PLAN SUMMARY

State of Vermont 940050

Presented by: Gabriel D’Ulisse Vice President and Managing Director As Of: December 31, 2020

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

For Plan Sponsor or Consultant Use Only

Prudential

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Section I: Plan Summary

Plan Summary and Benchmark Trends

Historical Plan Statistics

	9/30/2020	10/31/2020	11/30/2020	12/31/2020
Total Participants Balances	$545,383,698	$540,210,060	$583,215,426	$602,970,754
Contributions*	$1,907,013	$1,852,310	$2,001,083	$2,887,983
Distributions*	($1,990,448)	($2,004,265)	($3,822,955)	($2,340,235)
Cash Flow	($83,435)	($151,955)	($1,821,872)	$547,748
Account Balances				
Average Participant Balance	$68,922	$68,286	$73,787	$76,104
Participation / Deferrals				
Participation Rate	77.6%	77.2%	77.0%	77.5%
Average Contribution Rate (%)	0.0%	0.0%	0.0%	0.0%
Total Participants w ith a Balance	7,913	7,911	7,904	7,923
Asset Allocation				
% of Plan Assets in Stable Value	20.6%	21.0%	19.5%	19.1%
% of Plan Assets for GoalMaker Participants	12.1%	12.2%	12.3%	12.6%
Participation Rate in GoalMaker	23.7%	23.8%	23.9%	24.2%
Number of Participants in GoalMaker	1,875	1,885	1,896	1,922
Number of Participants in One Fund	1,850	1,856	1,853	1,858
Number of Participants in Four or More Funds	4,731	4,726	4,728	4,746
Distributions				
Total Number of All Withdraw als*	260	276	301	256
Termination	$1,195,386	$1,548,569	$2,877,649	$2,047,250
Hardship	$0	$0	$0	$3,500
In Service	$15,176	$0	$0	$0
Coronavirus-Related Withdraw al	$47,572	$159,612	$187,610	$95,061
Subtotal of Termination, Hardship, Inservice, Coronavirus-Related Withdraw al	$1,258,133	$1,708,181	$3,065,258	$2,145,811
Amount of Distributions Representing Rollovers	$689,692	$1,213,717	$2,849,714	$1,628,837
% of Assets Distributed*	0.4%	0.4%	0.7%	0.4%

**Includes Rollovers*

CRD by Range

	12/31/2020
Up to $5k	11
$5,001-$10,000	12
$10,001-$25k	17
$25,001-$50k	8
$50,001-$75k	1
$75,001+	3

CRD by Status as of 12/31/2020

	PPT Count	Total CRD
Active	47	$951,246
Termed	5	$100,142
Total	**52**	**$1,051,388**

CRD

	12/31/2020
Average	$20,219
Median	$12,800
Total_CRDs	$1,051,388

CRD-Corona Virus Related Distribution
CRD Data is as of April 2020-December 2020, except Loan Suspensions, this is noting loans still suspended as of December 31, 2020

Plan Demographics Summary

	1/1/2019-12/31/2019	1/1/2020-12/31/2020
Total Participants*	7,781	7,923
Active Participants	5,708	5,755
Terminated Participants	2,062	2,154
Suspended Participants	0	0
Other Participants**	0	1
Multiple Status Participants***	11	13
Average Participant Balance	$68,912	$76,104
Average Account Balance for Active Participants	$56,779	$64,487
Median Participant Balance	$25,579	$28,018
Median Participant Balance for Active Participants	$20,305	$23,465
Participants Age 50 and Over	4,516	4,669
Total Assets for Participants Age 50 and Over	$446,254,615	$504,616,761
Total (Contributions + Rollovers In)	$29,457,792	$27,854,634
Employee Contributions	$23,239,356	$25,416,266
Employer Contributions	$0	$0
Rollovers In	$6,218,436	$2,438,368
Total Distributions	($36,054,205)	($29,188,172)
Percentage of Assets Distributed	6.7%	4.8%
Market Value Gain / Loss****	$94,553,745	$70,539,849
Total Participant Balances	$536,202,811	$602,970,754

**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 Features

GoalMaker	12/31/2019	12/31/2020
Plan Assets for Participants in GoalMaker	$54,924,726	$75,671,401
% of Plan Assets for GoalMaker Participants	10.2%	12.6%
# of Participants in GoalMaker	1,670	1,922
Participation Rate in GoalMaker	21.5%	24.2%
Prudential % of Participants in GoalMaker - As of 12/31/2019	52.3%	

Roth	12/31/2019	12/31/2020
Roth Assets	$14,156,764	$19,718,447
# of Participants in Roth	1,497	1,650
Participation Rate in Roth	19.2%	20.8%
Prudential % of Participants in Roth - As of 12/31/2019	13.6%	

Stable Value	12/31/2019	12/31/2020
Participation Rate in Stable Value	60.2%	60.0%
% of Plan Assets in Stable Value	19.4%	19.1%
Prudential % of Plan Assets in Stable Value - As of 12/31/2019	22.1%	

Participant Activity

Call Center	1/1/2019 - 12/31/2019	1/1/2020 - 12/31/2020
Total Call Volume	2,787	2,106

Transaction Summary

Transactions	1/1/2019 - 12/31/2019	1/1/2020 - 12/31/2020
Total Enrollees*	664	369
Number of Participants w ith Transfers	2,001	2,471
Distributions	3,726	3,290

*Number of participants that w ere enrolled into the plan w ithin the reporting period. This can include those individuals w ho 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.

Enrollment by Age Group

	1/1/2020-12/31/2020							
	Less than 25	25-34	35-44	45-54	55-64	65+	Unknown	Grand Total
Total	32	136	79	75	35	6	6	369

Benchmark Trends – Plan Features

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2019**	Plan Sponsor Survey 2020***
Auto Enrollment (Administered Through Prudential)	No	53.2%	27.9%	46.3%	48.2%
Auto Enrollment Default Rate	NA	3% (44.4% of Plans)	18.2%	38.9%	39.5%
Contribution Accelerator (Administered Through Prudential)	No	51.9%	25.0%	37.8%	40.0%
GoalMaker®	Yes	67.0%	0.0%	NA	NA
Investment Options	24.0	13.5	25.3	24.9	22.9
IncomeFlex®	No	25.3%	13.3%	9.9%	9.2%
Loans	No	63.5%	74.4%	91.6%	82.0%
Plan Allows Roth	Yes	32.8%	66.7%	71.8%	76.9%
Plan Allows Catch-Up Contributions (Administered Through Prudential)	Yes	48.1%	0.0%	NA	NA

This information should not be considered an offer or solicitation of securities, insurance products or services. No offer is intended nor should this material be construed as an offer of any product.

The information is being presented by us solely in our role as the plan's service provider and/or record keeper.

Prudential's Book of Business averages are as of 12/31/2019

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

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

**2019 Annual Survey, 2019 (Overall)

***2020 Annual Survey, 2020 (Overall)

Benchmark Trends – Participant Behavior

Plan Features	Your Plan	Prudential Book of Business	Industry Average*	Plan Sponsor Survey 2019**	Plan Sponsor Survey 2020***
Participation Rate	82.6%	70.5%	76.6%	79.2%	78.9%
Average Contribution Rate (%)	NA	7.6%	6.8%	6.8%	7.1%
Average Account Balance	$76,104	$73,876	$89,180	$102,586	$103,108
Median Account Balance	$28,018	$70,895	$67,239	$77,204	$79,970
% of Plan Assets in Stable Value	19.1%	22.1%	0.0%	NA	NA
% of Plan Assets in Day One Funds	NA	1.1%	0.0%	NA	NA
Average # of Funds Held	5.3	5.3	6.7	5.5	6.3
% of 55+ Participants Utilizing IncomeFlex®	N/A	9.5%	0.0%	NA	NA
% of Participants Utilizing GoalMaker®	24.2%	52.3%	0.0%	NA	NA
% of Participants have Outstanding Active Loans	N/A	13.6%	18.3%	13.5%	14.2%
Average Loan Balance	N/A	$7,754	$9,939	$10,257	$10,121

