



PLAN SUMMARY

State of Vermont 940010 940060

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

As Of: June 30, 2021

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

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Prudential



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Section I Plan Summary



PLAN SUMMARY AND BENCHMARK TRENDS



Plan Summary

Plan Demographics Summary

	1/1/2020- 6/30/2020	1/1/2021- 6/30/2021
Total Participants*	2,782	2,936
Active Participants	2,414	2,533
Terminated Participants	342	371
Other Participants**	0	1
Multiple Status Participants***	26	31
Average Participant Balance	\$44,490	\$55,001
Average Account Balance for Active Participants	\$45,200	\$55,811
Median Participant Balance	\$19,052	\$22,656
Median Participant Balance for Active Participants	\$19,451	\$23,166
Participants Age 50 and Over	1,467	1,511
Total Assets for Participants Age 50 and Over	\$91,415,940	\$116,474,594
Total (Contributions + Rollovers In)	\$6,569,752	\$6,861,339
Employee Contributions	\$5,647,069	\$6,032,683
Employer Contributions	\$304,955	\$337,755
Rollovers In	\$617,729	\$490,901
Total Distributions	(\$3,047,017)	(\$3,377,225)
Percentage of Assets Distributed	2.5%	2.1%
Market Value Gain / Loss****	\$4,479,427	\$34,720,234
Total Participant Balances	\$123,770,594	\$161,484,040

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

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

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

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

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



Plan Summary

Plan Features

GoalMaker	6/30/2020	6/30/2021
Plan Assets for Participants in GoalMaker	\$11,597,538	\$18,047,101
% of Plan Assets for GoalMaker Participants	9.4%	11.2%
# of Participants in GoalMaker	550	753
Participation Rate in GoalMaker	19.8%	25.7%
Prudential % of Participants in GoalMaker - As of 12/31/2020	52.2%	

Roth	6/30/2020	6/30/2021
Roth Assets	\$4,055,837	\$5,889,033
# of Participants in Roth	365	394
Participation Rate in Roth	13.1%	13.4%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	

Stable Value	6/30/2020	6/30/2021
Participation Rate in Stable Value	48.8%	48.0%
% of Plan Assets in Stable Value	11.7%	9.1%
Prudential % of Plan Assets in Stable Value - As of 12/31/2020	20.7%	

eDelivery	6/30/2020	6/30/2021
# of Participants Enrolled in eDelivery	1,244	1,407
% of Participants in eDelivery	47.3%	49.8%
Prudential % of Participants in eDelivery - As of 12/31/2020	50.4%	

Enrollment by Age Group

1/1/2021-6/30/2021							
	Less than 25	25-34	35-44	45-54	55-64	65+	Grand Total
Total	2	35	49	27	22	6	141

Participant Activity

Call Center	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021
Total Call Volume	256	297

Loans	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021
Amount of New Loans Taken	\$52,569	\$40,617
# of New Loans	5	7
# of Outstanding Active Loans	31	38
% of Participants have Outstanding Active Loans	1.1%	1.3%
Prudential % of Participants have Outstanding Active Loans - As of 12/31/2020	12.2%	

Transaction Summary

Transactions	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021
Total Enrollees*	64	141
Contribution Rate Increases for Active Participants**	3	5
Contribution Rate Decreases for Active Participants**	3	1
Total Contribution Rate Changes**	6	6
Number of Participants with Transfers	617	789
Loan Initiations	5	7
Distributions	167	217

*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.

**Sum of month over month contribution rate (% and \$) changes are for active participants during the reporting period. This excludes any terminations, enrollments or auto enrollments(if applicable on the plan) during the respective months in which contribution rate changes occurred.

eDelivery by Document Type	6/30/2020	6/30/2021
Statements	1,194	1,358
Confirms	1,243	1,405
Tax Forms	1,197	1,358
Plan Related Documents	N/A	1,379



Plan Summary

Asset Allocation/Net Activity By Age

January 1, 2021 to June 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$47,604	\$4,652,227	\$20,579,456	\$48,476,650	\$60,457,773	\$27,270,330	\$161,484,040
% Assets	0.0%	2.9%	12.7%	30.0%	37.4%	16.9%	100.0%
Average Contribution Rate (\$)	\$0	\$64	\$125	\$233	\$242	\$291	\$199
Average Contribution Rate (%)	2.0%	5.8%	7.2%	8.5%	26.0%	0.0%	10.1%
<i>Prudential Avg. Contribution Rate (%) as of 12/31/2020</i>	5.2%	6.2%	7.0%	8.1%	9.7%	11.4%	7.7%
Contributions	\$28,012	\$495,119	\$1,121,060	\$2,245,593	\$2,129,016	\$351,639	\$6,370,438
Rollovers In*	\$0	\$141,612	\$109,955	\$41,253	\$198,081	\$0	\$490,901
Total (Contributions + Rollovers In)	\$28,012	\$636,732	\$1,231,015	\$2,286,845	\$2,327,097	\$351,639	\$6,861,339
Cash Distributions	\$0	(\$25,225)	(\$2,202)	(\$41,734)	(\$190,088)	(\$178,522)	(\$437,771)
Rollovers Out	\$0	(\$45,097)	(\$92,209)	(\$308,828)	(\$1,731,740)	(\$761,581)	(\$2,939,455)
Total (Cash Distributions + Rollovers Out)	\$0	(\$70,322)	(\$94,411)	(\$350,562)	(\$1,921,827)	(\$940,103)	(\$3,377,225)
Net Activity	\$28,012	\$566,410	\$1,136,604	\$1,936,284	\$405,269	(\$588,464)	\$3,484,114
Total Participants**	22	396	635	769	745	370	2,937
Average Account Balance	\$2,164	\$11,748	\$32,409	\$63,039	\$81,151	\$73,704	\$54,983
<i>Prudential Avg. Account Balance as of 12/31/2020</i>	\$3,940	\$17,635	\$49,972	\$97,117	\$136,242	\$138,917	\$80,721
Median Account Balance	\$1,950	\$5,549	\$15,682	\$31,384	\$42,755	\$37,186	\$22,656
<i>Prudential Median Account Balance as of 12/31/2020</i>	\$4,404	\$14,335	\$34,065	\$58,607	\$86,341	\$121,113	\$77,565

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

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



PLAN ACTIVITY



Plan Summary

Contributions by Fund

INVESTMENT OPTIONS	1/1/2020 - 6/30/2020	%	1/1/2021 - 6/30/2021	%	Change	%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$1,251,529	21.0%	\$1,400,961	22.0%	\$149,432	11.9%
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$890,113	15.0%	\$996,046	15.6%	\$105,933	11.9%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$590,222	9.9%	\$622,676	9.8%	\$32,454	5.5%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$532,071	8.9%	\$563,958	8.9%	\$31,887	6.0%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$506,879	8.5%	\$559,995	8.8%	\$53,117	10.5%
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$475,120	8.0%	\$532,263	8.4%	\$57,143	12.0%
GUARANTEED LONG-TERM FUND	\$521,507	8.8%	\$470,925	7.4%	(\$50,581)	-9.7%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$356,953	6.0%	\$270,255	4.2%	(\$86,698)	-24.3%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$246,968	4.2%	\$268,871	4.2%	\$21,903	8.9%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$195,915	3.3%	\$182,866	2.9%	(\$13,048)	-6.7%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$77,928	1.3%	\$121,523	1.9%	\$43,594	55.9%
CALVERT EQUITY FUND CLASS I	\$97,442	1.6%	\$111,399	1.8%	\$13,957	14.3%
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$92,637	1.6%	\$106,223	1.7%	\$13,586	14.7%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$58,159	1.0%	\$87,060	1.4%	\$28,901	49.7%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$27,332	0.5%	\$31,335	0.5%	\$4,003	14.6%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$16,809	0.3%	\$27,373	0.4%	\$10,565	62.9%
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$14,440	0.2%	\$16,708	0.3%	\$2,268	15.7%
Total Assets Contributed	\$5,952,023	100.0%	\$6,370,438	100.0%	\$418,415	7.0%



