



# PLAN SUMMARY

## Vermont Deferred Compensation Plan 940050

As Of: March 31, 2023

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

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# **Section I Plan Summary**



# PLAN SUMMARY AND BENCHMARK TRENDS



## Historical Plan Statistics

	4/1/2019 - 3/31/2020	4/1/2020 - 3/31/2021	4/1/2021 - 3/31/2022	4/1/2022 - 3/31/2023
Total Participants Balances	\$455,905,295	\$627,482,566	\$646,895,599	\$606,346,016
Contributions*	\$29,253,478	\$27,342,375	\$31,529,995	\$33,097,995
Distributions*	(\$34,365,139)	(\$28,347,632)	(\$37,003,114)	(\$36,473,127)
Cash Flow	(\$5,111,660)	(\$1,005,257)	(\$5,473,119)	(\$3,375,132)
Market Value Gain / Loss**	(\$25,570,405)	\$174,817,320	\$28,240,702	(\$32,624,567)
<b>Account Balances</b>				
Average Participant Balance	\$57,520	\$78,770	\$78,099	\$71,427
National Average Benchmark***	\$102,586	\$103,108	\$110,278	\$116,541
<b>Participation / Deferrals</b>				
Participation Rate	83.9%	81.9%	89.1%	87.6%
National Average Benchmark***	79.2%	78.9%	79.0%	79.7%
Total Participants with a Balance	7,926	7,966	8,283	8,489
<b>Asset Allocation</b>				
% of Plan Assets in Stable Value	23.7%	18.4%	18.1%	19.4%
<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	11.4%	13.0%	14.8%	17.2%
Participation Rate in GoalMaker	23.0%	25.3%	28.7%	30.2%
Number of Participants in GoalMaker	1,826	2,022	2,386	2,566
Number of Participants in One Fund	1,826	1,847	1,970	2,181
Number of Participants in Four or More Funds	4,739	4,812	5,041	5,087
<b>Distributions</b>				
Number of Distributions*	3,830	3,128	3,712	3,837
Termination	\$25,792,631	\$21,347,858	\$28,003,245	\$24,887,503
Hardship	\$81,314	\$28,916	\$16,827	\$95,088
In Service	\$288,893	\$22,006	\$120,752	\$348,192
Coronavirus-Related Withdrawal	\$0	\$1,051,388	\$0	\$0
Amount of Distributions	\$34,365,139	\$28,347,632	\$37,003,114	\$36,473,127
Amount of Distributions Representing Rollovers	\$22,059,194	\$17,687,753	\$24,628,254	\$22,686,077
% of Assets Distributed*	7.5%	4.5%	5.7%	6.0%

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

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

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

## Plan Demographics Summary

	1/1/2022- 3/31/2022	1/1/2023- 3/31/2023
Total Participants*	8,283	8,489
Active Participants	5,431	5,576
Terminated Participants	2,831	2,889
Other Participants**	1	1
Multiple Status Participants***	20	23
Average Participant Balance	\$78,099	\$71,427
Average Account Balance for Active Participants	\$60,127	\$55,509
Median Participant Balance	\$27,147	\$25,228
Median Participant Balance for Active Participants	\$21,045	\$20,377
Participants Age 50 and Over	4,794	4,845
Total Assets for Participants Age 50 and Over	\$541,546,050	\$506,582,871
Total (Contributions + Rollovers In)	\$7,734,103	\$7,665,196
Employee Contributions	\$7,012,319	\$7,134,822
Rollovers In	\$721,784	\$530,373
Total Distributions	(\$10,149,381)	(\$8,538,835)
Percentage of Assets Distributed	1.6%	1.4%
Market Value Gain / Loss****	\$22,550,095	(\$39,145,570)
Total Participant Balances	\$646,895,599	\$606,346,016

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

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

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

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

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



# Plan Summary

## Plan Features

GoalMaker	3/31/2022	3/31/2023
Plan Assets for Participants in GoalMaker	\$95,699,623	\$104,055,538
% of Plan Assets for GoalMaker Participants	14.8%	17.2%
# of Participants in GoalMaker	2,386	2,566
Participation Rate in GoalMaker	28.7%	30.2%
Book of Business % of Participants in GoalMaker - As of 12/31/2022	56.0%	

Roth	3/31/2022	3/31/2023
Roth Assets	\$25,695,517	\$28,330,077
# of Participants in Roth	1,918	2,105
Participation Rate in Roth	23.2%	24.8%
Book of Business % of Participants in Roth - As of 12/31/2022	16.5%	

Stable Value	3/31/2022	3/31/2023
Participation Rate in Stable Value	57.8%	56.4%
% of Plan Assets in Stable Value	18.1%	19.4%
Book of Business % of Plan Assets in Stable Value - As of 12/31/2022	21.9%	

eDelivery	3/31/2022	3/31/2023
# of Participants Enrolled in eDelivery	4,721	4,858
# of Participants Affirmatively Elected eDelivery	4,704	4,841
# of Participants Defaulted into eDelivery	17	17
% of Participants in eDelivery	56.6%	56.7%
Book of Business % of Participants in eDelivery - As of 12/31/2022	56.0%	

## Participant Activity

Call Center	1/1/2022 - 3/31/2022	1/1/2023 - 3/31/2023
Total Call Volume	577	604

## Transaction Summary

Transactions	1/1/2022 - 3/31/2022	1/1/2023 - 3/31/2023
Total Enrollees*	161	169
Number of Participants with Transfers	2,627	2,744
Distributions	898	874

\*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	3/31/2022	3/31/2023
Statements	4,609	4,746
Confirms	4,703	4,839
Tax Forms	4,611	4,744
Plan Related Documents	4,818	4,818

## Enrollment by Age Group

1/1/2023-3/31/2023								
	Less than 25	25-34	35-44	45-54	55-64	65+	N/A	Grand Total
Total	19	59	41	21	18	2	9	169

