	5.8%	894	43
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$36,726,159	5.8%	4,581	10
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$33,745,243	5.3%	3,965	2
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$32,378,244	5.1%	3,236	7
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$27,846,373	4.4%	483	207
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$27,628,838	4.4%	632	292
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$26,349,371	4.2%	667	30
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$20,966,805	3.3%	589	328
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$12,713,150	2.0%	1,502	3
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$9,024,677	1.4%	225	89
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$7,173,797	1.1%	618	475
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$5,979,482	0.9%	1,405	6
FPA NEW INCOME FUND	\$5,841,938	0.9%	310	5
CALVERT BOND FUND CLASS I	\$5,050,082	0.8%	1,147	0
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$4,793,527	0.8%	1,325	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$4,642,136	0.7%	264	47
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$3,407,352	0.5%	560	4
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$3,209,248	0.5%	225	2
SELF DIRECTED BROKERAGE ACCOUNT	\$1,011,207	0.2%	14	0
Total	\$632,097,789	100.0%		

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

Investment Utilization as of June 30, 2023



Due to rounding, bar graph may not equal 100%

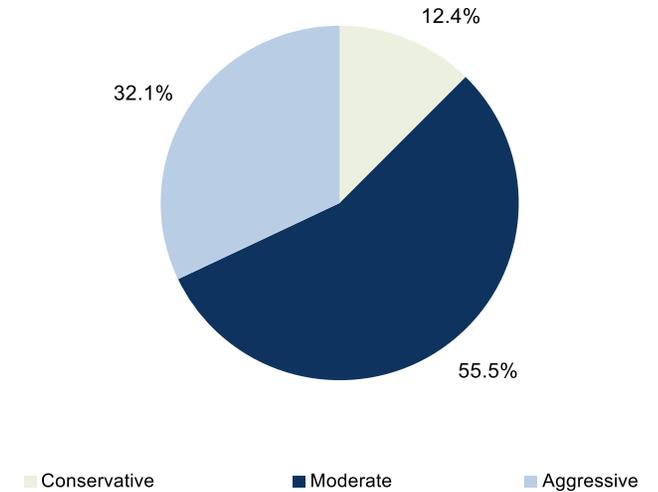
Plan Summary

GoalMaker® Participation

as of 6/30/2023

	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Plan Assets for Participants in GoalMaker	\$88,424,309	\$96,540,899	\$104,055,538	\$109,375,270
# of Participants in GoalMaker	2,458	2,504	2,566	2,597
Participation Rate in GoalMaker	29.5%	29.7%	30.2%	30.4%
% of Plan Assets for GoalMaker Participants	16.1%	16.6%	17.2%	17.3%

Percentage of Assets by GoalMaker® Participation Portfolio As of 6/30/2023



Book of Business For Plans Offering GoalMaker – As of 12/31/2022

The participation rate in GoalMaker is 56.0%.

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	1	0	20	1	24	7	53
25-34	27	3	180	34	284	39	567
35-44	36	3	266	29	257	34	625
45-54	41	5	310	29	205	23	613
55-64	68	22	300	46	104	18	558
65+	22	38	57	53	6	5	181
Total	195	71	1,133	192	880	126	2,597

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$1,122	\$0	\$66,733	\$277	\$99,817	\$10,776	\$178,726
25-34	\$160,845	\$24,142	\$2,335,648	\$355,381	\$4,010,066	\$438,694	\$7,324,776
35-44	\$242,245	\$8,687	\$6,235,086	\$463,145	\$7,287,042	\$650,883	\$14,887,089
45-54	\$1,644,401	\$223,132	\$11,882,880	\$788,458	\$9,656,576	\$1,309,794	\$25,505,242
55-64	\$3,812,080	\$1,398,772	\$20,166,528	\$3,171,301	\$6,987,969	\$1,957,360	\$37,494,009
65+	\$1,875,210	\$4,188,571	\$6,248,803	\$9,005,534	\$1,395,047	\$1,272,263	\$23,985,428
Total	\$7,735,904	\$5,843,304	\$46,935,678	\$13,784,096	\$29,436,517	\$5,639,770	\$109,375,270