Prudential's Book of Business averages are as of 12/31/2019

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

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

**2019 Annual Survey, 2019 (Overall)

***2020 Annual Survey, 2020 (Overall)

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Asset Allocation/Net Activity By Age

January 1, 2020 to December 31, 2020

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Total Participant Balances	$293,750	$11,874,383	$42,512,325	$116,924,290	$194,808,218	$236,557,789	$602,970,755
% Assets	0.0%	2.0%	7.1%	19.4%	32.3%	39.2%	100.0%
Average Contribution Rate ($)	$0	$40	$52	$195	$425	$321	$266
Prudential Avg. Contribution Rate (%) as of 12/31/2019	*5.0%*	*6.0%*	*6.8%*	*8.0%*	*9.6%*	*11.3%*	*7.6%*
Contributions	$180,316	$2,531,187	$4,291,709	$7,326,787	$8,959,282	$2,126,985	$25,416,266
Rollovers In*	$0	$124,961	$515,406	$583,002	$859,856	$355,143	$2,438,368
Total (Contributions + Rollovers In)	$180,316	$2,656,148	$4,807,115	$7,909,788	$9,819,138	$2,482,129	$27,854,634
Cash Distributions	($8,943)	($163,506)	($709,450)	($1,261,181)	($2,913,838)	($5,159,683)	($10,216,601)
Rollovers Out	$0	($94,721)	($603,728)	($3,028,285)	($7,367,564)	($7,877,272)	($18,971,570)
Total (Cash Distributions + Rollovers Out)	($8,943)	($258,227)	($1,313,178)	($4,289,467)	($10,281,402)	($13,036,955)	($29,188,172)
Net Activity	$171,373	$2,397,921	$3,493,936	$3,620,322	($462,264)	($10,554,826)	($1,333,538)
Total Participants**	68	996	1,366	1,858	2,020	1,616	7,924
Average Account Balance	$4,320	$11,922	$31,122	$62,930	$96,440	$146,385	$76,094
Prudential Avg. Account Balance as of 12/31/2019	*$3,645*	*$16,118*	*$46,246*	*$89,262*	*$123,641*	*$125,460*	*$73,876*
Median Account Balance	$2,096	$5,884	$15,683	$29,279	$49,514	$72,439	$28,018
Prudential Median Account Balance as of 12/31/2019	*$4,531*	*$11,969*	*$31,729*	*$52,216*	*$78,108*	*$116,384*	*$70,895*

*Rollovers In is the total dollars credited to participant accounts w ithin 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 w ithin different age groups (decedent's date of birth), that participant w ill be counted tw ice.

Retirement Readiness

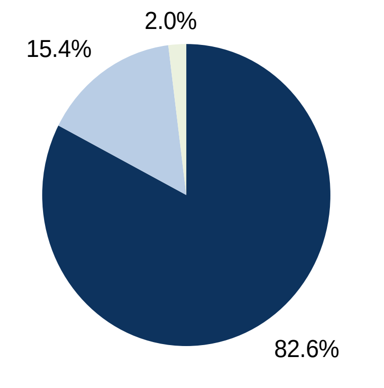
Participation Rate

	1/1/2019-12/31/2019	1/1/2020-12/31/2020
Total Eligible To Contribute Population	**5,919**	**5,953**
Contributing (A)	4,950	4,918
Enrolled Not Contributing (B)	829	916
Eligible Not Enrolled (C)	140	119

	1/1/2019-12/31/2019	1/1/2020-12/31/2020
Participation Rate *	**83.6%**	**82.6%**
Prudential Book of Business 12/31/2019	70.5%	
Plan Sponsor Survey 2020 - National Average	78.9%	

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

1/1/2020-12/31/2020



Definitions:

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

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

Eligible Not Enrolled – An individual who meets the requirements to join the plan, but has not enrolled in the plan (as of close of business on the last business day of the period).

Due to rounding, pie chart may not equal 100%

Plan Activity

Contributions by Fund

INVESTMENT OPTIONS	1/1/2019 - 12/31/2019	%	1/1/2020 - 12/31/2020	%	Change	%
STATE OF VERMONT STABLE VALUE FUND	$2,919,262	12.6%	$3,351,326	13.2%	$432,065	14.8%
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$1,850,974	8.0%	$2,350,916	9.3%	$499,942	27.0%
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$1,781,130	7.7%	$1,982,777	7.8%	$201,648	11.3%
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$1,541,296	6.6%	$1,962,754	7.7%	$421,458	27.3%
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$1,894,816	8.2%	$1,878,060	7.4%	($16,756)	-0.9%
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$1,622,368	7.0%	$1,839,713	7.2%	$217,344	13.4%
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,596,608	6.9%	$1,803,437	7.1%	$206,829	13.0%
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,693,468	7.3%	$1,791,573	7.1%	$98,105	5.8%
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$1,421,103	6.1%	$1,529,744	6.0%	$108,642	7.6%
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$1,087,094	4.7%	$1,355,262	5.3%	$268,168	24.7%
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$1,459,041	6.3%	$1,349,213	5.3%	($109,828)	-7.5%
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$499,116	2.2%	$777,955	3.1%	$278,839	55.9%
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$533,978	2.3%	$600,710	2.4%	$66,732	12.5%
DODGE & COX BALANCED FUND	$803,800	3.5%	$571,687	2.3%	($232,113)	-28.9%
DODGE & COX INTERNATIONAL STOCK FUND	$628,661	2.7%	$561,147	2.2%	($67,514)	-10.7%
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$379,522	1.6%	$387,874	1.5%	$8,353	2.2%
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$426,837	1.8%	$318,925	1.3%	($107,912)	-25.3%
CALVERT BOND FUND CLASS I	$270,195	1.2%	$243,235	1.0%	($26,960)	-10.0%
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$218,710	0.9%	$204,182	0.8%	($14,529)	-6.6%
FPA NEW INCOME FUND	$198,534	0.9%	$161,310	0.6%	($37,224)	-18.7%
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$157,689	0.7%	$145,949	0.6%	($11,740)	-7.4%
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$150,631	0.7%	$131,934	0.5%	($18,697)	-12.4%
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$104,524	0.5%	$116,583	0.5%	$12,059	11.5%
Total Assets Contributed	$23,239,356	100.0%	$25,416,266	100.0%	$2,176,910	9.4%

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Interfund Transfers

1/1/2020 to 12/31/2020

INVESTMENT OPTIONS	IN	OUT	NET
STATE OF VERMONT STABLE VALUE FUND	$23,460,023	($10,954,374)	$12,505,649
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$11,491,004	($4,335,797)	$7,155,207
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$3,705,537	($2,652,281)	$1,053,256
FPA NEW INCOME FUND	$1,826,913	($1,148,600)	$678,313
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$862,365	($543,011)	$319,354
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$499,478	($217,582)	$281,897
CALVERT BOND FUND CLASS I	$832,865	($653,361)	$179,504
SELF DIRECTED BROKERAGE ACCOUNT	$145,186	$0	$145,186
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$538,184	($420,541)	$117,643
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$383,630	($276,704)	$106,926
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$1,136,445	($1,087,620)	$48,826
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$348,732	($363,212)	($14,480)
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$294,163	($435,272)	($141,109)
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$215,416	($704,855)	($489,439)
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$1,666,721	($2,187,071)	($520,350)
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$2,021,094	($2,575,370)	($554,276)
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$2,443,265	($3,389,159)	($945,894)
DODGE & COX INTERNATIONAL STOCK FUND	$229,284	($1,383,760)	($1,154,476)
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$784,898	($2,236,500)	($1,451,602)
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$1,973,621	($4,814,711)	($2,841,090)
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$4,897,030	($7,817,350)	($2,920,320)
DODGE & COX BALANCED FUND	$594,465	($3,603,378)	($3,008,913)
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$1,760,066	($5,086,012)	($3,325,946)
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$2,920,109	($8,143,973)	($5,223,865)
TOTAL	$65,030,495	($65,030,495)	$0