Plan Summary

Interfund Transfers

1/1/2021 to 6/30/2021

INVESTMENT OPTIONS	IN	OUT	NET
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$430,855	(\$93,407)	\$337,448
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$455,495	(\$188,261)	\$267,234
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$117,086	(\$9,257)	\$107,828
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$224,915	(\$150,235)	\$74,680
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$425,120	(\$413,088)	\$12,032
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$21,404	(\$12,161)	\$9,242
GUARANTEED LONG-TERM FUND	\$751,734	(\$744,650)	\$7,083
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$48,008	(\$54,235)	(\$6,227)
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$19	(\$7,088)	(\$7,069)
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$0	(\$9,014)	(\$9,014)
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$265,966	(\$307,902)	(\$41,936)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$0	(\$43,296)	(\$43,296)
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$129,341	(\$198,208)	(\$68,867)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$43,025	(\$211,376)	(\$168,351)
CALVERT EQUITY FUND CLASS I	\$23,230	(\$251,902)	(\$228,673)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$385,780	(\$627,894)	(\$242,114)
TOTAL	\$3,321,976	(\$3,321,976)	\$0



Plan Summary

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021	Change	% Change	1/1/2020 - 6/30/2020	1/1/2021 - 6/30/2021	Change	% Change
Termination	\$2,176,974	\$2,393,139	\$216,164	10%	57	84	27	47%
Direct Transfer	\$296,421	\$710,294	\$413,873	140%	8	10	2	25%
In-Service Withdrawal	\$292,925	\$138,917	(\$154,008)	(53%)	6	8	2	33%
Death Distribution	\$217,199	\$34,134	(\$183,064)	(84%)	11	7	(4)	(36%)
Installment Payment	\$38,670	\$61,841	\$23,171	60%	73	91	18	25%
Required Minimum Distribution	\$19,516	\$36,105	\$16,589	85%	8	12	4	50%
Hardship Withdrawal	\$3,883	\$0	(\$3,883)	(100%)	2	0	(2)	(100%)
Return of Excess Deferrals/Contributions	\$60	\$2,722	\$2,662	4,456%	1	2	1	100%
Coronavirus-Related Distribution	\$1,368	\$0	(\$1,368)	(100%)	1	0	(1)	(100%)
Gross Adjustment	\$0	\$74	\$74	N/A	0	2	2	N/A
Grand Total	\$3,047,017	\$3,377,225	\$330,208	11%	167	216	49	29%

1/1/2021 - 6/30/2021						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$193,527	\$2,745,928	\$2,939,455	13	46	59
Cash	\$65,208	\$372,562	\$437,771	8	149	157
Grand Total	\$258,735	\$3,118,490	\$3,377,225	21	195	216

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

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

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

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).

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.

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.

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

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



Plan Summary

Loan Activity

As of 6/30/2021

% of Participants With Withdrawal Activity

1/1/2021 - 6/30/2021

Average loan balance is \$8,392
Prudential Book of Business Average is \$7,891 as of 12/31/2020

0.2% initiated a new loan

1.3% of participants have outstanding active loans
12.2% Prudential Book of Business Average as of 12/31/2020

0.2% initiated In-Service Withdrawal

Loan Utilization

By Participant Age

	0.0%	0.0%	1.4%	2.3%	1.2%	0.5%	1.3%
	<25	25-34	35-44	45-54	55-64	65+	Overall
Participants*	22	396	635	769	745	370	2,937
w/Loan	0	0	9	18	9	2	38

*Includes all participant statuses with balance > \$0.



Plan Summary

Participant Loan Statistics

Loan Initiations	Amount of Loans Taken				# of Active Loans			
	1/1/2020-6/30/2020	1/1/2021-6/30/2021	Change	% Change	as of 6/30/2020	as of 6/30/2021	Change	% Change
General Purpose	\$52,569	\$30,617	(\$21,952)	(42%)	30	36	6	20%
Residential	\$0	\$10,000	\$10,000	0%	1	2	1	100%
Grand Total	\$52,569	\$40,617	(\$11,952)	(23%)	31	38	7	23%

	1/1/2020-6/30/2020	1/1/2021-6/30/2021
# of Outstanding Active Loans	31	38
# of New Loans	5	7
Average Loan Balance	\$8,426	\$8,392
Total Outstanding Loan Balance	\$261,214	\$318,891



Plan Summary

Participant Transaction Statistics

	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021
Call Center				
Unique Callers	108	91	102	89
Total Call Volume	165	150	161	136
Participant Website				
Registered Participants	1,628	1,640	1,632	1,635
Unique Web Logins	707	654	762	770
Total Web Logins	15,756	10,975	10,945	12,689

Call Center Reason Category	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020	1/1/2021 - 3/31/2021	4/1/2021 - 6/30/2021
Account Explanations	48	45	35	35
Allocation Changes & Exchange	2	4	3	2
Contributions	6	2	12	6
Disbursements	73	71	82	63
Enrollments	3	0	0	0
Forms	3	2	1	1
Fund Information	2	0	3	1
Hardships	0	0	4	0
IFX	0	0	0	0
IVR or Web Assistance	9	5	6	8
Loans	5	5	1	8
Other	5	6	2	5
Payment Questions	0	0	0	0
Plan Explanations	2	2	0	1
Regen Reg Letter	0	0	0	0
Status of Research	2	2	1	1
Tax Information	1	0	4	0
Website Processing	3	6	7	5
Total	164	150	161	136

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.