3.4 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

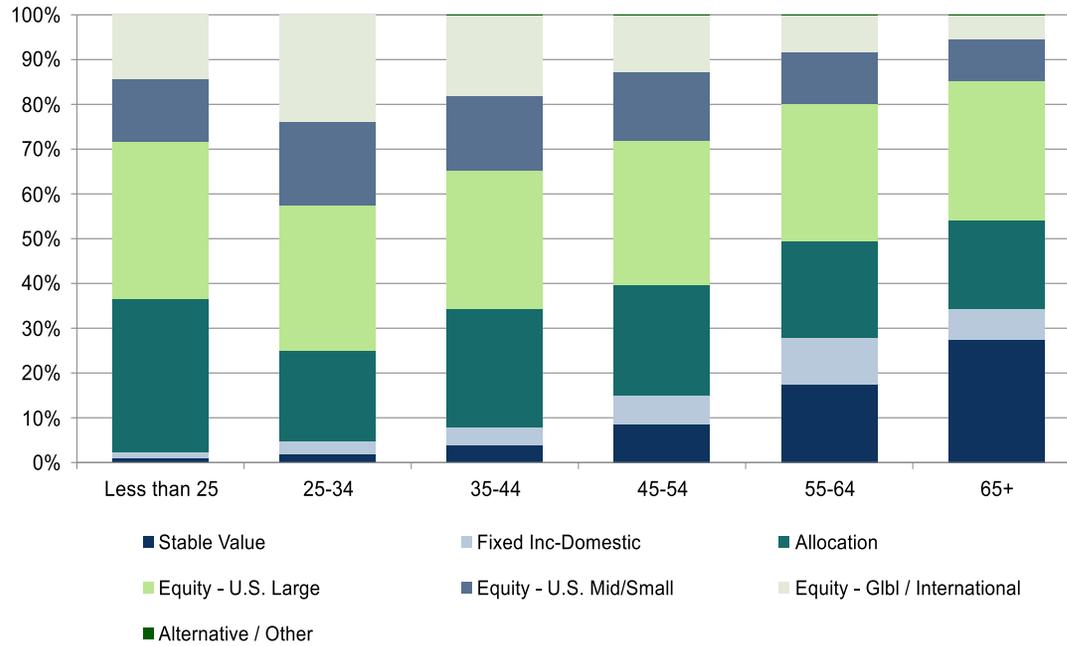
30.4%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

Plan Summary

Asset Allocation by Age Group



As of June 30, 2023

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	\$4,958	\$295,696	\$1,863,717	\$9,500,666	\$33,258,319	\$72,472,449	\$117,395,805
Fixed Inc-Domestic	\$5,612	\$435,810	\$1,964,660	\$7,212,226	\$20,191,759	\$18,253,725	\$48,063,792
Allocation	\$155,736	\$2,970,220	\$13,148,504	\$27,675,044	\$41,279,123	\$52,148,002	\$137,376,630
Equity - U.S. Large	\$158,869	\$4,824,239	\$15,216,039	\$36,065,455	\$58,478,565	\$82,497,981	\$197,241,148
Equity - U.S. Mid/Small	\$64,124	\$2,763,533	\$8,305,545	\$17,134,067	\$22,349,613	\$24,547,099	\$75,163,981
Equity - Gbl / International	\$64,782	\$3,557,432	\$8,842,850	\$14,194,542	\$15,378,262	\$13,807,359	\$55,845,227
Alternative / Other	\$0	\$0	\$59,097	\$81,755	\$317,530	\$552,824	\$1,011,207
Total Assets	\$454,081	\$14,846,930	\$49,400,412	\$111,863,755	\$191,253,171	\$264,279,439	\$632,097,789
% of Assets	0.1%	2.3%	7.8%	17.7%	30.3%	41.8%	100.0%
Total Participants	118	1,123	1,608	1,855	2,003	1,819	8,526
Avg Account Balance	\$3,848	\$13,221	\$30,722	\$60,304	\$95,483	\$145,288	\$74,138