Participant Distribution Statistics

Distribution Type	Amount of Withdrawals Taken 1/1/2019 - 12/31/2019	1/1/2020 - 12/31/2020	Change	% Change	# of Withdrawals 1/1/2019 - 12/31/2019	1/1/2020 - 12/31/2020	Change	% Change
Termination	$27,697,461	$22,343,426	($5,354,036)	-19%	1,291	1,206	(85)	-7%
Direct Transfer	$1,887,440	$1,080,192	($807,248)	-43%	35	31	(4)	-11%
Death Distribution	$1,955,938	$1,892,596	($63,342)	-3%	100	73	(27)	-27%
Installment Payment	$1,849,896	$1,841,387	($8,509)	0%	1,767	1,693	(74)	-4%
Required Minimum Distribution	$2,141,678	$799,508	($1,342,170)	-63%	495	161	(334)	-67%
Coronavirus-Related Withdraw al	$0	$1,051,388	$1,051,388	n/a	0	52	52	n/a
In-Service Withdraw al	$247,186	$104,826	($142,360)	-58%	16	4	(12)	-75%
QDRO	$194,984	$416	($194,567)	-100%	7	3	(4)	-57%
Hardship Withdraw al	$79,397	$48,843	($30,554)	-38%	13	7	(6)	-46%
Return of Excess Deferrals/Contributions	$206	$25,574	$25,368	12298%	1	59	58	5800%
Gross Adjustment	$18	$16	($1)	-8%	1	1	0	0%
Grand Total	**$36,054,205**	**$29,188,172**	**($6,866,033)**	**-19%**	**3,726**	**3,290**	**(436)**	**-12%**

1/1/2020 - 12/31/2020						
	Amount of Withdraw als Taken			# of Withdraw als		
Distribution Sub-Type	Age < 50	Age >= 50	Total	Age < 50	Age >= 50	Total
Rollover	$1,574,780	$17,396,790	$18,971,570	35	144	179
Cash	$1,133,957	$9,082,644	$10,216,601	114	2,997	3,111
Grand Total	**$2,708,738**	**$26,479,434**	**$29,188,172**	**149**	**3,141**	**3,290**

Termination - A w ithdraw al that is taken w hen 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.

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 w ithdraw annually upon reaching a certain age or retirement. This w ould exclude any beneficiary or QDRO accounts.

Coronavirus-Related Withdraw al - A distribution that is requested by a participant in w hich they meet certain qualifications under the CARES Act. Note, the 59 ½ early w ithdraw al tax penalty does not apply.

In-Service Withdraw al - A distribution that is taken w hile the participant is still active, before termination from employment.

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

Hardship Withdraw al - A distribution w hich is requested by a participant because of an immediate and heavy financial need that cannot be satisfied from other resources.

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

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

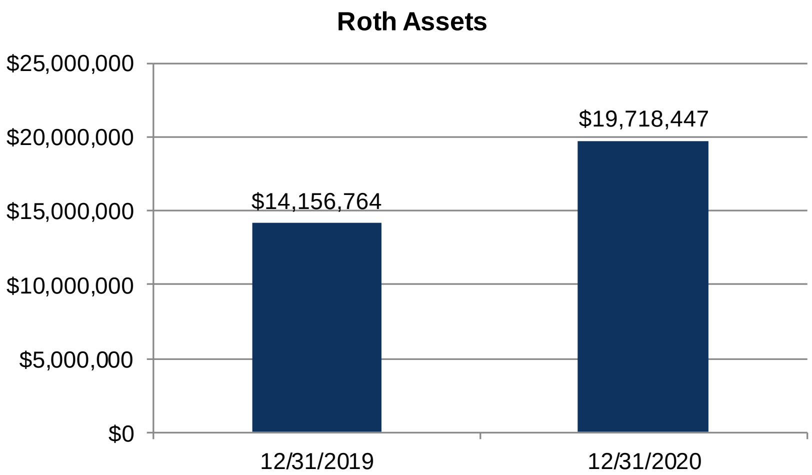
Participant Transaction Statistics

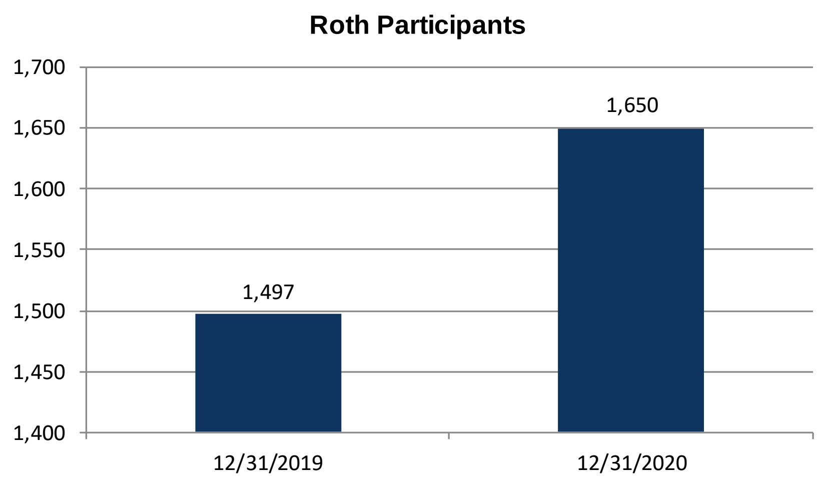
	1/1/2020 - 3/31/2020	4/1/2020 - 6/30/2020	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020
Call Center				
Unique Callers	522	280	249	323
Total Call Volume	798	423	374	511
Participant Website				
Unique Web Logins	3,092	2,538	2,671	2,606
Total Web Logins	42,213	42,221	43,684	35,108

Call Center Reason Category	1/1/2020 - 3/31/2020	4/1/2020 - 6/30/2020	7/1/2020 - 9/30/2020	10/1/2020 - 12/31/2020
Account Explanations	187	89	79	124
Allocation Changes & Exchange	14	10	12	6
Contributions	35	11	17	19
Disbursements	354	203	201	256
Enrollments	0	2	4	2
Forms	1	7	7	20
Fund Information	9	8	2	3
Hardships	17	11	1	5
IFX	0	0	1	0
IVR or Web Assistance	35	18	10	15
Loans	0	1	1	3
Other	38	19	11	24
Payment Questions	0	0	0	0
Plan Explanations	21	9	2	10
Regen Reg Letter	0	0	0	0
Status of Research	15	3	2	2
Tax Information	21	5	1	0
Website Processing	51	27	23	22
Total	798	423	374	511

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

Roth Summary





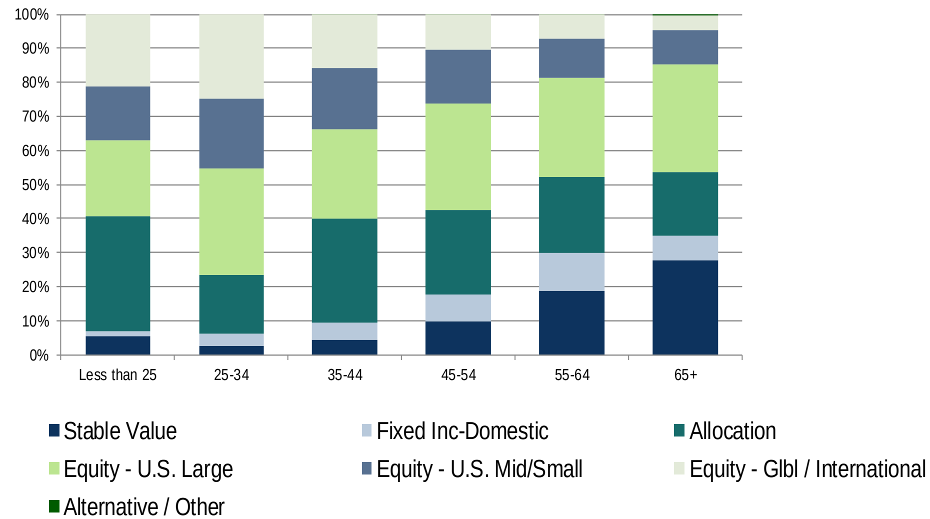
	12/31/2019	12/31/2020
Roth Assets	$14,156,764	$19,718,447
# of Participants in Roth	1,497	1,650
Partcipation Rate in Roth	19.2%	20.8%
Prudential % of Participants in Roth - As of 12/31/2019	13.6%	