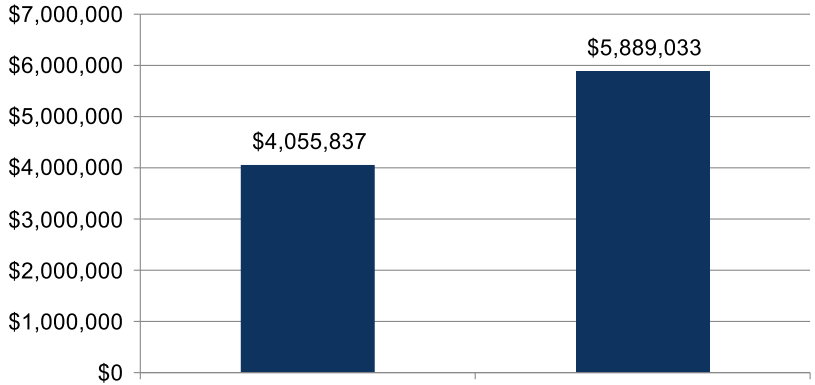


Plan Summary

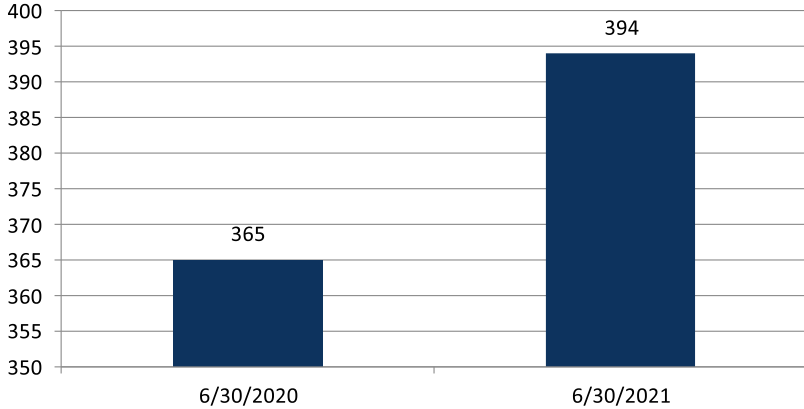
Roth Summary

Sub Plan Name	Sub Plan	Total
Mt. Abraham Unified School Distr	006502	\$2,653
Addison Northwest SD	006503	\$604,136
Champlain Valley School District	006514	\$340,918
Colchester School District	006515	\$862,397
Caledonia Central SU	006516	\$6,210
Essex North SU	006517	\$28,622
Essex Westford Unified SD	006518	\$55,336
Maple Run Unified	006519	\$569,536
Lamoille South SU	006526	\$215
North Country SU	006529	\$2,635
Orleans Central SU	006534	\$60
Orleans Southwest SU	006535	\$2,637
Greater Rutland Central SU	006537	\$128,016
South Burlington Sd	006544	\$1,364,815
Washington Northeast SU	006550	\$808
Washington West SU	006551	\$66,307
Windham Southeast SU	006554	\$0
Windham Southwest SU	006555	\$1,325
Windsor Central Modfd Unfd Un SD	006556	\$88,277
Winooski SD	006560	\$312,438
Patricia A Hannaford Career Cen.	006561	\$77,336
Two Rivers Supervisory Union	006562	\$56,947
Concord School District	016516	\$14,717
Town of Lowell SD	016529	\$4,645
Quarry Valley Unified Union SD	016537	\$416,311
Twin Valley Unified Union SD	016555	\$3,702
Barnard Academy	016556	\$125,183
Green Mtn USD	016562	\$152,752
Lunenburg School District	026516	\$56,698
Southern Valley Unified Union SD	026555	\$1,244
Windsor Central Mod Unif Un SD	026556	\$451,080
Ludlow Mt Holly Union USD	026562	\$450
Rutland Town SD	036537	\$68,257
South Hero Town SD	056523	\$2,029
Champlain Island UUSD	066523	\$20,341
Windham Southeast SD	076554	\$0
TOTAL		\$5,889,033

Roth Assets



Roth Participants



	6/30/2020	6/30/2021
Roth Assets	\$4,055,837	\$5,889,033
# of Participants in Roth	365	394
Participation Rate in Roth	13.1%	13.4%
Prudential % of Participants in Roth - As of 12/31/2020	14.8%	



Plan Summary

Roth Summary

Subplan	Subplan Name	457(B) ROTH ROLLOVER	NON-457(B) ROTH ROLLOVER	ROTH DEFERRALS	Grand Total
000001	State of Vermont	\$ 41,008.22	\$ 164,788.01	\$ 18,630,941.00	\$ 18,836,737.24
000404	TOWN OF NORWICH	\$ -	\$ -	\$ 210,484.75	\$ 210,484.75
000407	Town of Stowe	\$ -	\$ -	\$ 18,465.54	\$ 18,465.54
000408	Edward Farrar Utility District	\$ -	\$ -	\$ 30,452.55	\$ 30,452.55
000409	TOWN OF WILMINGTON	\$ -	\$ -	\$ 14,650.71	\$ 14,650.71
000412	VERMONT HISTORICAL SOCIETY	\$ -	\$ -	\$ 134,031.08	\$ 134,031.08
000414	VERMONT ECONOMIC DEVELOP AUTH	\$ 13,546.85	\$ -	\$ 2,922.46	\$ 16,469.31
000418	TOWN OF MORRISTOWN	\$ -	\$ -	\$ 53,020.13	\$ 53,020.13
000420	WASHINGTON COUNTY	\$ -	\$ -	\$ 130.48	\$ 130.48
000422	Rutland County Solid Waste	\$ -	\$ 14,578.57	\$ -	\$ 14,578.57
000424	VT Housing & Conservation	\$ -	\$ -	\$ 53,751.56	\$ 53,751.56
000436	City of Newport	\$ -	\$ -	\$ 74,179.84	\$ 74,179.84
000439	TOWN OF BARRE	\$ -	\$ -	\$ 136,616.48	\$ 136,616.48
000449	Bennington Sheriff's Dept	\$ -	\$ -	\$ -	\$ -
000450	City of Rutland	\$ -	\$ -	\$ 637,376.98	\$ 637,376.98
000451	TOWN OF BENNINGTON	\$ -	\$ -	\$ 550,466.07	\$ 550,466.07
000454	TOWN OF HARDWICK	\$ -	\$ 46,096.93	\$ -	\$ 46,096.93
000455	TOWN OF VERNON	\$ -	\$ -	\$ 65,455.79	\$ 65,455.79
000456	Maple Run Unified SD	\$ -	\$ -	\$ 85,695.30	\$ 85,695.30
000457	SWANTON VILLAGE	\$ -	\$ -	\$ 255,265.94	\$ 255,265.94
000458	TOWN OF GUILFORD	\$ -	\$ -	\$ 31,977.84	\$ 31,977.84
000463	WASHINGTON COUNTY SHERIFF'S DEPT	\$ -	\$ -	\$ 9,565.95	\$ 9,565.95
000471	LAMOILLE COUNTY SHERIFF'S DEPART	\$ -	\$ -	\$ 1,231.25	\$ 1,231.25
000476	TOWN OF BRISTOL	\$ -	\$ -	\$ 26,129.71	\$ 26,129.71
000480	South Burlington SD	\$ -	\$ -	\$ 112,019.75	\$ 112,019.75
000481	Addison Northwest SD	\$ -	\$ 31,366.36	\$ 86,668.29	\$ 118,034.65
000487	Burlington Housing Authority	\$ -	\$ -	\$ 133,395.41	\$ 133,395.41
000489	VILLAGE OF JOHNSON	\$ -	\$ -	\$ 5,522.59	\$ 5,522.59
000495	Champlain Valley SD	\$ -	\$ -	\$ 51,849.47	\$ 51,849.47
000500	County of Grande Isle	\$ -	\$ -	\$ 1,986.07	\$ 1,986.07
000503	Windsor Central Modfd Unfd Un SD	\$ -	\$ -	\$ 35,771.71	\$ 35,771.71
000517	Rutland Northeast SU	\$ -	\$ 3,374.76	\$ 221,986.56	\$ 225,361.32
000518	City of Barre	\$ -	\$ -	\$ 29,724.96	\$ 29,724.96
000521	WHITE RIVER VALLEY SU	\$ -	\$ -	\$ 8,081.45	\$ 8,081.45
000525	Rutland Housing Authority	\$ -	\$ -	\$ 30,760.37	\$ 30,760.37
000527	TOWN OF BETHEL	\$ -	\$ -	\$ 4,858.45	\$ 4,858.45
000528	TOWN OF WEST RUTLAND	\$ -	\$ -	\$ 61,036.17	\$ 61,036.17
000529	Greater Rutland County SU	\$ -	\$ -	\$ 325.68	\$ 325.68
000533	TOWN OF WORCESTER	\$ -	\$ -	\$ 10,302.39	\$ 10,302.39
000535	TOWN OF BERKSHIRE	\$ -	\$ -	\$ 4,579.17	\$ 4,579.17
000537	S Windsor County Planning Comm	\$ -	\$ -	\$ 158,709.04	\$ 158,709.04
000541	Mt. Abraham Unified SD	\$ -	\$ -	\$ 275,515.00	\$ 275,515.00
000557	Town of Charleston	\$ -	\$ -	\$ 6,572.02	\$ 6,572.02
000558	Town of Middlebury	\$ -	\$ -	\$ 6,637.72	\$ 6,637.72
000559	Town of Plainfield	\$ -	\$ -	\$ 35,067.67	\$ 35,067.67
000560	Town of Milton	\$ -	\$ -	\$ 42,187.47	\$ 42,187.47
000565	Town of Shaftsbury	\$ -	\$ -	\$ 1,358.70	\$ 1,358.70
000566	Town of Hartland	\$ -	\$ -	\$ 16,329.88	\$ 16,329.88
000567	Town of Burke	\$ -	\$ -	\$ 18,501.06	\$ 18,501.06
000569	Central VT Reg Plan Comm	\$ -	\$ -	\$ 5,971.50	\$ 5,971.50
001529	Rutland Town School District	\$ -	\$ -	\$ 6,246.61	\$ 6,246.61
002529	Quarry Valley Unified Union SD	\$ -	\$ -	\$ 57,602.10	\$ 57,602.10
002553	Mount Mansfield UUSD	\$ -	\$ -	\$ 717,870.30	\$ 717,870.30
016561	Hannaford Regional School	\$ -	\$ -	\$ 278.66	\$ 278.66