Plan Summary

State of Vermont

Rep Stats

	7/1/2022-9/30/2022	10/1/2022-12/31/2022	1/1/2023-3/31/2023	4/1/2023-6/30/2023	Total
Group Presentations	13	12	9	15	49
Individual Participant Meetings	686	427	548	511	2,172
New Enrollments as a result of Group/Individual Meeting*	120	62	62	68	312
GoalMaker as a result of Group/Individual Meeting*	98	56	66	73	293
Contribution Rate Increases	82	133	137	116	468
Number of Rollovers	16	35	22	26	99
Rollover Dollars	\$537,000	\$1,512,000	\$366,000	\$544,000	\$2,959,000

*Enrollments above obtained by TDA Education Representatives

Plan Summary

State of Vermont

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 6/30/2023	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	\$3,883,093	159	
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$469,428	77	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$4,213,153	1,018	
940020 - State Defined Contribution					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$323,053	7	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$253,285	10	
940030 - Muni Defined Contribution					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$8,013	3	
940050 - 457b Plan					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$3,407,352	560	
	Impax Sustainable Allocation Fund Investor Class	PAXWX	\$3,209,248	225	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$4,793,527	1,325	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	\$26,349,371	667	

Plan Summary

State of Vermont

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 6/30/2023

Market-to-Book Value Ratio as of 6/30/202393.52%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	6/30/2023	
1 MONTH	0.25%	0.46%
3 MONTH	0.72%	1.17%
YTD	1.37%	2.25%
1 YEAR	2.52%	3.60%
3 YEAR	2.24%	1.27%
5 YEAR	2.36%	1.55%
10 YEAR	2.30%	0.99%
SINCE INCEPTION	2.44%	N/A

*Returns for periods greater than one year are annualized.

Plan Summary

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

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

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

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

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

Securities products and services are offered through Prudential Investment Management Services LLC (PIMS), Newark, NJ, a Prudential Financial company.

Prudential Retirement's registered representatives are registered with Prudential Investment Management Services, LLC, Newark, NJ. A Prudential Financial Company.

In providing this information Prudential Retirement is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity. Prudential Retirement may benefit from advisory and other fees paid to it or its affiliates for managing, selling, or settling of the Prudential mutual funds and other investment products or securities offered by Prudential Retirement or its affiliates. Investment vehicles sponsored or managed by a Prudential Retirement affiliate generate more revenue for the Prudential enterprise than non-proprietary investment vehicles. Prudential Retirement's sales personnel generally receive greater compensation if plan assets are invested in proprietary investment vehicles. Prudential Retirement may benefit directly from the difference between investment earnings of Prudential Retirement's stable value funds and the amount credited to deposits in those funds. Prudential Retirement may also benefit from broker-dealer or other entities' co-sponsorship of Prudential conferences.

Prudential Retirement's separate accounts are available under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT. PRIAC is a Prudential Financial company.

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Book of Business averages are as of 12/31/2022.

Plan Summary

On April 1, 2022, Empower Annuity Insurance Company of America (EAIC), formerly known as Great-West Life & Annuity Insurance Company, the parent company of Empower Retirement, LLC (Empower) acquired the full-service retirement business of Prudential Financial, Inc. In connection with the transaction, EAIC acquired all shares of the following entities, which are no longer affiliated with Prudential Financial, Inc.: Prudential Retirement Insurance and Annuity Company; Prudential Bank & Trust, FSB; Global Portfolio Strategies, Inc.; TBG Insurance Services Corporation; MC Insurance Agency Services, LLC; and Mullin TBG Insurance Agency Services, LLC. On October 3, 2022, Prudential Retirement Insurance and Annuity Company was renamed Empower Annuity Insurance Company. For additional information regarding the name changes, please see: www.empower.com/name-change.