Roth Summary

Subplan	Subplan Name	ROTH DEFERRALS	457(B) ROTH ROLLOVER	NON-457(B) ROTH ROLLOVER	Total Roth Balances
000456	Maple Run Unified SD	$ 71,040.95	$ -	$ -	$ 71,040.95
000480	South Burlington SD	$ 89,242.14	$ -	$ -	$ 89,242.14
000481	Addison Northwest SD	$ 73,312.72	$ -	$ 29,832.92	$ 103,145.65
000495	Champlain Valley SD	$ 30,745.61	$ -	$ -	$ 30,745.61
000503	Windsor Central Modfd Unfd Un SD	$ 30,860.54	$ -	$ -	$ 30,860.54
000517	Rutland Northeast SU	$ 178,955.96	$ -	$ 3,039.32	$ 181,995.28
000521	WHITE RIVER VALLEY SU	$ 6,560.22	$ -	$ -	$ 6,560.22
000529	Greater Rutland County SU	$ 289.94	$ -	$ -	$ 289.94
000541	Mt. Abraham Unified SD	$ 223,548.44	$ -	$ -	$ 223,548.44
001529	Rutland Town School District	$ 5,175.68	$ -	$ -	$ 5,175.68
002529	Quarry Valley Unified Union SD	$ 51,123.28	$ -	$ -	$ 51,123.28
002553	Mount Mansfield UUSD	$ 618,791.84	$ -	$ -	$ 618,791.84
016561	Hannaford Regional School	$ 245.25	$ -	$ -	$ 245.25

Investment Diversification

Assets by Asset Class and Age
as of December 31, 2020



Asset Allocation

Asset Class	Your Plan Assets as of 12/31/2020	Your Plan % as of 12/31/2020
Stable Value	$114,918,955	19.1%
Fixed Inc-Domestic	$51,303,397	8.5%
Allocation	$131,856,381	21.9%
Equity - U.S. Large	$182,417,953	30.3%
Equity - U.S. Mid/Small	$75,404,986	12.5%
Equity - Glbl / International	$46,193,161	7.7%
Alternative / Other	$875,922	0.2%
Total Participant Balances	$602,970,754	100.0%

Fund Utilization By Age
as of December 31, 2020

	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Participants Invested in Only One Fund	19	192	293	395	473	487	1,859
Average # of Funds per Participant	4.3	6.2	6.3	5.7	5.0	4.0	5.3
Prudential Participants Avg. # of Funds per Participant as of 12/31/2019	*5.5*	*5.5*	*5.5*	*5.5*	*5.3*	*4.2*	*5.3*
% of Plan Assets in Stable Value	5.3%	2.5%	4.4%	9.7%	18.6%	27.6%	19.1%
Prudential % of Plan Assets in Stable Value as of 12/31/2019	*9.0%*	*8.2%*	*10.3%*	*14.8%*	*25.3%*	*41.4%*	*22.1%*