## 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%	NA	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%	NA	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	83.6%	69.0%	74.0%	79.0%	77.9%
Average Contribution Rate (%)	N/A	7.7%	7.6%	7.5%	7.3%
Average Account Balance	\$71,427	\$72,964	\$107,090	\$110,278	\$116,541
Median Account Balance	\$25,228	\$69,065	\$98,000	\$83,441	\$89,421
% of Plan Assets in Stable Value	19.4%	21.9%	NA	N/A	N/A
% of Plan Assets in Day One Funds	N/A	1.4%	NA	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%	NA	N/A	N/A
% of Participants Utilizing GoalMaker®	30.2%	56.0%	NA	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	56.7%	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)

## Asset Allocation/Net Activity By Age

January 1, 2023 to March 31, 2023

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	\$428,091	\$13,730,649	\$45,173,321	\$108,449,243	\$185,948,017	\$252,616,695	\$606,346,016
% Assets	0.1%	2.3%	7.5%	17.9%	30.7%	41.7%	100.0%
Average Contribution Rate (\$)	\$0	\$0	\$53	\$204	\$266	\$451	\$244
Contributions	\$88,540	\$836,665	\$1,434,064	\$1,973,938	\$2,342,852	\$458,763	\$7,134,822
Rollovers In*	\$229	\$59,910	\$249,935	\$188,151	\$12,149	\$20,000	\$530,373
Total (Contributions + Rollovers In)	\$88,769	\$896,574	\$1,683,999	\$2,162,088	\$2,355,002	\$478,763	\$7,665,196
Cash Distributions	(\$562)	(\$36,963)	(\$220,858)	(\$184,500)	(\$843,594)	(\$1,526,556)	(\$2,813,033)
Rollovers Out	\$0	(\$66,210)	(\$331,182)	(\$453,898)	(\$1,991,768)	(\$2,882,743)	(\$5,725,802)
Total (Cash Distributions + Rollovers Out)	(\$562)	(\$103,173)	(\$552,040)	(\$638,399)	(\$2,835,362)	(\$4,409,299)	(\$8,538,835)
Net Activity	\$88,207	\$793,402	\$1,131,959	\$1,523,690	(\$480,361)	(\$3,930,536)	(\$873,639)
Total Participants**	125	1,118	1,572	1,881	2,000	1,797	8,493
Average Account Balance	\$3,425	\$12,281	\$28,736	\$57,655	\$92,974	\$140,577	\$71,394
<i>Book of Business Avg. Account Balance as of 12/31/2022</i>	<i>\$3,440</i>	<i>\$15,672</i>	<i>\$43,688</i>	<i>\$86,397</i>	<i>\$126,474</i>	<i>\$130,782</i>	<i>\$72,964</i>
Median Account Balance	\$1,798	\$5,968	\$13,645	\$25,779	\$47,272	\$67,828	\$25,228
<i>Book of Business Median Account Balance as of 12/31/2022</i>	<i>\$3,501</i>	<i>\$11,330</i>	<i>\$28,895</i>	<i>\$49,702</i>	<i>\$73,040</i>	<i>\$106,715</i>	<i>\$69,065</i>

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

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



# RETIREMENT READINESS



# Plan Summary

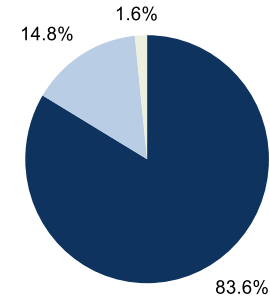
## Participation Rate

	1/1/2022-3/31/2022	1/1/2023-3/31/2023
<b>Total Eligible To Contribute Population</b>	<b>5,639</b>	<b>5,771</b>
Contributing (A)	4,871	4,824
Enrolled Not Contributing (B)	649	854
Eligible Not Enrolled (C)	119	93

	1/1/2022-3/31/2022	1/1/2023-3/31/2023
<b>Participation Rate *</b>	<b>86.4%</b>	<b>83.6%</b>
<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  $A/(A+B+C)$

1/1/2023-3/31/2023



■ 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

State of Vermont

## Contributions by Fund

INVESTMENT OPTIONS	1/1/2022 - 3/31/2022	%	1/1/2023 - 3/31/2023	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	\$843,482	12.0%	\$844,213	11.8%	\$731	0.1%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$765,871	10.9%	\$820,313	11.5%	\$54,442	7.1%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$575,029	8.2%	\$614,055	8.6%	\$39,026	6.8%
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	\$636,317	9.1%	\$596,575	8.4%	(\$39,742)	-6.2%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$524,314	7.5%	\$546,309	7.7%	\$21,995	4.2%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$490,066	7.0%	\$542,631	7.6%	\$52,565	10.7%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$522,270	7.5%	\$497,265	7.0%	(\$25,005)	-4.8%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$437,447	6.2%	\$461,704	6.5%	\$24,258	5.5%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$435,716	6.2%	\$423,942	5.9%	(\$11,775)	-2.7%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$298,088	4.3%	\$414,611	5.8%	\$116,524	39.1%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$403,890	5.8%	\$408,988	5.7%	\$5,098	1.3%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$269,985	3.9%	\$252,506	3.5%	(\$17,479)	-6.5%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$151,792	2.2%	\$149,781	2.1%	(\$2,012)	-1.3%
DODGE & COX BALANCED FUND CLASS I	\$138,212	2.0%	\$126,498	1.8%	(\$11,714)	-8.5%
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$123,566	1.8%	\$117,511	1.7%	(\$6,055)	-4.9%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$76,255	1.1%	\$64,624	0.9%	(\$11,632)	-15.3%
CALVERT BOND FUND CLASS I	\$53,606	0.8%	\$53,217	0.8%	(\$389)	-0.7%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$87,831	1.3%	\$48,490	0.7%	(\$39,340)	-44.8%
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$49,243	0.7%	\$39,554	0.6%	(\$9,688)	-19.7%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$47,426	0.7%	\$38,259	0.5%	(\$9,167)	-19.3%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$31,322	0.5%	\$28,124	0.4%	(\$3,198)	-10.2%
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$33,008	0.5%	\$25,569	0.4%	(\$7,439)	-22.5%
FPA NEW INCOME FUND	\$17,582	0.3%	\$20,081	0.3%	\$2,499	14.2%
Total Assets Contributed	\$7,012,319	100.0%	\$7,134,822	100.0%	\$122,503	1.7%