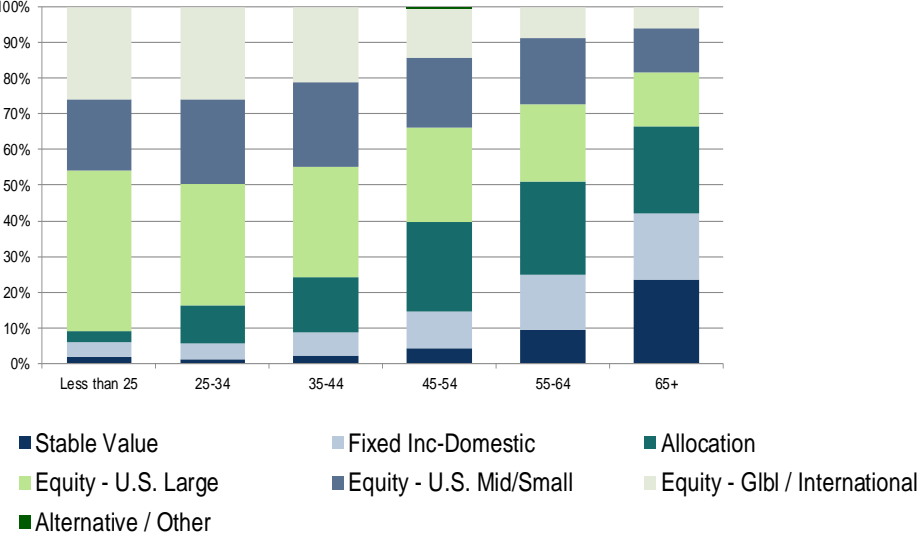


INVESTMENT DIVERSIFICATION



Plan Summary

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



Asset Allocation

Asset Class	Your Plan Assets as of 6/30/2021	Your Plan % as of 6/30/2021
Stable Value	\$14,694,277	9.1%
Fixed Inc-Domestic	\$20,824,856	12.9%
Allocation	\$38,404,237	23.8%
Equity - U.S. Large	\$38,052,518	23.6%
Equity - U.S. Mid/Small	\$30,019,200	18.6%
Equity - Gbl / International	\$19,296,051	12.0%
Alternative / Other	\$192,901	0.1%
Total Participant Balances	\$161,484,040	100.0%

Fund Utilization By Age As of June 30, 2021

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	1	54	78	123	181	124	561
Average # of Funds per Participant	4.8	4.9	5.3	5.1	4.6	4.0	4.9
<i>Prudential Participants Avg. # of Funds per Participant as of 12/31/2020</i>	5.1	5.3	5.4	5.4	5.2	4.2	5.2
% of Plan Assets in Stable Value	1.8%	1.3%	2.2%	4.4%	9.3%	23.6%	9.1%
<i>Prudential % of Plan Assets in Stable Value as of 12/31/2020</i>	7.4%	6.7%	9.0%	13.8%	24.0%	38.3%	20.7%
Self Directed Brokerage Account # of Participants	0	0	0	3	0	0	3