Empower is in the process of integrating the acquired full-service retirement business. Effective January 1, 2023, Global Portfolio Strategies, Inc. was merged into Empower Capital Management, LLC, an Empower affiliate. Effective March 31, 2023, Prudential Bank & Trust, FSB is merging into Empower Trust Company, LLC, an Empower affiliate, and all services performed by Prudential Bank & Trust, FSB will be assumed by Empower Trust Company, LLC.

Please use the following to determine if Empower is now the service provider for an account or product. If an individual has multiple accounts, they may be a customer of Prudential Financial, Inc. and its affiliates (together, Prudential) and Empower.

Account Type	Service Provider
<p>If an individual is an annuitant, contingent annuitant, or other beneficiary under a group annuity contract issued or reinsured by Prudential’s pension risk transfer business or a plan participant whose benefit is administered by Prudential’s pension risk transfer business...</p> <p>How does an individual know if this applies?</p> <p>They were previously issued an annuity certificate from the Prudential Insurance Company of America <u>in connection with their employer’s defined benefit plan</u>, OR they previously received a communication from their employer that Prudential has issued a guaranteed annuity covering all or a portion of their pension benefit or pays their pension benefit.</p>	<p>...The account remains with Prudential and was not impacted by the transaction.</p> <p>The “Important Disclosures Regarding the Empower Transaction” listed below do not apply to the account.</p>
<p>If an individual independently purchased an individual annuity, life insurance, or investment product with Prudential...</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They independently purchased a product from Prudential (other than a SmartSolution IRA) that is unrelated to an employer workplace plan. • The product purchased is issued by The Prudential Insurance Company of America (PICA), Pruco Life Insurance Company, or Pruco Life Insurance Company of New Jersey. • They purchased an investment product or service through Pruco Securities, LLC. 	<p>...The account remains with Prudential and was not impacted by the transaction.</p> <p>The “Important Disclosures Regarding the Empower Transaction” listed below do not apply to the account.</p>

Plan Summary

<p>If an individual is a participant in the Prudential Employee Savings Plan (PESP); the Jennison Associates Savings Plan; the Assurance Savings Plan; the Prudential Supplemental Employee Savings Plan; the Prudential Financial, Inc. 2021 Omnibus Incentive Plan and the attendant Prudential Long-Term Incentive Program; the Prudential Financial, Inc. 2016 Deferred Compensation Plan for Non-Employee Directors; or the PGIM, Inc. Omnibus Deferred Compensation Plan...</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They receive statements and other notifications from Prudential in connection with one or more of these plans. 	<p>...Prudential remains the service provider for the plans. Empower is currently providing services as a sub-contractor for a transitional period.</p> <p>Please carefully review the “Important Disclosures Regarding the Empower Transaction” below that apply to the account as applicable.</p>
<p>If an individual is a participant in a retirement plan previously serviced by Prudential Retirement that may include defined benefit plans, nonqualified plans, defined contribution plans, and 401(k) plans (including a plan that permits self-directed brokerage accounts), or is an account holder of a SmartSolution IRA, an Auto Roll IRA, or an NFS Prudential Brokerage Account...</p> <p>This category includes certain Stable Value products on third party recordkeeping platforms where the service provider will transfer to Empower. These clients will be notified directly.</p> <p>How does an individual know if this applies?</p> <ul style="list-style-type: none"> • They receive a notification from Prudential Retirement notifying them that Empower will become the service provider for their account. • They receive a welcome email or letter from Empower. 	<p>...Empower is now the service provider for the account. However, with respect to SmartSolution IRAs and certain Auto Roll IRAs, Prudential Investment Management Services LLC (PIMS) remains the broker-dealer for a transitional period.</p> <p>Please carefully review the “Important Disclosures Regarding the Empower Transaction” below that apply.</p>