## Interfund Transfers

1/1/2023 to 3/31/2023

INVESTMENT OPTIONS	IN	OUT	NET
STATE OF VERMONT STABLE VALUE FUND	\$2,433,793	(\$546,698)	\$1,887,095
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	\$1,585,024	(\$599,908)	\$985,116
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	\$542,963	(\$434,111)	\$108,853
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	\$771,930	(\$736,695)	\$35,235
FPA NEW INCOME FUND	\$18,897	(\$14,812)	\$4,085
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$400,540	(\$402,817)	(\$2,278)
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$50,465	(\$53,555)	(\$3,090)
SELF DIRECTED BROKERAGE ACCOUNT	\$0	(\$14,000)	(\$14,000)
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$28,299	(\$46,055)	(\$17,755)
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$18,616	(\$43,308)	(\$24,693)
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$888	(\$41,642)	(\$40,754)
CALVERT BOND FUND CLASS I	\$22,652	(\$66,525)	(\$43,873)
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$11,869	(\$58,258)	(\$46,390)
DODGE & COX BALANCED FUND CLASS I	\$106,327	(\$177,277)	(\$70,949)
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	\$538,578	(\$618,391)	(\$79,813)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$36,118	(\$132,094)	(\$95,976)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	\$416,461	(\$516,556)	(\$100,095)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$31,860	(\$134,355)	(\$102,495)
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$50,880	(\$180,621)	(\$129,741)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$69,486	(\$212,313)	(\$142,827)
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$157	(\$235,394)	(\$235,237)
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$17,581	(\$280,856)	(\$263,275)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$29,517	(\$331,864)	(\$302,348)
VANGUARD U.S. GROWTH FUND ADMIRAL SHARES	\$282,331	(\$1,587,128)	(\$1,304,797)
TOTAL	\$7,465,232	(\$7,465,232)	\$0



## Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken				# of Withdrawals			
	1/1/2022 - 3/31/2022	1/1/2023 - 3/31/2023	Change	% Change	1/1/2022 - 3/31/2022	1/1/2023 - 3/31/2023	Change	% Change
Termination	\$8,096,735	\$7,009,790	(\$1,086,945)	(13%)	306	303	(3)	(1%)
Direct Transfer	\$676,311	\$311,334	(\$364,978)	(54%)	11	6	(5)	(45%)
Installment Payment	\$655,987	\$630,912	(\$25,075)	(4%)	480	473	(7)	(1%)
Required Minimum Distribution	\$342,035	\$299,814	(\$42,221)	(12%)	65	59	(6)	(9%)
In-Service Withdrawal	\$91,860	\$108,396	\$16,537	18%	5	5	0	0%
Death Distribution	\$274,674	\$114,110	(\$160,565)	(58%)	24	17	(7)	(29%)
Hardship Withdrawal	\$0	\$22,142	\$22,142	N/A	0	5	5	N/A
QDRO	\$11,727	\$24,500	\$12,773	109%	3	4	1	33%
Return of Excess Deferrals/Contributions	\$0	\$17,830	\$17,830	N/A	0	1	1	N/A
Gross Adjustment	\$52	\$8	(\$43)	(84%)	4	1	(3)	(75%)
<b>Grand Total</b>	<b>\$10,149,381</b>	<b>\$8,538,835</b>	<b>(\$1,610,546)</b>	<b>(16%)</b>	<b>898</b>	<b>874</b>	<b>(24)</b>	<b>(3%)</b>

1/1/2023 - 3/31/2023						
Distribution Sub-Type	Amount of Withdrawals Taken			# of Withdrawals		
	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	\$576,332	\$5,149,469	\$5,725,802	19	41	60
Cash	\$280,955	\$2,532,078	\$2,813,033	20	794	814
<b>Grand Total</b>	<b>\$857,288</b>	<b>\$7,681,547</b>	<b>\$8,538,835</b>	<b>39</b>	<b>835</b>	<b>874</b>

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.

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.

Death Distribution - Distribution taken by a beneficiary. 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.

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

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

	4/1/2022 - 6/30/2022	7/1/2022 - 9/30/2022	10/1/2022 - 12/31/2022	1/1/2023 - 3/31/2023
Call Center				
Unique Callers	374	292	323	380
Total Call Volume	605	470	511	604
Participant Website				
Registered Participants	6,143	6,125	6,128	6,112
Unique Web Logins	2,938	2,612	2,556	3,304
Total Web Logins	32,415	24,146	26,726	34,578

Call Center Reason Category	4/1/2022 - 6/30/2022	7/1/2022 - 9/30/2022	10/1/2022 - 12/31/2022	1/1/2023 - 3/31/2023
Account Explanations	134	92	98	101
Allocation Changes & Exchange	7	9	13	8
Contributions	9	7	10	20
Disbursements	323	242	272	300
Enrollments	1	0	0	1
Forms	0	0	0	2
Fund Information	6	4	10	5
Hardships	16	11	17	21
IFX	0	0	0	0
IVR or Web Assistance	17	16	14	18
Loans	1	1	0	2
Other	32	28	37	40
Payment Questions	0	0	0	0
Plan Explanations	14	17	9	15
Regen Reg Letter	0	0	0	0
Status of Research	9	7	14	24
Tax Information	2	2	1	29
Website Processing	34	34	16	18
Total	605	470	511	604