Plan Summary

Utilization by Fund as of June 30, 2021

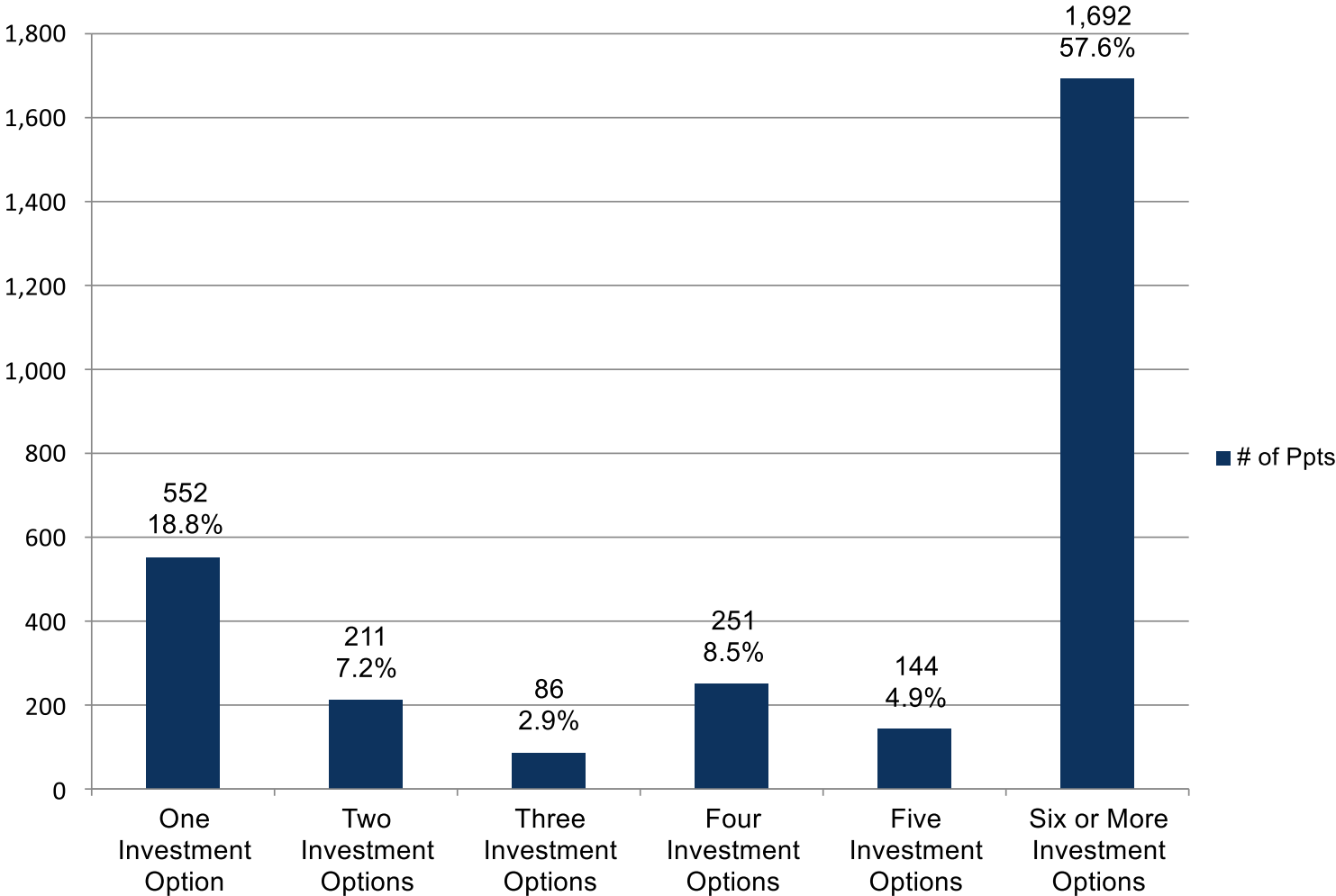
INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$34,190,756	21.2%	2,135	21
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND INSTITUTIONAL SHARES	\$18,846,312	11.7%	2,061	3
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$16,214,711	10.0%	2,133	11
GUARANTEED LONG-TERM FUND	\$14,694,277	9.1%	1,410	88
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$14,341,966	8.9%	199	104
VANGUARD SMALL-CAP INDEX FUND INSTITUTIONAL SHARES	\$13,804,489	8.5%	2,099	7
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$13,155,709	8.1%	1,814	14
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$10,504,080	6.5%	161	89
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$6,813,147	4.2%	160	79
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$5,065,270	3.1%	1,133	2
CALVERT EQUITY FUND CLASS I	\$3,861,762	2.4%	150	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$2,967,675	1.8%	214	54
LORD ABBETT SHORT DURATION INCOME FUND CLASS I	\$2,603,877	1.6%	388	22
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$2,517,989	1.6%	54	24
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$997,409	0.6%	50	26
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$449,739	0.3%	65	1
T. ROWE PRICE RETIREMENT I 2060 FUND I CLASS	\$261,970	0.2%	21	6
SELF DIRECTED BROKERAGE ACCOUNT	\$192,901	0.1%	3	0
Total	\$161,484,040	100.0%		

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



Plan Summary

Investment Utilization as of June 30, 2021



Due to rounding, bar graph may not equal 100%



Plan Summary

GoalMaker® Participation

as of 6/30/2021

	9/30/2020	12/31/2020	3/31/2021	6/30/2021
Plan Assets for Participants in GoalMaker	\$12,177,021	\$14,194,644	\$15,902,845	\$18,047,101
# of Participants in GoalMaker	609	660	704	753
Participation Rate in GoalMaker	21.6%	23.0%	24.4%	25.7%
% of Plan Assets for GoalMaker Participants	9.5%	9.8%	10.6%	11.2%

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

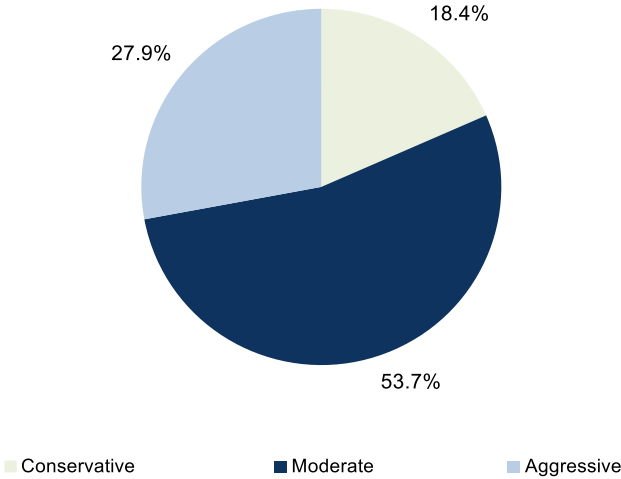
The participation rate in GoalMaker is 52.2%.

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

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	1	0	9	0	6	1	17
25-34	26	1	72	1	77	4	181
35-44	18	0	118	2	67	1	206
45-54	22	0	112	4	49	0	187
55-64	27	0	73	6	26	1	133
65+	7	4	11	2	5	0	29
Total	101	5	395	15	230	7	753

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$978	\$0	\$15,700	\$0	\$13,592	\$444	\$30,714
25-34	\$132,627	\$1,348	\$549,059	\$7,590	\$709,133	\$41,539	\$1,441,296
35-44	\$271,448	\$0	\$2,271,927	\$51,478	\$1,121,316	\$55,411	\$3,771,580
45-54	\$561,847	\$0	\$3,643,580	\$63,415	\$2,217,854	\$0	\$6,486,695
55-64	\$1,681,481	\$0	\$2,233,099	\$215,244	\$678,023	\$1,386	\$4,809,232
65+	\$168,390	\$507,043	\$556,174	\$77,020	\$198,957	\$0	\$1,507,583
Total	\$2,816,770	\$508,391	\$9,269,539	\$414,746	\$4,938,875	\$98,779	\$18,047,101

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



9.1%

average contribution rate (%) for active GoalMaker participants

1.8 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

25.6%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%



Plan Summary

Rep Stats

	7/1/2020-9/30/2020	10/1/2020-12/31/2020	1/1/2021-3/31/2021	4/1/2021-6/30/2021	Total
Group Presentations	3	1	2	2	8
Individual Participant Meetings	177	129	150	196	652
New Enrollments as a result of Group/Individual Meeting*	70	45	43	67	225
GoalMaker as a result of Group/Individual Meeting*	65	44	43	61	213
Contribution Rate Increases	32	22	45	50	149
Number of Rollovers	8	9	12	6	35
Rollover Dollars	\$88,560	\$123,000	\$181,000	\$226,000	\$618,560

*Enrollments above obtained by TDA Education Representatives



Plan Summary

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 6/30/2021	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	\$3,861,762	151	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	\$449,739	66	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$5,065,270	1,134	