Important Disclosures Regarding the Empower Transaction

Effective April 1, 2022, the following will apply:

- All references to “Prudential Retirement” refer to Empower. Prudential Retirement is no longer a business unit of Prudential.
- Certain insurance products written by The Prudential Insurance Company of America were reinsured to EAICA and Empower Life & Annuity Insurance Company of New York (for New York business). Empower will become the administrator of this business acquired from Prudential.
- Empower refers to the products and services offered by EAICA and its subsidiaries, including Empower Retirement, LLC. Empower is not affiliated with Prudential or its affiliates.
- Full-service retirement sales personnel and certain service personnel are no longer registered representatives of Prudential Investment Management Services LLC (PIMS) and are registered representatives of Empower Financial Services, Inc., formerly known as GWFS Equities, Inc. For a transition period, certain back office and service personnel will remain registered representatives of PIMS.
- During a transition period, Prudential and, as applicable, its affiliates will continue to provide services to Empower. PIMS will continue to provide certain broker-dealer services under the terms of existing service agreements for certain plans and will continue to be the broker-dealer of record for existing SmartSolution IRAs and certain Auto Roll IRAs for a transition period.
- On or about May 1, 2023, the principal underwriter and distributor for certain legacy Prudential products will change from Prudential Investment Management Services LLC to Empower Financial Services, Inc, resulting from the sale of Prudential’s retirement business to Empower. The change of principal underwriter and distributor will not impact the way these products operate. You can find further details if you wish in the prospectus to be released on or about May 1, 2023, to determine which principal underwriter and distributor supports the product you are invested in.
- Any documents pertaining to fraud or security commitments by Prudential Retirement are no longer applicable and are replaced with Empower’s commitments set forth at participant.empower-retirement.com/participant/#/articles/securityGuarantee
- If Empower is the service provider for an account, Prudential’s Privacy Statements and Privacy Notices are replaced with Empower’s Privacy Notice as set forth at empower-retirement.com/privacy for the account.

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Empower Sponsor 2.2023

Section II Economic Outlook



Economic and Investment Market Outlook - July 2023

“What, me worry?”

I’m no anthropologist, but as far as I can tell, the earliest example of catchphrase usage among modern humans dates back to 1956, when MAD magazine introduced Alfred E. Neuman as its mascot. As a kid in the early 1980s, I was a subscriber and loyal fan of MAD magazine (the fold-ins were a particular favorite of mine), but I’ll admit that I never fully understood what Alfred E. Neuman was getting at with his famous catchphrase “What, me worry?”

But today, as an adult, I think I’m starting to understand. Alfred always seemed to display a beautifully naïve lack of concern about what was happening in the world around him, carelessly carrying on with whatever he was doing — even as things seemed to be in danger of collapsing all around him. But things would usually turn out just fine for Alfred, despite his near-complete lack of concern for things that should probably worry him a great deal. As I reminisce about MAD magazine today, “What, me worry?” strikes me as apt a catchphrase for markets as you’re likely to hear anywhere: The future path of economic growth is becoming less and less certain, geopolitical risks are intensifying and the Federal Reserve remains very much in tightening mode even as inflation appears to have peaked. And yet markets — equity markets in particular — are happily whistling their way higher.

Here are a few things U.S. equity markets blissfully ignored during the second quarter: toxic fall-out from a regional banking crisis that began in March; an aborted *coup d’état* in Russia that threatened to destabilize the world’s biggest military nuclear power from the inside; the prospect of two more rate increases by the Federal Reserve (to accompany the 5% the Fed had already handed us); softening corporate earnings; and a continued — albeit uneven —

weakening of the U.S. economy. Despite that, the S&P 500 Index added another 8.3%, besting the first quarter’s nearly as impressive 7.5% gain. Almost any way you measure it, U.S. markets were back in bull market territory as 2023 hit the mid-way point.