Utilization by Fund

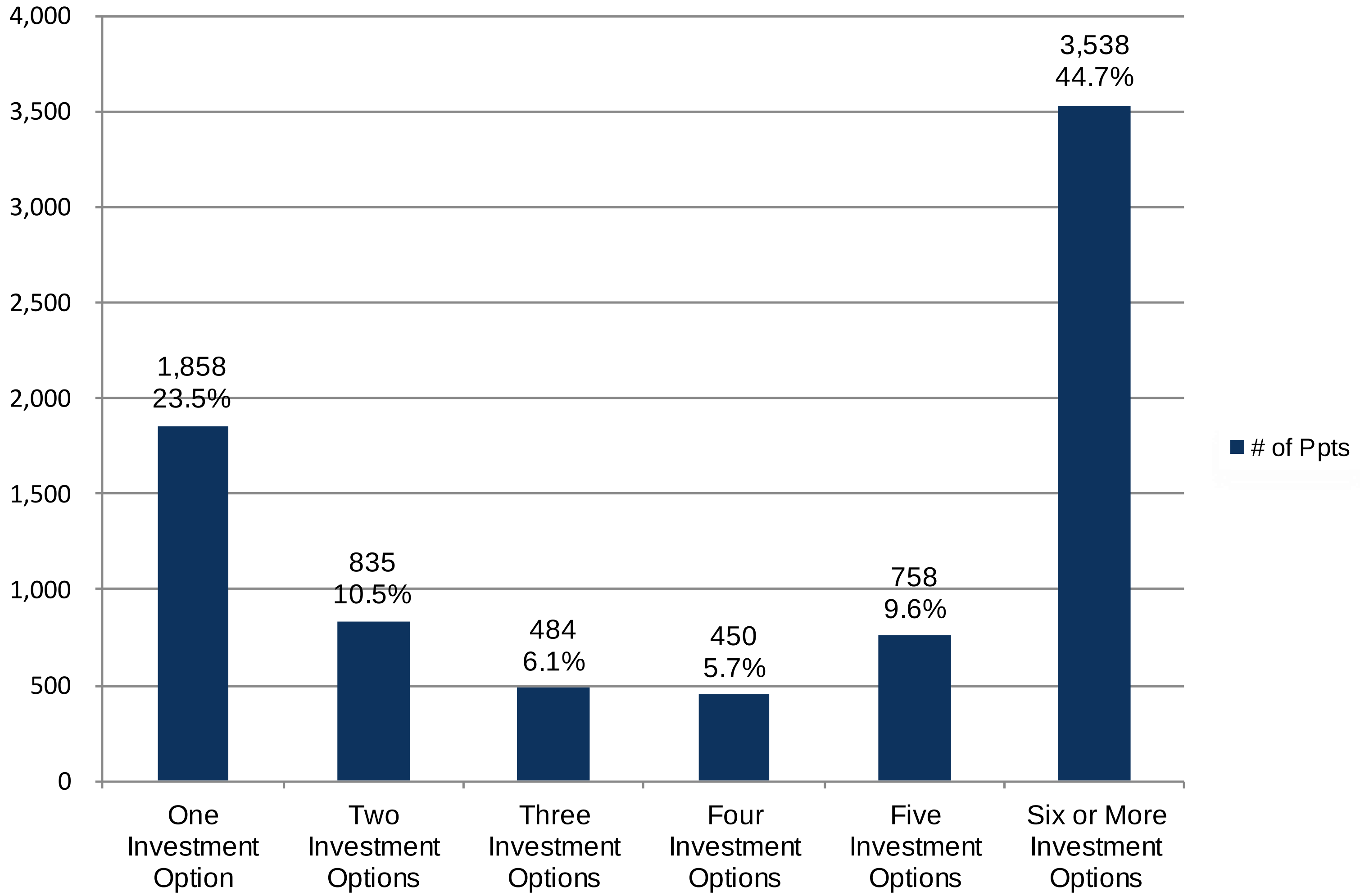
as of December 31, 2020

INVESTMENT OPTIONS	Balance	% Invested in Fund	# of Ppts	Ppts Using as Sole Investment
STATE OF VERMONT STABLE VALUE FUND	$114,918,955	19.1%	4,755	546
VANGUARD INSTITUTIONAL INDEX FUND INSTITUTIONAL SHARES	$65,342,185	10.8%	2,455	84
AMERICAN FUNDS THE GROWTH FUND OF AMERICA CLASS R-6	$55,094,385	9.1%	4,231	18
T. ROWE PRICE SMALL-CAP STOCK FUND I CLASS	$41,344,317	6.9%	4,207	6
VANGUARD VALUE INDEX FUND INSTITUTIONAL SHARES	$36,490,135	6.1%	4,091	9
DODGE & COX BALANCED FUND	$35,475,403	5.9%	1,005	49
VANGUARD MID-CAP INDEX FUND INSTITUTIONAL SHARES	$34,060,669	5.6%	4,177	11
VANGUARD TOTAL BOND MARKET INDEX FUND INSTITUTIONAL SHARES	$31,396,572	5.2%	3,041	9
T. ROWE PRICE RETIREMENT I 2020 FUND I CLASS	$31,252,128	5.2%	552	227
T. ROWE PRICE RETIREMENT I 2030 FUND I CLASS	$25,891,770	4.3%	602	249
VANGUARD FTSE SOCIAL INDEX FUND INSTITUTIONAL SHARES	$25,491,248	4.2%	666	31
VANGUARD DEVELOPED MARKETS INDEX FUND INSTITUTIONAL SHARES	$24,304,267	4.0%	3,451	0
T. ROWE PRICE RETIREMENT I 2040 FUND I CLASS	$16,971,297	2.8%	509	253
DODGE & COX INTERNATIONAL STOCK FUND	$12,384,412	2.1%	1,756	4
T. ROWE PRICE RETIREMENT I 2010 FUND I CLASS	$10,637,391	1.8%	258	96
FPA NEW INCOME FUND	$7,213,509	1.2%	351	7
PIMCO TOTAL RETURN ESG FUND INSTITUTIONAL CLASS	$7,202,469	1.2%	1,644	1
LAZARD EMERGING MARKETS EQUITY PORTFOLIO INSTITUTIONAL SHARES	$6,627,923	1.1%	1,668	6
CALVERT BOND FUND CLASS I	$5,490,848	0.9%	1,367	1
T. ROWE PRICE RETIREMENT BALANCED I FUND I CLASS	$4,929,763	0.8%	241	41
T. ROWE PRICE RETIREMENT I 2050 FUND I CLASS	$3,632,344	0.6%	331	205
PAX SUSTAINABLE ALLOCATION FUND INVESTOR CLASS	$3,066,285	0.5%	199	2
PAX GLOBAL ENVIRONMENTAL MARKETS FUND INSTITUTIONAL CLASS	$2,876,559	0.5%	591	3
SELF DIRECTED BROKERAGE ACCOUNT	$875,922	0.1%	12	0
Total	$602,970,754	100.0%		

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

Investment Utilization

as of December 31, 2020



Due to rounding, bar graph may not equal 100%

GoalMaker® Participation

as of 12/31/2020

	3/31/2020	6/30/2020	9/30/2020	12/31/2020
Plan Assets for Participants in GoalMaker	$52,085,946	$60,655,804	$65,946,706	$75,671,401
# of Participants in GoalMaker	1,826	1,842	1,875	1,922
Participation Rate in GoalMaker	23.0%	23.3%	23.7%	24.2%
% of Plan Assets for GoalMaker Participants	11.4%	11.7%	12.1%	12.6%

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

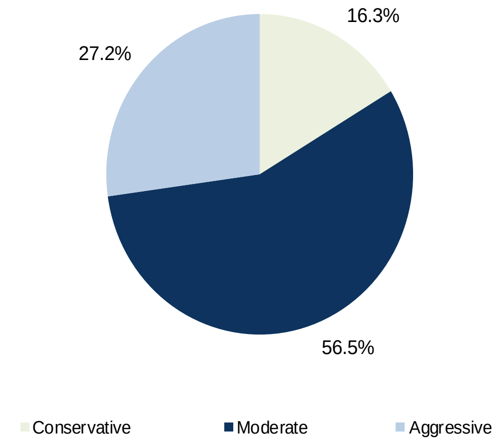
The participation rate in GoalMaker is 52.3%.

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

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	2	0	13	2	23	4	44
25-34	22	1	172	13	228	18	454
35-44	22	2	215	11	172	8	430
45-54	44	5	255	14	140	8	466
55-64	73	13	256	18	72	7	439
65+	21	13	32	16	6	1	89
Total	184	34	943	74	641	46	1,922

Participant Age Range	Conservative		Moderate		Aggressive		Total
	Active/Suspended	Terminated	Active/Suspended	Terminated	Active/Suspended	Terminated	
Less than 25	$5,404	$0	$26,788	$10,625	$114,372	$4,644	$161,833
25-34	$100,138	$6,920	$1,745,519	$95,613	$2,789,184	$203,990	$4,941,365
35-44	$548,579	$20,148	$4,322,865	$160,906	$4,526,017	$109,624	$9,688,138
45-54	$1,262,651	$876,593	$9,159,972	$643,826	$5,507,850	$646,753	$18,097,645
55-64	$4,732,317	$969,500	$16,124,997	$1,665,708	$4,986,335	$706,789	$29,185,645
65+	$1,897,227	$1,934,137	$4,425,814	$4,347,922	$844,687	$146,987	$13,596,774
Total	$8,546,315	$3,807,299	$35,805,954	$6,924,601	$18,768,444	$1,818,789	$75,671,401

Percentage of Assets by GoalMaker® Participation Portfolio - As of 12/31/2020



1.9 Years

average length of time GoalMaker participants have been enrolled in GoalMaker

24.2%

GoalMaker participation rate for those who actively elected GoalMaker

Due to rounding, pie chart may not equal 100%

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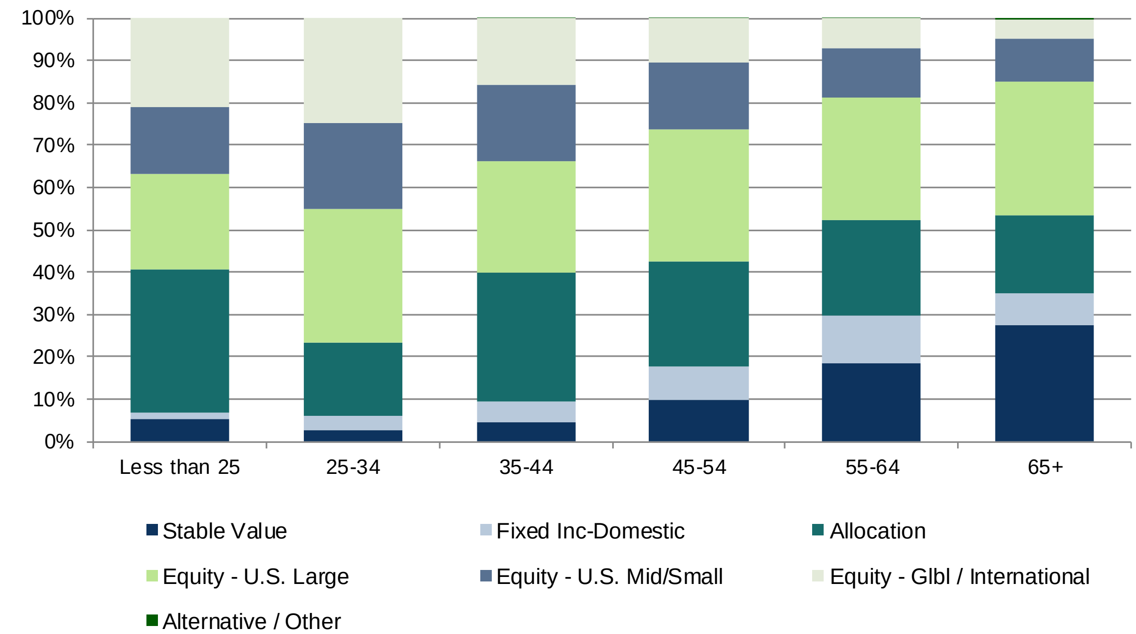
Asset Allocation by Age Group