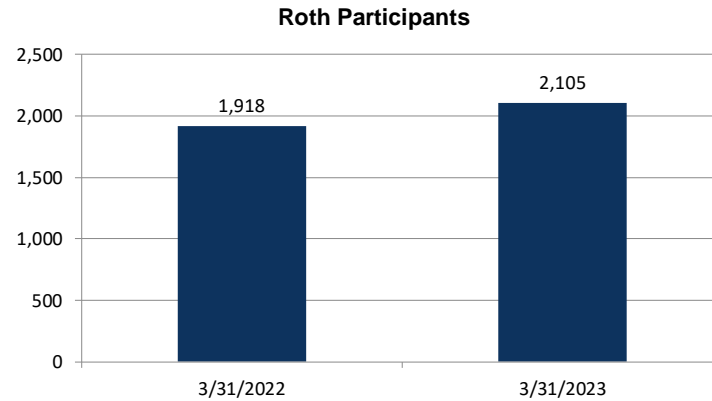
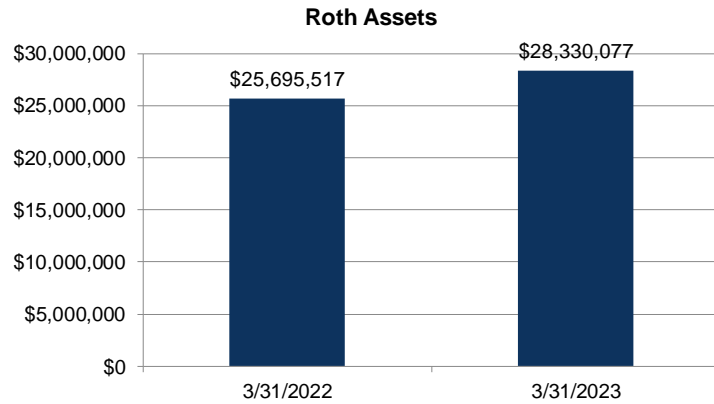
### Definitions:

**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.

## Roth Summary



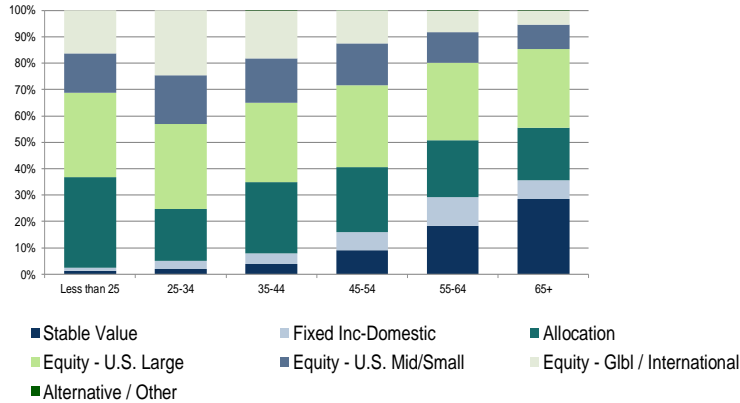
	3/31/2022	3/31/2023
Roth Assets	\$25,695,517	\$28,330,077
# of Participants in Roth	1,918	2,105
Participation Rate in Roth	23.2%	24.8%
Book of Business % of Participants in Roth - As of 12/31/2022	16.5%	



# INVESTMENT DIVERSIFICATION



## Assets by Asset Class and Age As of March 31, 2023



## Asset Allocation

Asset Class	Your Plan Assets as of 3/31/2023	Your Plan % as of 3/31/2023
Stable Value	\$117,843,278	19.4%
Fixed Inc-Domestic	\$47,534,949	7.8%
Allocation	\$132,454,473	21.8%
Equity - U.S. Large	\$182,319,914	30.1%
Equity - U.S. Mid/Small	\$72,032,375	11.9%
Equity - Gbl / International	\$53,233,123	8.8%
Alternative / Other	\$927,903	0.2%
<b>Total Participant Balances</b>	<b>\$606,346,016</b>	<b>100.0%</b>

## Fund Utilization By Age As of March 31, 2023

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	62	317	382	411	472	539	2,183
Average # of Funds per Participant	3.3	5.0	5.9	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	1.2%	2.0%	3.9%	9.1%	18.2%	28.5%	19.4%
<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	7	3	14