Once again, that advance was led primarily by a small handful of individual high-growth stocks that are led by an even narrower group that is now being referred to by some market watchers as “the Magnificent Seven” (Amazon, Apple, Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla). I get a little concerned when pundits hang a meme-worthy name like that on a group of recent market darlings, but this recycled version of last cycle’s FAANG (Facebook/Meta, Amazon, Apple, Netflix, Google) stocks did a pretty good job of powering U.S. stocks higher nonetheless — this time, on sudden optimism surrounding artificial intelligence as an investment. As a consequence, the performance gap between growth and value stocks continued to widen: So far in 2023, the Russell index of large-cap stocks has advanced 29% while its value-oriented counterpart gained a far more modest 5.1%.

It’s difficult to decide whether this is consistent with a recessionary view or not. On one hand, growth stocks tend to outperform when earnings growth becomes scarce (as it naturally does in a recession). On the other hand, the extreme optimism displayed by this small corner of the market during the second quarter felt somewhat out of sync with a world view that anything even approaching recession might be on the horizon. So if you’re looking to equity markets for clues on which direction the economy may be headed, you’ll have to make a few guesses.

The same goes for the bond market. After a truly disappointing performance in 2022, fixed-income markets staged a fairly robust recovery during the first quarter of 2023, only to retreat again in the second quarter as interest rates inched higher. Shorter-term rates once again rose faster than longer-term rates, causing the so-called “yield curve inversion” to deepen a little bit. An inverted curve is a classic sign that economic trouble lies ahead, so it appeared as if bond investors were a little more worried about the environment than their equity-focused counterparts seated across the trading floor. But not so fast: Credit spreads, which sometimes act as a proxy for how comfortable investors are that corporate borrowers will make good on the loans they’ve taken out, actually tightened a bit. Viewed through that lens, bond markets seemed almost as comfortable with the economy’s ability to sidestep recession as equity markets were.

Outlook

Looking forward, one thing is clear: Market participants are sharply divided on where markets and the economy might go from here. On one hand, the extraordinary resilience of the U.S. labor market and the durability of consumers in the face of continued inflation and a dwindling in COVID-era stimulus make it easier to believe that Jerome Powell’s Federal Reserve has accomplished the near-impossible: corralling inflation through dramatically higher rates without tipping the economy into recession. Meanwhile, the regional banking crisis that suddenly sprang up at the end of last quarter appears to have been quickly and effectively ring-fenced by policymakers before it could do significant damage to the economy. On the other hand, it’s hard for some of us to imagine that the economy can survive what has arguably been the most aggressive rate-tightening campaign in Fed history without dipping into at least a mild recession.

Moreover, even if we have indeed sidestepped widespread damage from the regional bank fiasco, there is still likely to be significant fallout in the form of tighter credit conditions and enhanced regulation that could tighten financial conditions in a way that rising interest rates simply can’t. And in the background to all this are rising geopolitical tensions and mounting stress on the U.S. consumer as wage growth plateaus, price pressures remain entrenched, and bank accounts padded by pandemic assistance continue to deflate. Add to all this the likely resumption of student loan payments by millions of U.S. consumers this fall, and it’s not at all clear that the market’s optimism is justified — particularly as far as the resilience of U.S. consumers is concerned.

Regardless, we try hard to build all-weather portfolios capable of performing equally well when trends are favorable and when they turn sour. Whether it’s our slight bias toward value-oriented equities, the broad diversification we deliberately build into the underlying asset allocations, or our efforts to identify investment managers capable of outperforming even when their style is under duress (as occurred with U.S. value equity and short-term fixed income during the second quarter), these efforts paid off during 2022’s extremely difficult environment when the Lifetime series performed exceptionally well. If the back half of 2023 proves similarly challenging, we are hopeful that such efforts will again bear fruit.

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