As of December 31, 2020

Asset Class	Less than 25	25-34	35-44	45-54	55-64	65+	Total
Stable Value	$15,543	$293,615	$1,851,464	$11,291,320	$36,158,781	$65,308,231	$114,918,955
Fixed Inc-Domestic	$4,167	$422,183	$2,175,729	$9,310,424	$21,900,875	$17,490,019	$51,303,397
Allocation	$99,503	$2,061,154	$12,941,692	$29,134,552	$43,766,326	$43,853,153	$131,856,381
Equity - U.S. Large	$66,017	$3,721,605	$11,200,893	$36,422,869	$56,403,919	$74,602,650	$182,417,953
Equity - U.S. Mid/Small	$46,495	$2,445,738	$7,661,970	$18,492,937	$22,736,140	$24,021,706	$75,404,986
Equity - Glbl / International	$62,024	$2,930,086	$6,669,081	$12,114,456	$13,644,666	$10,772,848	$46,193,161
Alternative / Other	$0	$0	$11,496	$157,732	$197,511	$509,182	$875,922
Total Assets	$293,750	$11,874,383	$42,512,325	$116,924,290	$194,808,218	$236,557,789	$602,970,754
% of Assets	0.0%	2.0%	7.1%	19.4%	32.3%	39.2%	100.0%
Total Participants	68	996	1,366	1,858	2,020	1,616	7,924
Avg Account Balance	$4,320	$11,922	$31,122	$62,930	$96,440	$146,385	$76,094

Rep Stats

	1/1/2020-3/31/2020	4/1/2020-6/30/2020	7/1/2020-9/30/2020	10/1/2020-12/31/2020	Total
Group Presentations	5	6	6	14	31
Individual Participant Meetings	544	407	494	480	1,925
New Enrollments as a result of Group/Individual Meeting*	110	18	45	50	223
GoalMaker as a result of Group/Individual Meeting*	156	27	48	56	287
Contribution Rate Increases	210	62	88	96	456
Number of Rollovers	22	8	17	17	64
Rollover Dollars	$625,811	$317,219	$637,970	$131,000	$1,712,000

*Enrollments above obtained by TDA Education Representatives

ESG Funds

Plan # - Plan Name	Fund	Ticker	AUM as of 12/31/2020	# of PPT	% of AUM of the Plan
940010 - 940060 - 403(b) Exclusive & Non-Exclusive					
	Calvert Equity Fund Class I	CEYIX	$3,661,031	144	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$5,173,309	1168	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$369,082	61	
940020 - State Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$335,894	7	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$438,639	14	
940030 - Muni Defined Contribution					
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$4,025	1	
940050 - 457b Plan					
	Pax Sustainable Allocation Fund Individual Investor Class	PAXWX	$3,066,285	199	
	PIMCO Total Return ESG Fund Institutional Class	PTSAX	$7,202,469	1,644	
	Vanguard FTSE Social Index Fund Institutional Shares	VFTNX	$25,491,248	666	
	Pax Global Environmental Markets Fund Institutional Class	PGINX	$2,876,559	591	

State of Vermont ICMA-RC Stable Income fund Performance Reporting As of 9/30/2020

	Account Performance	Benchmark: ICE BofA US 3M Treasury Bill
	12/31/2020	
1 MONTH	0.19%	0.01%
3 MONTH	0.56%	0.03%
YTD	2.39%	0.67%
1 YEAR	2.39%	0.67%
3 YEAR	2.47%	1.60%
5 YEAR	2.37%	1.20%
10 YEAR	2.49%	0.63%
SINCE INCEPTION	2.50%	N/A

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.

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Prudential’s Book of Business averages are as of 12/31/2019.

Section II: Economic Outlook

ANNUAL ECONOMIC OUTLOOK

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

Summary and Major Conclusions:

Both the history and theory of business cycles reveal that the early years of a traditional expansion cycle are the most dynamic. In principle, above-average growth in GDP is fueled by monetary and fiscal policy stimulus, pent-up demand from the previous recession, a rebuilding of business inventories, and a surge in productivity. The US economy will likely transition from its current partial recovery to a classic self-sustaining economic expansion during the second half of the year, continuing throughout 2022. The critical assumption is that widespread vaccination of the population against COVID-19 will be achieved by the middle of the year.

- US economic growth slowed abruptly during the final months of last year, with weakness concentrated in spending on consumer services and employment. The pandemic has created a split economy, as manufacturing and housing construction continue to expand at a brisk pace.

- The loss of economic momentum between September and December can be attributed to two factors: A surge in COVID-19 infections and hospitalizations, which resulted in partial shutdowns across the nation; and the failure of Congress and the White House to pass legislation necessary to extend vital COVID-relief programs.

- Fourth quarter GDP growth slowed from its record pace of Q3 to an estimated 5%. The surge in company profits that began in the third quarter continued in Q4, with operating earnings increasing at a 10% annual rate.

- The outlook for the US economy in 2021 is clouded by an unusually high degree of uncertainty. My base case is that the US economy will transition from its current partial recovery to a classic self-sustaining economic expansion during the second half of the year, continuing through 2022.

- Widespread availability of vaccines during the first half of this year will be the primary catalyst for a strong acceleration in economic growth in the final two quarters of this year. GDP growth in the second half of this year and in 2022 could be in a range of 5% to 6%.

- The central economic theme for 2021 and 2022 revolves around the classic business cycle. History shows that the first several years of an economic expansion are the most dynamic of the business cycle, with spending and output increasing at their fastest paces.

- Business spending on equipment and software, residential construction, and consumer purchases of autos and household durable goods will lead the economy this year. A full recovery of the service sector will lag but should become the primary driver of growth in 2022 and 2023 when vaccines provide herd immunity.

- Corporate earnings will continue to surprise on the upside. A confluence of factors has created an optimum environment for business profitability that should persist into 2022. Company earnings could expand by 20% to 25% this year and in 2022, benefiting from both rising revenues and widening profit margins.

- Consumer inflation should remain dormant for all of this year and for much of 2022 because of massive economic slack in labor and resource markets. However, in the years beyond 2020, inflation could become a long-term economic and investment risk for the first time since the 1990s.

- The Federal Reserve will continue to provide maximum liquidity to the economy to underpin credit markets and ensure a sustained economic recovery. Although it is a short-term economic necessity, the Fed's new policy framework is a risk to price stability in the long term.

- While the Fed is unlikely to raise short-term policy rates until 2023, long-term interest rates should trend steadily higher during 2021 and 2022. The result would be a gradual but steady steepening in the US Treasury yield curve, which would be a signal of faster economic growth and higher inflation in coming years.

- The cyclical recovery in employment should resume in the second half of the year, but job creation is likely to lag aggregate output for the first two years of the expansion. Labor productivity will play a relatively larger role in driving real GDP growth in 2021 and 2022, as hiring is constrained with firms sharply focused on protecting profit margins.

- The number one priority of the Biden administration will be passage of COVID-relief legislation within the next two months. Depending upon its size and composition, a fiscal spending package should successfully support the economy until vaccines are widely available by the summer months.

- The economic recovery could also be supercharged by pent-up demand. The pandemic has resulted in deferred spending in four key areas of the economy: Housing, consumer services, business expenditures on equipment and software, and inventory investment.

- Real GDP could expand at an annual rate of 2.5% in the first half of this year, accelerating to 6% in the second half as the economic reopening quickens, resulting in full-year growth of 4%. Real GDP growth for all of 2022 could exceed 5%.