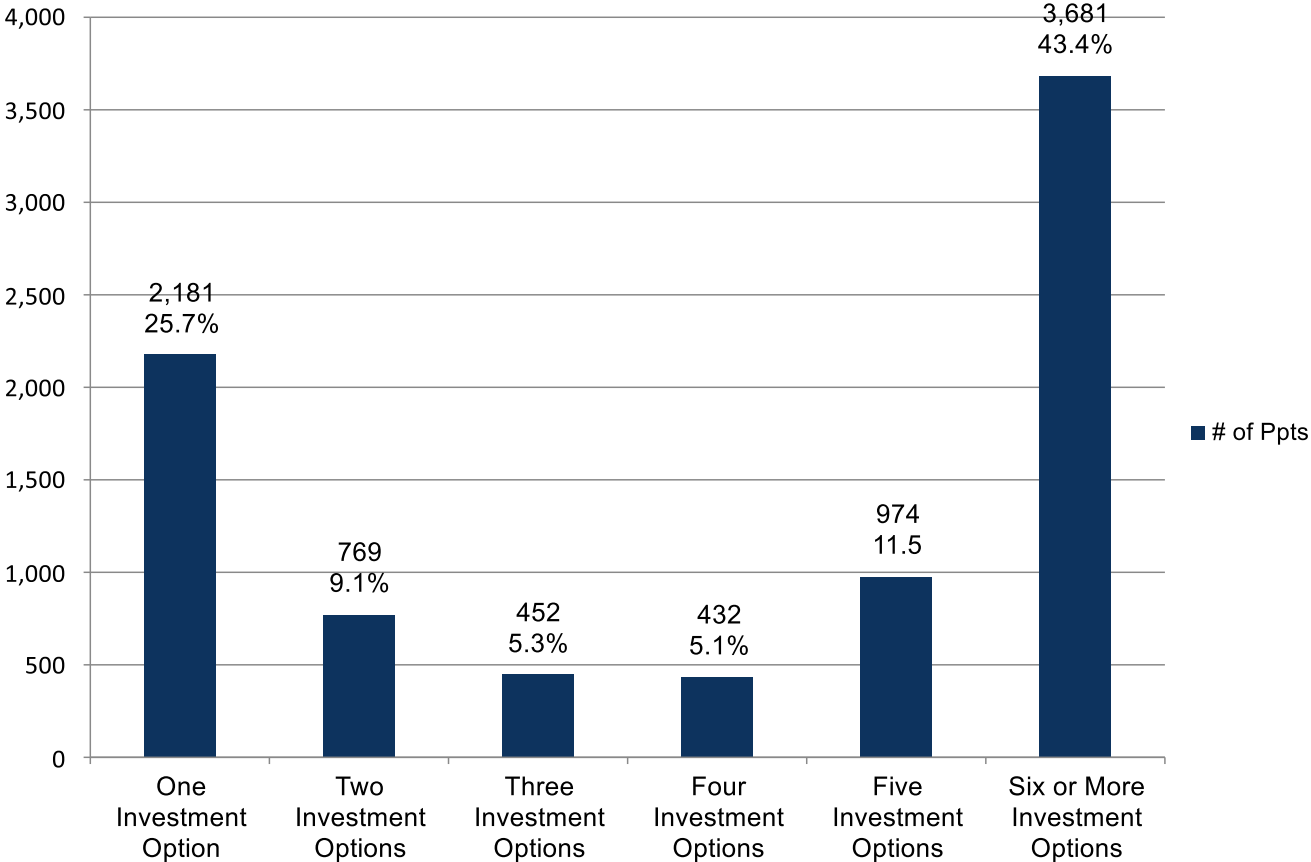
## Utilization by Fund

as of March 31, 2023

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
<b>STATE OF VERMONT STABLE VALUE FUND</b>	\$117,843,278	19.4%	4,790	537
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	\$68,244,632	11.3%	2,214	93
<b>VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES</b>	\$45,887,005	7.6%	4,549	15
<b>VANGUARD U.S. GROWTH FUND ADMIRAL SHARES</b>	\$44,321,078	7.3%	4,581	17
<b>T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS</b>	\$36,779,957	6.1%	4,550	6
DODGE & COX BALANCED FUND CLASS I	\$36,635,766	6.0%	908	45
<b>VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES</b>	\$35,252,419	5.8%	4,573	11
<b>VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES</b>	\$31,863,661	5.3%	3,938	2
<b>VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES</b>	\$31,464,305	5.2%	3,228	7
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	\$27,329,373	4.5%	488	206
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	\$26,128,609	4.3%	622	282
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	\$23,867,199	3.9%	665	29
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	\$19,598,128	3.2%	578	322
DODGE & COX INTERNATIONAL STOCK FUND CLASS I	\$12,325,767	2.0%	1,520	3
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	\$8,979,936	1.5%	228	90
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	\$6,165,313	1.0%	592	450
FPA NEW INCOME FUND	\$5,900,442	1.0%	312	5
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	\$5,757,575	0.9%	1,422	6
CALVERT BOND FUND CLASS I	\$5,091,813	0.8%	1,130	0
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	\$5,078,389	0.8%	1,383	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	\$4,546,780	0.7%	265	48
IMPAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	\$3,286,121	0.5%	568	4
IMPAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	\$3,070,569	0.5%	215	2
SELF DIRECTED BROKERAGE ACCOUNT	\$927,903	0.2%	14	0
Total	\$606,346,016	100.0%		

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

## Investment Utilization as of March 31, 2023



*Due to rounding, bar graph may not equal 100%*



## GoalMaker® Participation

as of 3/31/2023

	6/30/2022	9/30/2022	12/31/2022	3/31/2023
Plan Assets for Participants in GoalMaker	\$88,557,831	\$88,424,309	\$96,540,899	\$104,055,538
# of Participants in GoalMaker	2,413	2,458	2,504	2,566
Participation Rate in GoalMaker	29.0%	29.5%	29.7%	30.2%
% of Plan Assets for GoalMaker Participants	15.5%	16.1%	16.6%	17.2%

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

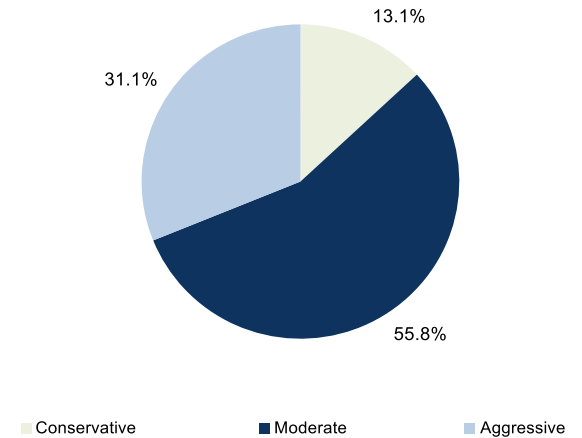
The participation rate in GoalMaker is 56.0%.

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	19	1	24	9	54
25-34	27	2	182	33	290	38	572
35-44	33	3	258	28	245	34	601
45-54	42	7	318	32	200	24	623
55-64	70	24	299	41	96	16	546
65+	20	38	50	51	6	5	170
Total	193	74	1,126	186	861	126	2,566

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	\$906	\$0	\$60,941	\$265	\$110,702	\$16,632	\$189,446
25-34	\$143,129	\$16,205	\$2,287,534	\$350,982	\$3,825,950	\$352,779	\$6,976,577
35-44	\$217,694	\$8,350	\$5,554,212	\$421,223	\$6,588,297	\$520,863	\$13,310,638
45-54	\$1,524,158	\$279,059	\$12,360,827	\$716,398	\$8,881,608	\$1,222,281	\$24,984,330
55-64	\$3,736,162	\$1,678,774	\$19,033,682	\$3,027,270	\$6,598,822	\$1,684,920	\$35,759,630
65+	\$1,726,304	\$4,293,068	\$5,608,832	\$8,631,690	\$1,339,596	\$1,235,428	\$22,834,917
Total	\$7,348,352	\$6,275,455	\$44,906,027	\$13,147,827	\$27,344,975	\$5,032,902	\$104,055,538