Plan Summary

School Districts / Supervisory Unions 403b Plan Balance

Subplan	Subplan Name	Balance
006503	Addison Northwest SD	\$ 2,606,864.74
006514	Champlain Valley School District	\$ 19,058,917.50
006515	Colchester School District	\$ 12,629,872.53
006516	Caledonia Central SU	\$ 619,749.25
006517	Essex North SU	\$ 1,090,793.15
006518	Essex Westford Unified SD	\$ 39,474,642.79
006519	Maple Run Unified SD	\$ 9,026,823.27
006523	Grand Isle Supervisory Union	\$ 901,892.04
006526	Lamoille South SU	\$ 8,908,555.68
006537	Greater Rutland Central SU	\$ 968,134.05
006544	South Burlington Sd	\$ 23,609,481.07
006556	Windsor Central Modfd Unfd Un SD	\$ 2,849,710.27
016516	Concord School District	\$ 128,488.94
016523	Alburgh Town SD	\$ 918,440.71
016537	Quarry Valley Unified Union SD	\$ 1,595,673.98
016556	Barnard Academy	\$ 430,132.78
026516	Lunenburg School District	\$ 599,705.04
026556	Windsor Central Mod Unif Un SD	\$ 3,705,324.70
036537	Rutland Town SD	\$ 1,196,537.16
056523	South Hero Town SD	\$ 352,211.78
066523	Champlain Islands UUSD	\$ 1,190,513.67
	Total	\$ 131,862,465.10

Subplan	Subplan Name	Balance
006502	Mt. Abraham Unified School Distr	\$ 185,416.92
006509	Burlington SD	\$ 597,960.04
006511	Kingdom East SD District	\$ 2,371,918.52
006520	Franklin Northeast SU	\$ 2,662,051.32
006525	Lamoille North SU	\$ 888,315.35
006527	Milton Town SD	\$ 99,832.50
006529	North Country SU	\$ 5,608.13
006534	Orleans Central SU	\$ 362,814.60
006535	Orleans Southwest SU	\$ 35,606.10
006550	Washington Northeast SU	\$ 807.78
006551	Harwood Unified SD	\$ 3,000,206.67
006554	Windham Southeast SU	\$ 2,478,339.74
006555	Windham Southwest SU	\$ 74,985.44
006560	Winooski SD	\$ 1,918,587.44
006561	Patricia A Hannaford Career Cen.	\$ 299,445.87
006562	Two Rivers Supervisory Union	\$ 502,172.03
016520	Enosburgh-Richford UUSD	\$ 2,290,250.23
016525	Lamoille North Mod Unif Union SD	\$ 1,076,855.60
016529	Town of Lowell SD	\$ 4,832.09
016555	Twin Valley Unified Union SD	\$ 396,763.35
016562	Green Mtn USD	\$ 476,549.22
026513	Mount Mansfield UUSD	\$ 6,723,295.74
026521	Northern Mountain Valley UUSD	\$ 643,886.98
026525	Cambridge School District	\$ 45,541.56
026529	Jay Westfield Joint Elem School	\$ 20,201.67
026555	Southern Valley Unified Union SD	\$ 162,909.87
026562	Ludlow Mt Holly Union USD	\$ 251,475.88
066554	Vernon School District	\$ 15,551.18
076554	Windham Southeast SD	\$ 2,049,914.98
	Total	\$ 29,642,096.78



Plan Summary

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

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

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

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



Section II Economic Outlook



QUARTERLY ECONOMIC REVIEW AND OUTLOOK

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

Summary and Major Conclusions:

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

- The US economy is in the middle of a boom, with GDP expanding at the fastest growth rate since the early 1980s. The economy is firing on all cylinders, led by consumer spending and residential construction. Economic growth over the next four quarters could exceed trendline potential growth by a factor of three.
- Business investment and manufacturing are also strong, with each growing at the fastest pace in many years. Second quarter real GDP could expand at an annual rate of close to 10%, with full-year GDP growth likely to exceed 7%.
- The current profit cycle is likely to be the most spectacular in decades, with company earnings growing by more than 40% this year, followed by another 5% to 10% growth in 2022. The level of profits could then move sideways in the years subsequent to 2022.
- Costs for a wide range of goods and services have spiked in recent months. These disruptions to supply chains are likely to prove transitory in most industries, as firms add to capacity and inventories at an aggressive pace during the next six months.
- The sharp slowdown in job creation in recent months appears to be related to supply, rather than demand, factors. A confluence of idiosyncratic factors, mostly related to the pandemic, has caused the labor force to contract, strongly suggesting that the recent slowdown in hiring is likely to prove temporary.
- My forecast assumes net job creation of six million workers this year and another four million in 2022, well above the long-term average of two million during years of economic expansion. Wage growth should return to its pre-pandemic peak of 4% by the end of this year and could climb to a rate of 5% to 6% in 2022.
- The world economy is positioned for its fastest period of growth in more than a decade. The International Monetary Fund (IMF) projects global GDP growth of 6% this year and another 4.5% in 2022, well above its normal trendline growth of 3.5%.
- Euro-area economies have even greater pent-up demand compared with the that in the US, suggesting that economic growth could surprise on the upside. My forecast assumes that real GDP will increase by greater than 4% over the next two years, which would be the fastest pace in several decades.
- Inflation is the primary variable in the outlook. The economy is experiencing a classic episode of cost-push inflation caused by shortages of labor and materials stemming from widespread business shutdowns during the depths of the pandemic.
- Inflation is a classic lagging indicator and tends to trail excessive growth in money and credit by two years or more. My forecast for inflation assumes that core consumer inflation, currently at an annual rate of 3.8%, will average 3.5% for all this year before slowing to 3% in 2022.

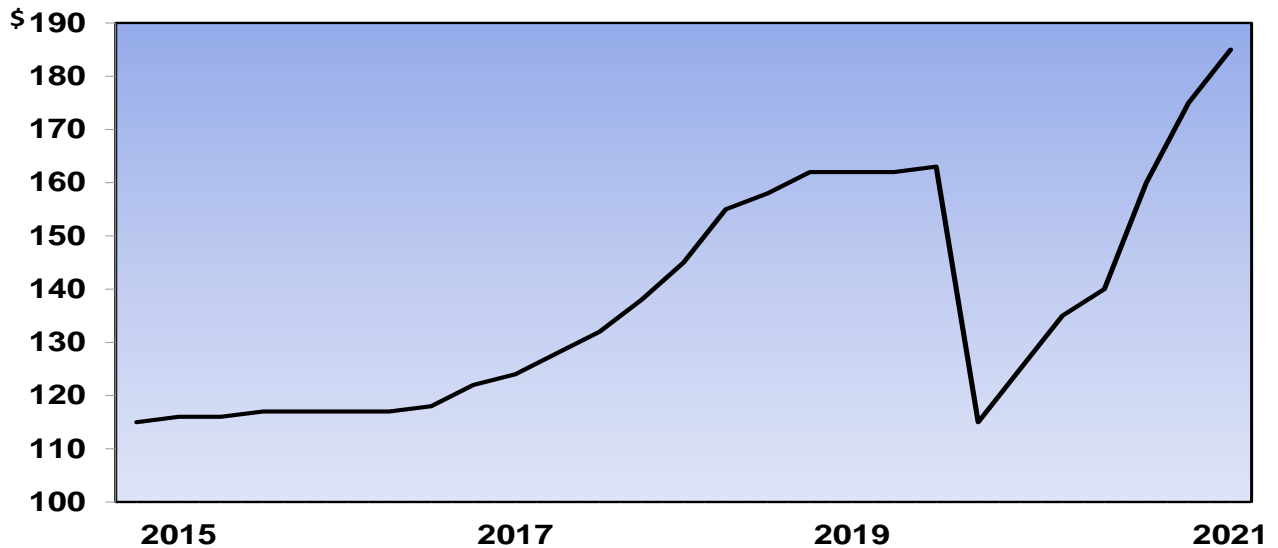
- More rapid inflation is likely in the years beyond 2022, with the potential to reach 5% in 2024. The future path of inflation will depend upon the timing and intensity of the shift in monetary policy from expansionary to contractionary.
- The Federal Reserve is in a quandary. Current policy settings are highly inappropriate for a booming economy accompanied by rising inflationary pressures. An overheating economy is almost certain to materialize within the next 12 months, sowing the seeds for more worrisome demand-pull inflation.
- The Fed will be compelled to adopt a much more aggressive policy once it becomes clear that inflation has exceeded expectations, culminating in a steep rise in long-term interest rates.
- Fiscal policy will be a powerful source of economic stimulus throughout this year but will become increasingly less expansionary in coming years as tax receipts begin to outpace expenditures. Fiscal policy will become an increasingly detrimental force for the economy and financial markets over the next several years.
- The financial burden of federal budget deficits will become more pronounced in a rising interest rate environment. The national debt will increase to a projected 115% of GDP, the highest level since 1945. The legacy of big government that accompanied the pandemic increases the risk of a less dynamic market economy.
- Primary risks to the forecast include a more intransigent form of inflation beginning later next year; a disorderly spike in long-term interest rates; a resurgence of the pandemic because of new variants; and a debt crisis in one or more developing economies in response to a rapid rise in world interest rates.