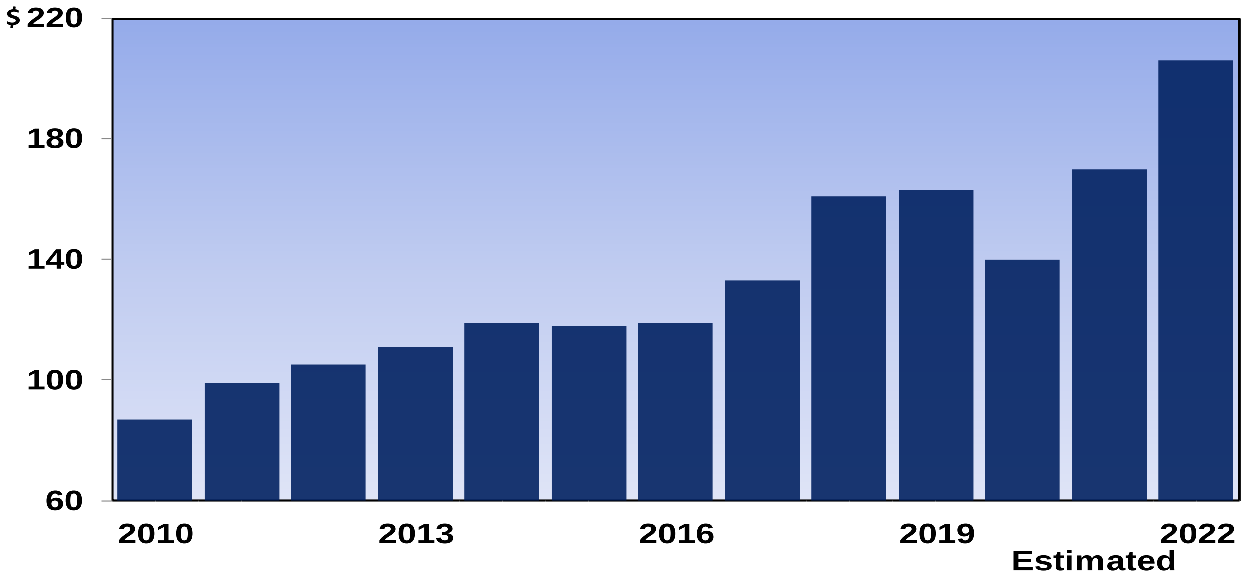
- Following a decline of 4% in 2020, world GDP could expand by nearly 5% this year and 6% in 2022, led once again by China, emerging Asia, and the US. World inflation should increase by 2% this year and 2.5% in 2022.

- The outlook for world economic growth in 2021 will improve as the year unfolds. China and the US will be at the forefront of the recovery, with Japan, the eurozone, and the UK being laggards. Emerging economies in Asia along with Germany will benefit from a strong Chinese recovery and should grow at a robust pace.

ECONOMIC REVIEW

The final quarter of 2020 was characterized by numerous crosscurrents. In the positive column, vaccines for COVID-19 by both Pfizer and Moderna were approved by the Food and Drug Administration (FDA) for emergency use, and the first vaccines were administered on December 14. The outcome of the 2020 presidential election became official on December 14 when the members of the electoral college officially certified Joe Biden as president, with a comfortable margin of 306 electoral votes versus 232 for Donald Trump. Finally, although there were increased signs of weakness, the economy managed to expand at an estimated growth of 5% in Q4.

Chart 1: Strong Earnings Recovery Expected in 2021
Earnings Per Share, S&P 500 Companies
Source: FactSet



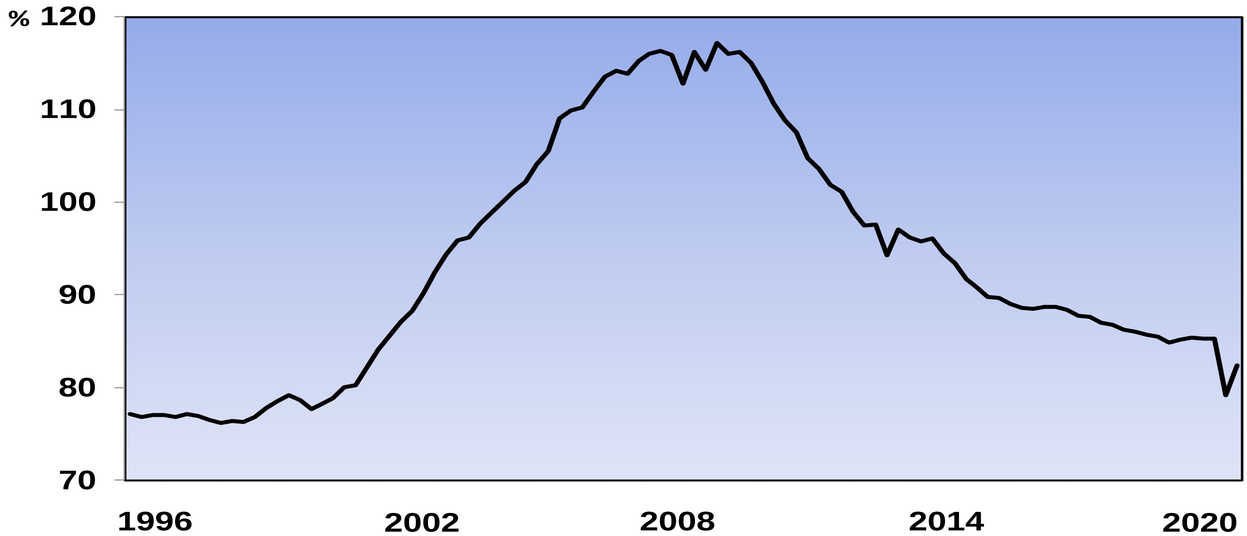
In the negative column, the pandemic entered its worst but hopefully final phase, with new coronavirus infections reaching a daily record of 280 thousand, cumulative US deaths exceeding 350 thousand, and hospitalizations rising to more than 110 thousand. The labor market continued to weaken, with service sector spending remaining at extremely depressed levels and initial jobless claims ending the year at greater than 800 thousand. Spending on services and goods continue to move in opposite directions.

Economic Slowdown: The loss of economic momentum between September and December can be attributed to two factors:

- A surge in COVID-19 infections and hospitalizations, resulting in partial shutdowns in many states nationwide.
- The lengthy delay on the part of politicians in passing legislation to extend vital COVID-relief programs, all of which expired in 2020.

Corporate Earnings: The surge in company profits that began in the third quarter continued in Q4, with operating earnings increasing at a 10% annual rate. *Most of the increase was derived from expanding profit margins, which rose to an all-time high*. *Business firms continue to keep a tight lid on operating expenses*. A surge in productivity growth has resulted from a combination of rising output and weakness in hours worked (see chart 1).

Chart 2: A Protracted Household Deleveraging Cycle Since 2010
Household Debt Percentage of Disposable Personal Income
Source: Federal Reserve



RECESSION PERSPECTIVE

For the full year, US real GDP declined by an estimated 3.5%, with a peak-to-trough decline of 10% between the end of 2019 and Q2. This was the deepest recession since the 1930s and far greater than the 4% cumulative contraction during the 2009 recession. The duration of the 2020 recession was only two months, which compares with 18 months for the 2009 recession. The average duration of all recessions since 1945 is 11 months. There are several notable differences between the 2020 and 2009 recessions:

- **Income Recession**: Whereas the slump in 2009 was a ***balance sheet recession***, the 2020 downturn was an ***income statement recession***, resulting from the steep decline in consumer wages and business revenues caused by the lockdown of the economy.

- **Financial Crisis**: *The 2009 recession resulted from the worst credit crisis since the Great Depression*. *The banking system was at the brink of collapse in 2008 because of a mountain of toxic assets and inadequate capital*. The result was a protracted ***deleveraging*** cycle that restrained spending and output for much of the last decade (see chart 2).

- **Credit Conditions**: The 2020 recession occurred at a time when the financial system was in far better health. Banks, households, and businesses are swimming in liquidity, while consumer and mortgage delinquencies remain low. Leverage in both the banking and household sectors is moderate by historical standards.

- **No Deleveraging Cycle**: The economic implications are clear: *Unconstrained by another painful deleveraging cycle, GDP growth in 2021 and 2022 is likely to easily exceed that of the years following the 2009 recession*.

ECONOMIC OUTLOOK

The outlook for the US economy in 2021 is characterized by an unusually high degree of uncertainty because of various unpredictable variables pertaining to domestic politics and public health conditions. ***Nonetheless, there are several definitive conclusions that can be reached regarding the outlook for the US economy over the next one to two years***:

- The US economy will likely *transition* from its current partial recovery to a classic self-sustaining economic expansion during the second half of the year, continuing through 2022. The critical assumption is that widespread vaccination of the population against COVID-19 will be achieved by the middle of the year.

- Both the theory and history of business cycles reveal that the early years of a *traditional economic cycle* are the most dynamic. In principle, above-average growth in GDP is fueled by monetary and fiscal policy stimulus, pent-up demand from the previous recession, a rebuilding of business inventories, and a surge in productivity.

- *Spending on business equipment, enterprise software, residential construction, and consumption of autos and household durable goods* will lead the economy this year. A full recovery of the service sector will lag during most of the year but should be the primary driver of growth later in the year and in 2022.