## Percentage of Assets by GoalMaker® Participation Portfolio As of 3/31/2023



# 3.2 Years

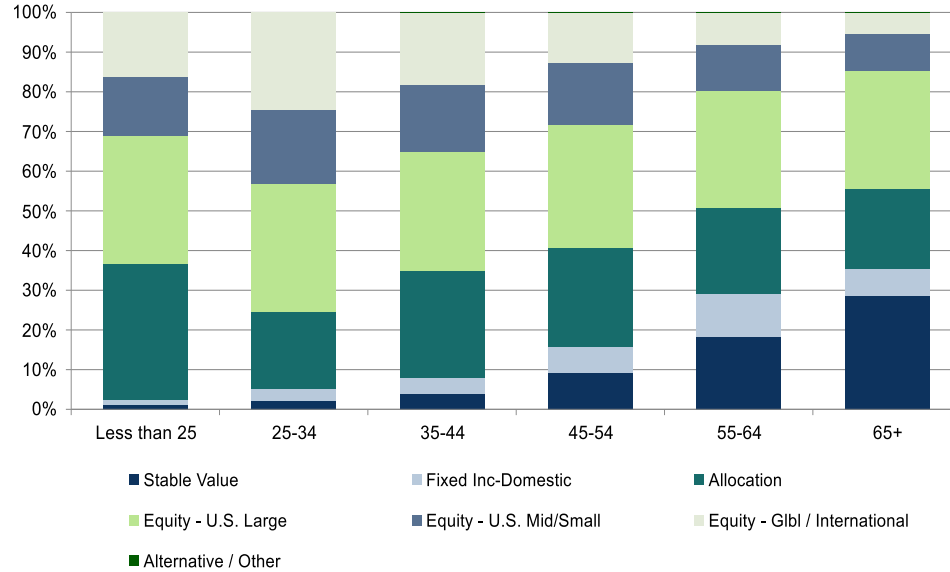
average length of time GoalMaker participants have been enrolled in GoalMaker

# 30.2%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

## Asset Allocation by Age Group



### As of March 31, 2023

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	\$4,927	\$281,101	\$1,777,667	\$9,838,847	\$33,851,542	\$72,089,193	\$117,843,278
Fixed Inc-Domestic	\$5,294	\$409,862	\$1,829,178	\$7,330,951	\$20,266,666	\$17,692,998	\$47,534,949
Allocation	\$147,417	\$2,689,226	\$12,135,245	\$26,815,109	\$40,269,588	\$50,397,888	\$132,454,473
Equity - U.S. Large	\$137,226	\$4,430,194	\$13,598,170	\$33,816,227	\$54,864,311	\$75,473,787	\$182,319,914
Equity - U.S. Mid/Small	\$63,801	\$2,551,257	\$7,590,131	\$16,969,607	\$21,402,648	\$23,454,931	\$72,032,375
Equity - Gbl / International	\$69,426	\$3,369,009	\$8,186,912	\$13,613,512	\$14,930,587	\$13,063,678	\$53,233,123
Alternative / Other	\$0	\$0	\$56,019	\$64,991	\$362,674	\$444,220	\$927,903
<b>Total Assets</b>	<b>\$428,091</b>	<b>\$13,730,649</b>	<b>\$45,173,321</b>	<b>\$108,449,243</b>	<b>\$185,948,017</b>	<b>\$252,616,695</b>	<b>\$606,346,016</b>
% of Assets	0.1%	2.3%	7.5%	17.9%	30.7%	41.7%	100.0%
Total Participants	125	1,118	1,572	1,881	2,000	1,797	8,493
Avg Account Balance	\$3,425	\$12,281	\$28,736	\$57,655	\$92,974	\$140,577	\$71,394

# Plan Summary

## Rep Stats

	4/1/2022-6/30/2022	7/1/2022-9/30/2022	10/1/2022-12/31/2022	1/1/2023-3/31/2023	Total
Group Presentations	12	13	12	9	46
Individual Participant Meetings	514	686	427	548	2,175
New Enrollments as a result of Group/Individual Meeting*	60	120	62	62	304
GoalMaker as a result of Group/Individual Meeting*	48	98	56	66	268
Contribution Rate Increases	82	82	133	137	434
Number of Rollovers	29	16	35	22	102
Rollover Dollars	\$764,000	\$537,000	\$1,512,000	\$366,000	\$3,179,000

# Plan Summary

State of Vermont

## ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 3/31/2023	# of PPT	% of AUM of the Plan
<b>940010 - 940060 - 403(b) Exclusive &amp; Non-Exclusive</b>					
	Calvert Equity Fund Class I	CEYIX	3796294	160	
	Impax Global Environmental Markets Fund Institutional Class	PGINX	491,087	76	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	4,218,872	1028	
<b>940020 - State Defined Contribution</b>					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$312,594	7	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$252,618	10	
<b>940030 - Muni Defined Contribution</b>					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$4,421	2	
<b>940050 - 457b Plan</b>					
	Impax Global Environmental Markets Fund Institutional Class	PGINX	\$3,286,121	568	
	Impax Sustainable Allocation Fund Investor Class	PAXWX	\$3,070,569	215	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	\$5,078,389	1,383	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	\$23,867,199	665	

# Plan Summary

## State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 3/31/2023

Market-to-Book Value Ratio as of 3/31/2023 .....94.28%

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	3/31/2023	
1 MONTH	0.23%	0.43%
3 MONTH	0.65%	1.07%
YTD	0.65%	1.07%
1 YEAR	2.30%	2.51%
3 YEAR	2.20%	0.89%
5 YEAR	2.34%	1.41%
10 YEAR	2.29%	0.87%
SINCE INCEPTION	2.44%	N/A

\*Returns for periods greater than one year are annualized.