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

KEY MACROECONOMIC TRENDS

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

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



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

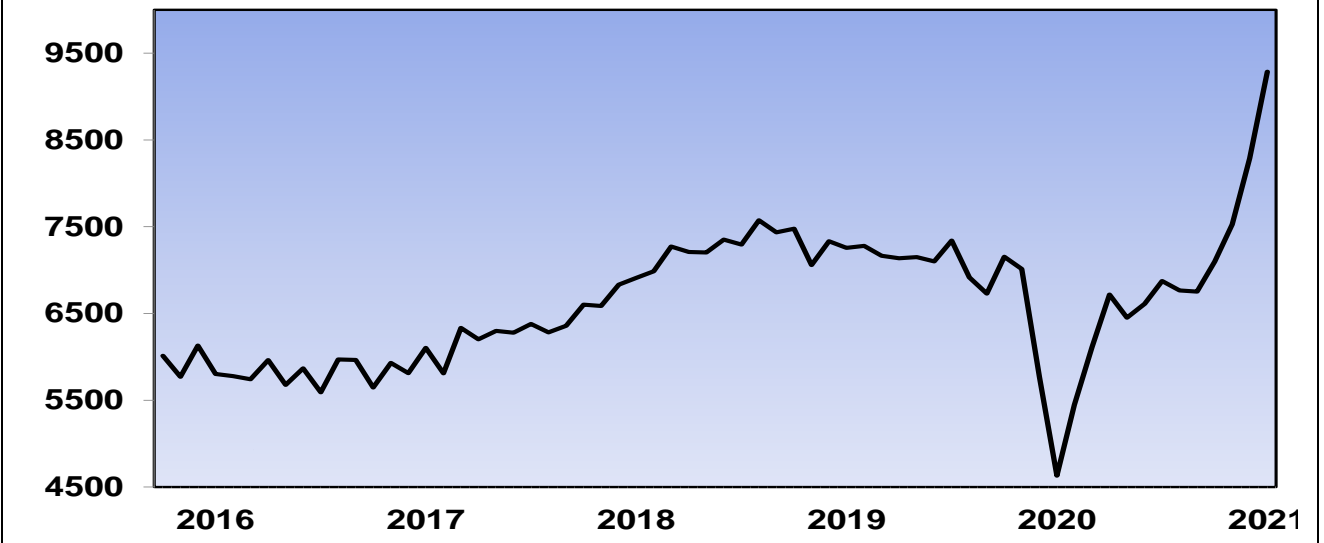
Business Capital Investment: There is encouraging evidence that business investment spending could be entering a new era of growth. Strength in final demand and a need to modernize the capital stock by incorporating new technologies are the primary drivers of a potential investment boom. Soaring cash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

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

CURRENT SUPPLY CONSTRAINTS

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

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



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

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

- **Favorable Job Prospects:** A preponderance of underlying data point to extremely robust demand for labor by business firms. Weekly jobless claims remain in a steady downtrend, while the number of job openings nationwide has risen to 9.5 million, the highest level in the history of the series. Workers are quitting their jobs at a record pace in search of higher-paying jobs, a sign of perceived job security (see chart 2).
- **Employment Forecast:** My forecast assumes net job creation of six million this year and another four million in 2022, well above the long-term average of two million during years of economic expansion. The current 5.8% unemployment rate could decline to 4% by yearend 2022. The pace of wage growth is currently at 3% and should return to its pre-pandemic peak of 4% by the end of this year. Wages could climb at a rate of 5% to 6% in 2022, which would be the fastest growth rate in several decades.

THE GLOBAL ECONOMY

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

- **The Eurozone:** Europe could be a major contributor to world economic growth over the next two years. The euro area has experienced many of the pandemic-related issues that affected the US but is lagging the US by four to six months. The eurozone is currently benefitting from an accelerating pace of vaccinations and a sharp decline in COVID-19 infections.
- **Strong GDP Growth:** The summer/fall tourist season could boost domestic demand, while exports should benefit from strong demand from China and the US. My forecast assumes that real GDP will increase by greater than 4% over the next two years, which would be the fastest pace in several decades.

INFLATION AND MONETARY POLICY

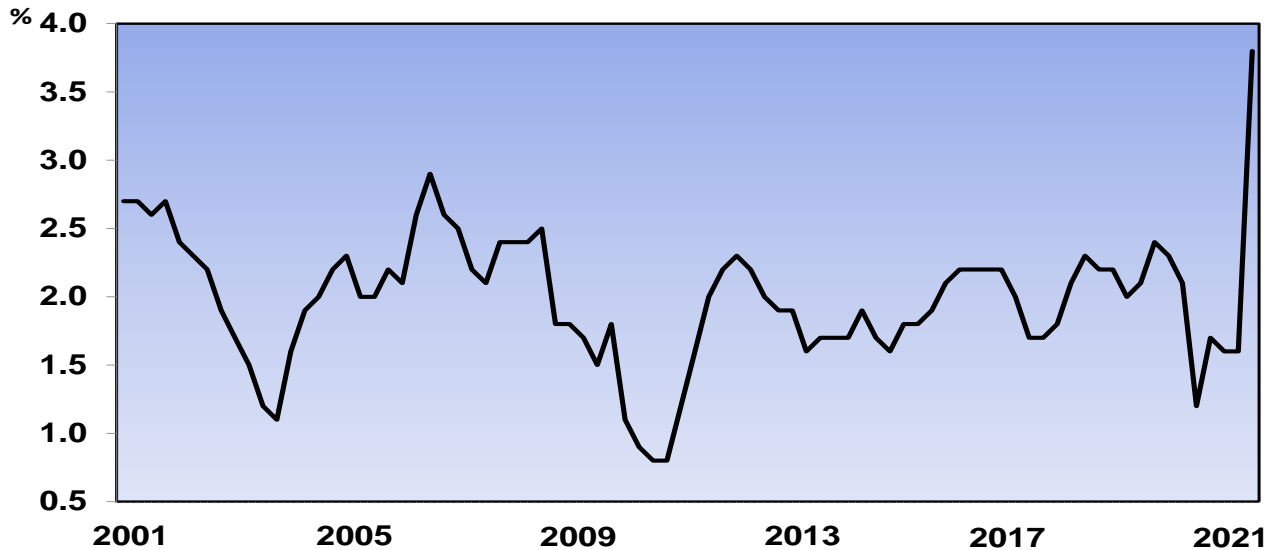
The long-term outlook for inflation is worrisome. The *current spike* in inflation is less of a long-term concern because it emanates from the abrupt reopening of the economy and the inability of disrupted supply chains to keep pace with the surge in spending. The boom in household and business expenditures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