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

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

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

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

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

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](http://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><b>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...</b></p> <p><b>How does an individual know if this applies?</b></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 <b>do not apply</b> to the account.</p>
<p><b>If an individual independently purchased an individual annuity, life insurance, or investment product with Prudential...</b></p> <p><b>How does an individual know if this applies?</b></p> <ul style="list-style-type: none"> <li>• They independently purchased a product from Prudential (other than a SmartSolution IRA) that is unrelated to an employer workplace plan.</li> <li>• 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.</li> <li>• They purchased an investment product or service through Pruco Securities, LLC.</li> </ul>	<p>...The account remains with Prudential and was not impacted by the transaction.</p> <p>The “Important Disclosures Regarding the Empower Transaction” listed below <b>do not apply</b> to the account.</p>



<p><b>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...</b></p> <p><b>How does an individual know if this applies?</b></p> <ul style="list-style-type: none"> <li>• They receive statements and other notifications from Prudential in connection with one or more of these plans.</li> </ul>	<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 <b>apply to the account as applicable.</b></p>
<p><b>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...</b></p> <p><b>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.</b></p> <p><b>How does an individual know if this applies?</b></p> <ul style="list-style-type: none"> <li>• They receive a notification from Prudential Retirement notifying them that Empower will become the service provider for their account.</li> <li>• They receive a welcome email or letter from Empower.</li> </ul>	<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 <b>apply.</b></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](https://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](https://empower-retirement.com/privacy) for the account.

All product names, logos and brands are property of their respective owners. “EMPOWER” and all associated logos and product names are trademarks of Empower Annuity Insurance Company of America. Prudential, the Prudential logo and the Rock Design are trademarks of Prudential Financial, Inc. and its affiliates and are used under license.

Information provided herein, including linked documents, is being provided for informational or educational purposes only. By sharing it, neither PIMS nor Prudential is acting as a fiduciary as defined by the Department of Labor or otherwise. If investment advice is needed, please consult with a qualified professional. Prudential Financial, its affiliates and their financial professionals do not render tax or legal advice. Please consult with your tax and legal advisors regarding your personal circumstances.

**Empower Sponsor 2.2023**

## **Section II Economic Outlook**

# Capital markets perspective

Index/ Security	Asset class	Level (close)	% Change (Friday close)		Index/ Security	Asset class	Level (close)	% Change (Friday close)	
			1 WK.	YTD				1 WK.	YTD
Dow Industrials	Lg. Cap Eq.	33,485.29	0.63%	1.11%	FTSE 100	UK Equity	7,741.56	1.44%	3.89%
S&P 500®	Lg. Cap Eq.	4,105.02	-0.10%	6.92%	Nikkei 225	Japan Equity	27,472.63	-2.03%	5.28%
NASDAQ Comp.	US Equity	12,087.98	-1.10%	15.49%	EEM:US	Emkt. Equity	\$39.39	-0.18%	3.93%
S&P Midcap 400®	Mid-Cap Equity	2,447.09	-2.59%	0.69%	EFA:US	Non-US Equity	71.94	0.59%	9.60%
Russell 2000®	Sm. Cap Eq.	1,754.46	-2.66%	-0.39%	UST 10y (yield)	US Treasury	3.31%	-0.16%	-0.57%
Stoxx 50	Europe Eq.	4,309.45	-0.13%	13.60%	Bloomberg U.S. AGG	Fixed Inc.	2,132.95	1.12%	4.11%

## Not cool enough.

That phrase describes my teenaged self almost perfectly, and it also goes a long way toward building context around last week's economic data: there's little doubt that **last week's labor data was refreshingly cool**. Job growth slipped to its lowest level in nearly three years, with a **relatively modest 236,000 jobs added to US payrolls** in March<sup>1</sup>. Meanwhile, **job openings fell below 10 million** in February, representing the first time that figure has had fewer than eight digits since the Spring of 2021<sup>2</sup>. At the same time, the number of **layoffs** cataloged by Challenger Gray and Christmas in March rose 15% month-over-month, leaving the **year-to-date total more than three times higher than it was last year**<sup>3</sup>. (Weekly jobless claims rose significantly, too, but seem to have been distorted by a big change in how the Department of Labor applies its seasonal adjustment factor now that COVID-related disruptions have faded so we'll leave that one alone for now...)

In the messed-up world that is economics, **that should be good news** – primarily because the labor market has so far been stubbornly immune to the Federal Reserve's efforts to cool the economy: but if labor market indicators are finally starting to point downward in something approaching unison, it might suggest that **the Fed might finally be able to sit back and watch** as inflation (and, unfortunately the economy, too) cool enough for the Fed to drop its alert level by a notch or two.

**But how cool is cool enough?** While all the above-mentioned data are evidence of progress, there are **still almost 2 jobs available for every would-be job seeker** in the US (for context, that ratio has spent most of its life below 1.0.) Meanwhile, payroll processor ADP noted last week that **compensation** may finally be decelerating, but is **still growing at nearly 7%** per year – and more than *twice* that for those who leave their current jobs for greener pastures<sup>4</sup>. But that still hasn't been enough to motivate some segments of the US workforce to re-engage: the workforce **participation rate remains mired in the low 60s**,

<sup>1</sup> <https://www.bls.gov/news.release/empsit.nr0.htm>

<sup>2</sup> <https://www.bls.gov/news.release/jolts.nr0.htm>

<sup>3</sup> <https://www.challengergray.com/blog/job-cuts-rise-15-in-march-2023-up-319-from-same-month-last-year-highest-q1-since-2020/>

<sup>4</sup> <https://adp-ri-nrip-static.adp.com>

having never regained its pre-COVID levels. That conundrum, as much as anything, has made the tea leaves extremely hard to read for the Fed and other market observers.

Besides, even if the labor market *is* finally starting to get the message, **getting the timing right is devilishly hard for the Fed**: the relationship between when the Fed starts tightening policy and when it begins to impact the economy is impossible to calculate with precision (Chair Powell's stock phrase for this phenomenon is that "**a large and variable lag**" exists between the implementation of monetary policy and broad macroeconomic aggregates.) And perhaps nowhere is that as true as it is with labor market data, which is often among the last species of economic data to react to the Fed's efforts.

That's why it's so always been **so easy for the Fed to "over-shoot" by tightening too much** and tipping both the economy and the labor market into recession when it might have otherwise avoided it. Even under the best/most ordinary of circumstances, it's hard for the Fed to get the timing right. But these are neither the best nor the most ordinary of circumstances: the **COVID** pandemic and efforts to minimize the damage it might otherwise have done to the global economy **created all sorts of distortions**, including once-in-a-generation inflation, the tightest job market since at least the Vietnam war, and a consumer that was made temporarily bulletproof by what will probably be remembered as probably the most generous and globally far-reaching stimulus effort in history. All that **has made the Fed's already difficult job of knowing exactly when to back off nearly impossible**, while at the same time making the risks associated with backing off before inflation is decisively defeated even more severe.