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

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

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

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

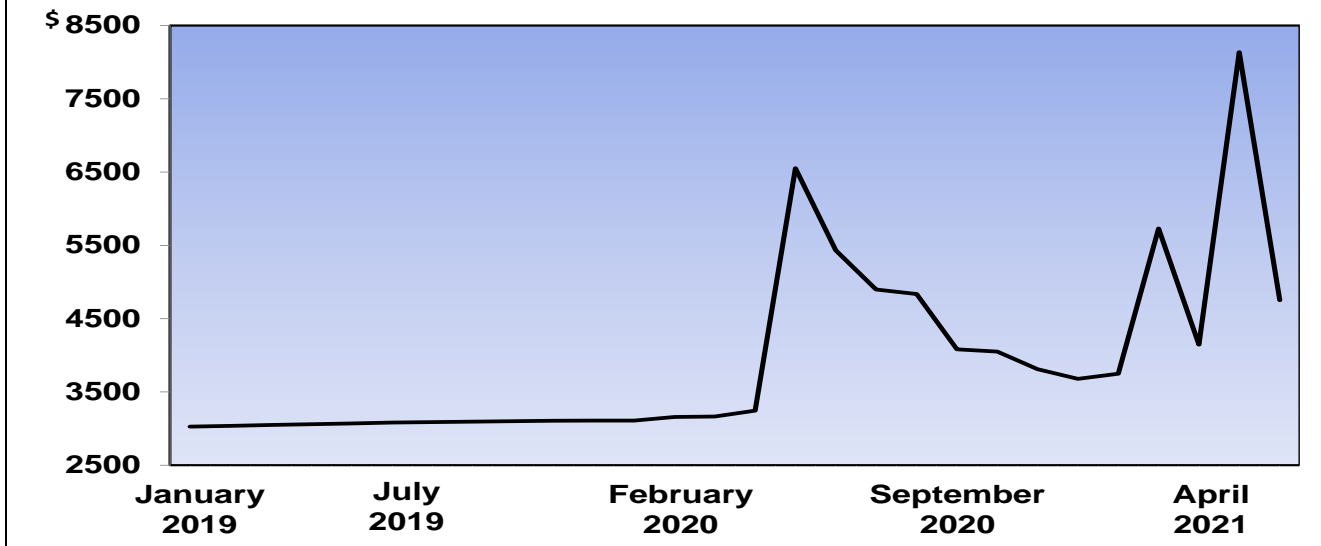


Fed Mentality: Monetary policy has been more expansionary than during the years following the 2008 world financial crisis and appears likely to remain on this path for the foreseeable future. As such, *the risk of a disastrous policy mistake is considerable. The Fed is fighting the last war, believing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

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

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

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



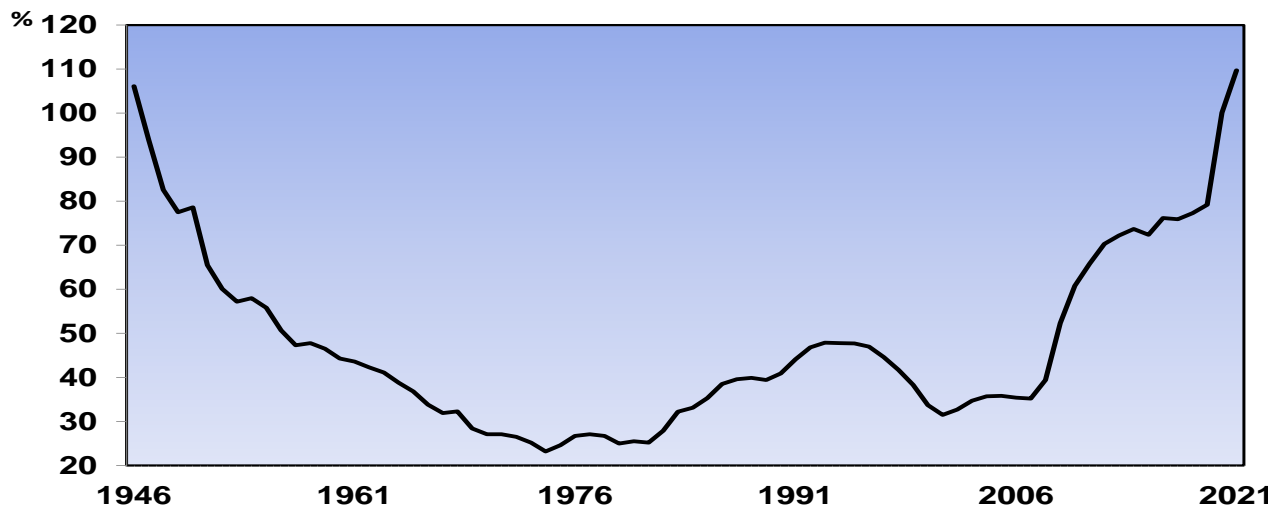
FISCAL POLICY

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

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

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

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



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

ECONOMIC FORECAST

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

RISKS TO THE FORECAST

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

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

2. **COVID-19 Variants:** If the pandemic continues to rage in South America, Africa, and Asia, the risk of COVID-19 mutations and variants will remain elevated, possibly culminating in a new wave of infections.
3. **Fed Policy Mistake:** There is a high probability that the Federal Reserve will maintain overly accommodative credit conditions for too long, resulting in the need for an aggressive tightening campaign to counteract a potential surge in inflation.
4. **Bond Yields:** Government bond yields have remained under good control despite a booming economy and growing inflationary pressures. There is a risk that the Federal Reserve could lose control of the long end of the yield curve at any time and without notice, causing a painful rise in borrowing costs.
5. **Fiscal Cliff:** The failure of Congress to pass an infrastructure bill would result in a fiscal cliff whereby federal government stimulus would end abruptly during 2022. Expiration of the \$2.8 trillion in stimulus later this year could create a vacuum in aggregate spending in 2022 and beyond, if not augmented by new spending initiatives.
6. **Emerging Market Debt:** Many emerging market (EM) economies remain weak because of persistently high COVID-19 infections and lagging vaccinations. At the same time, EM debt levels have surged since 2020. The potential onset of a Federal Reserve rate-tightening campaign next year could force many emerging market central banks to tighten policy prematurely in response, as a necessary step to defend their currencies, leading to a potential debt crisis.



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

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

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

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

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