**Translation?** Last week's uniformly weak(er) jobs data was **probably a step in the right direction, but may not be quite cool enough to fully satisfy the Fed** just yet. Unfortunately, something else may have to break first.

But at the same time, **it's also possible to argue that Fed policy no longer matters all that much** when it comes to markets. Sure, a much-bigger-than-expected increase at the next FOMC meeting in May would probably tank markets, just like a surprise cut might spark a big rally. But it's probably safe to say that the Fed is no longer driving market sentiment in the same way it did just over a year ago when Powell & Co. first embarked on their rate-rising adventure. We've made that case in these pages before, and I think it's probably even more true now that the labor market might finally be showing signs of weakness with no sign of remorse from the Fed anywhere on the horizon.

**So what is driving sentiment? Increasingly, it's recession.** Last week's ISM and PMI data<sup>5,6</sup> reconfirmed that the manufacturing sector is already contracting. No surprise there, that's been true for months. New this week, though, is word that the **services sector** – a much bigger portion of overall economic activity – **might be tipping over as well**: both surveys indicated that activity in the sector plunged toward breakeven in March, perhaps removing the best chance the US economy had for avoiding an honest-to-goodness recession if trends continue to weaken<sup>7,8</sup>.

**And then there are markets themselves.** A quirk of the calendar prevented investors from reacting in real-time to Friday's payrolls report (a Good Friday market closure saw to that...), but if you're the kind of person that reads anything at all into which areas of the market are doing well and which aren't, then last week's moves may have helped convince you that investors are perhaps more concerned about what happens to economic growth than anything the Fed may or may not be up to. For example, those **sectors of the large-cap equity universe** that are logically most connected to near-term economic growth (namely, industrials, consumer discretionary and materials,) sold off alongside mid- and small-caps, while sectors commonly thought to hold up better during times of weaker growth (utilities, healthcare and staples) outperformed. Add to that a persistent – and by one measure, deepening – **inversion of the US treasury curve** (thought by many to be a tell-tale sign that recession is near,) and **its not hard to imagine that the market's new obsession isn't the Fed, its recession.**

<sup>5</sup> <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/march/>

<sup>6</sup> <https://www.pmi.spglobal.com/Public/Home/PressRelease/70b28232e2b943e9ba0cc7b4fe1d6ffe>

<sup>7</sup> <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/march/>

<sup>8</sup> <https://www.pmi.spglobal.com/Public/Home/PressRelease/c9479e7315af4c8e98992177848e5ba1>

# What to watch this week

## Economic Events, April 10<sup>th</sup> – 14<sup>th</sup>

**Monday:** *No major economic releases*

**Tuesday:** NFIB small business sentiment

**Wednesday:** CPI inflation, Atlanta Fed business inflation expectations, Fed minutes

**Thursday:** PPI inflation, weekly jobless claims

**Friday:** Retail sales, UofM consumer sentiment, industrial production, EXIM prices, financial earnings

Annnnnnd, they're off....

**First quarter earnings season begins on Friday**, with **big banks** like Citigroup, JPMorgan and Wells Fargo announcing results for the March quarter on Friday morning. As usual, the first installment of big bank earnings will be followed by other big banks, alongside a handful of smaller banks, retailers, airlines, and a smattering of other macro-relevant companies, early next week. What banks say and do at the outset of the quarterly earnings derby is always relevant to the economy, but this quarter's results will be **even more closely scrutinized**: in the wake of the Silicon Valley Bank failure, markets will be **primed for any color at all that executives are willing to provide surrounding the health of the banking sector as a whole**.

Top of mind for everyone within earshot will be **whether the issues encountered by Silicon Valley might also be lurking on other balance sheets** (both big and small,) as well as any thoughts on **how the regulatory or enforcement environment might change** in its wake. Potentially even more impactful from an economic perspective will be **any indication that banks in general are pulling in their horns and becoming more conservative when extending credit** – anecdotally, there was already evidence that some degree of pullback was happening even before the regional bank issues hit newswires in anticipation of a weaker economic environment. If fallout from the Silicon Valley debacle exacerbates that or pulls it even further forward, add that to the list of things that will begin constraining economic growth in the very near future.

Beyond that, we'll get at least **three separate inflation-related releases** to chew on this week. The latest consumer price index (CPI) numbers are due out on Wednesday, followed by producer prices (PPI) on Thursday. In both cases, economists **are expecting numbers to moderate substantially** on the headline even if core prices hold in at or near current rates. Markets seem **unlikely to react violently unless the figures come in substantially different** than those estimates would imply.

But forward-looking expectations about where inflation might be headed are arguably more important than backward-looking index numbers at this stage of the cycle. Toward that end, the **business inflation expectations release from the Atlanta Fed** on Wednesday might be the better read. This high-quality survey attempts to take the inflation question one step further by asking business executives where they expect inflation to be in the future. That can provide important context by providing read-through into how likely businesses are to do things like boost prices to **defend profit margins**, as well as allowing economists to triangulate **whether or not inflationary attitudes are becoming entrenched**. If anything about this week's inflation data might be expected to change the Fed's thinking, this could be it.

Speaking of Fed thinking, the **minutes from last month's Fed meeting** will be released Wednesday afternoon. As always, the minutes provide far deeper context into what was top-of-mind for Fed policymakers during their last two-day confab than the sparse written statement or highly pressurized press conference ever could. This edition will also include discussions surrounding the once-per-quarter **"staff economic projections"** (and the now-famous **"dot-plot"**) which makes it a must-read for econo-geeks.

Finally, in terms of consumer trends, Friday will bring both the mid-month update of the University of Michigan's **consumer sentiment** survey as well as March's **retail sales** report. Until recently, consumers have been **remarkably durable with their spending habits and remarkably fickle with their survey responses**. Let's see if that continues this week when consumers have a chance to express their views, both with their mouths and with their wallets.

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