- Assuming a smooth rollout of COVID-19 *vaccines*, a majority of the US adult population should be inoculated for COVID-19 by the middle of the year. Widespread distribution of vaccines should result in herd immunity by the summer, implying a gradual recovery in the beleaguered service industries.

- *Corporate earnings* will continue to surprise on the upside. A confluence of factors has created an optimum environment for business profitability, which should persist well into 2022. Company earnings will benefit from both rising revenues and widening profit margins.

Chart 3: Inflation Under Good Control
Core Consumer Price Index
Percent Annual Rate
Source: Bureau of Labor Statistics

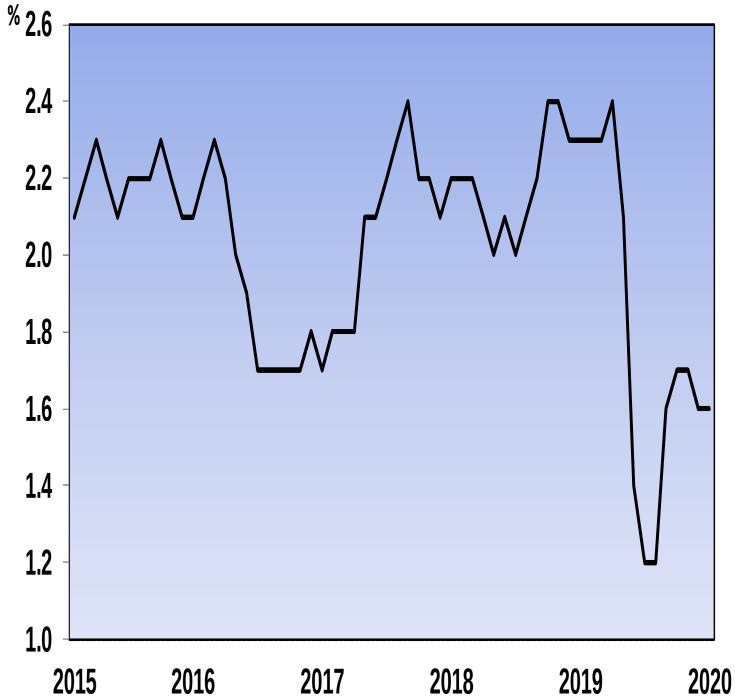
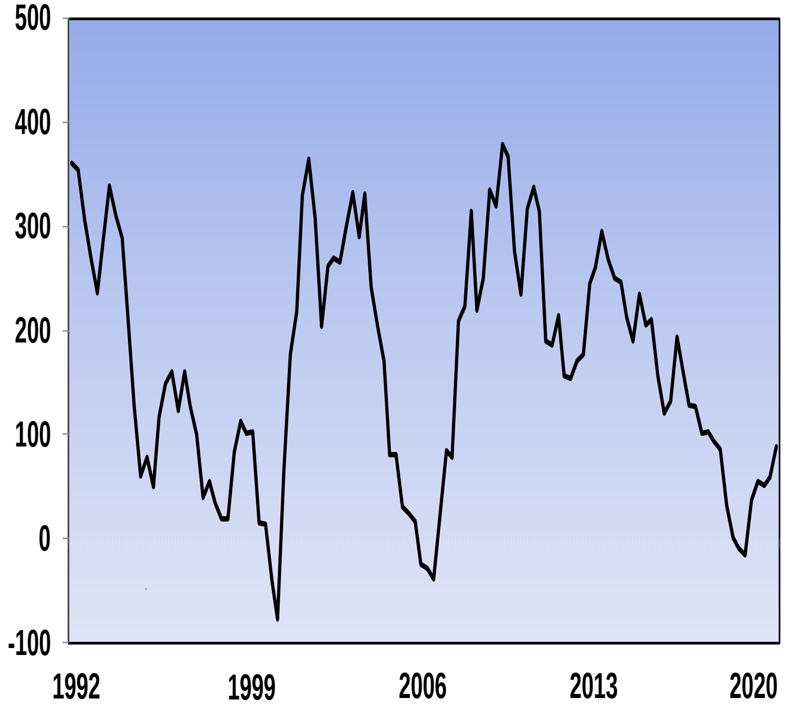


Chart 4: US Treasury Yield Curve Shows Clear Business Cycle Pattern
Interest Rate Spread: Ten-Year Treasury Bond Yield Less
Market Yield on 3-Month Treasury Bills (Basis Points)
Source: Federal Reserve



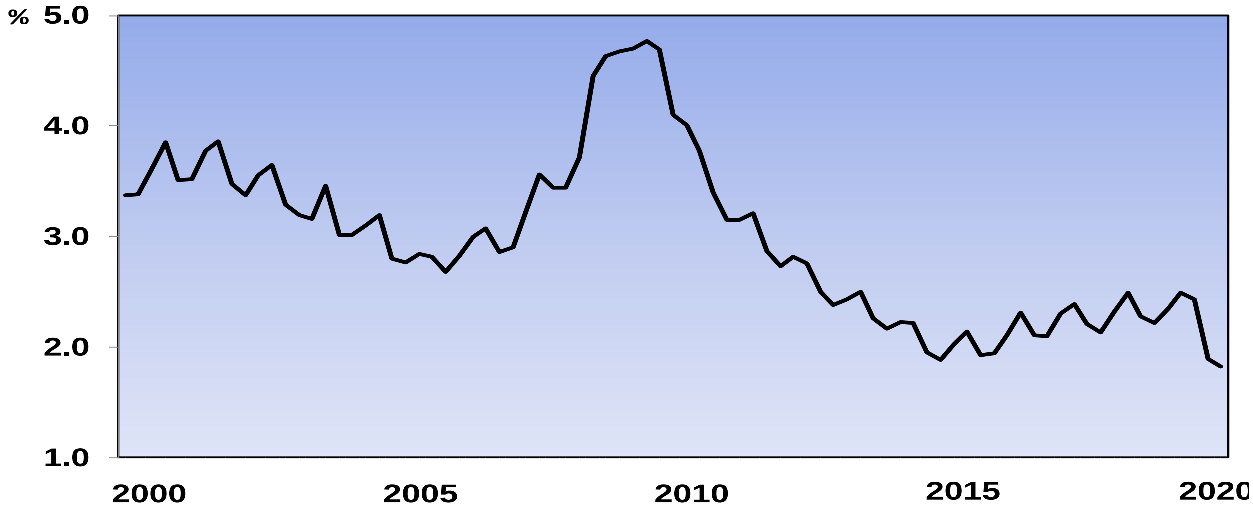
- A long-awaited additional tranche of *COVID-relief legislation* to support businesses and households will likely be enacted shortly after the inauguration of Joe Biden. Further fiscal policy stimulus in excess of $1 trillion is needed to offset the expiration of various relief initiatives in the CARES Act and bridge the economy until the pandemic reaches mass immunity.

- *Consumer inflation* should remain dormant for all of this year and for much of 2022 because of massive economic slack in labor and resource markets. However, inflation could become a long-term economic and investment risk beyond 2022 for the first time since the 1990s (see chart 3).

- *The Federal Reserve* will continue to provide maximum liquidity to the economy to underpin credit markets and ensure a sustained economic recovery. Although an economic necessity in the short term, the Fed's new policy framework is a risk to price stability in the long term.

- The Fed is unlikely to raise short-term policy rates until 2023, but *long-term interest rates* should trend higher during 2021 and 2022. The result will be a sustained steepening in the *Treasury yield curve*, which would be a classic signal of faster economic growth and higher inflation. The yield curve has been a consistent and reliable indicator of unfolding economic cycles over many decades (see chart 4).

Chart 5: Remarkable Stability in Consumer Credit Quality
Delinquency Rate, Consumer Bank Loans
Source: FDIC



- The cyclical recovery in employment will resume in the second half of the year, but *job creation* is likely to lag aggregate output for the first two years of the expansion. *Labor productivity* will play a relatively larger role in driving real GDP growth in 2021 and 2022, as hiring is constrained as businesses strive to protect profit margins.

GROWTH FACTORS

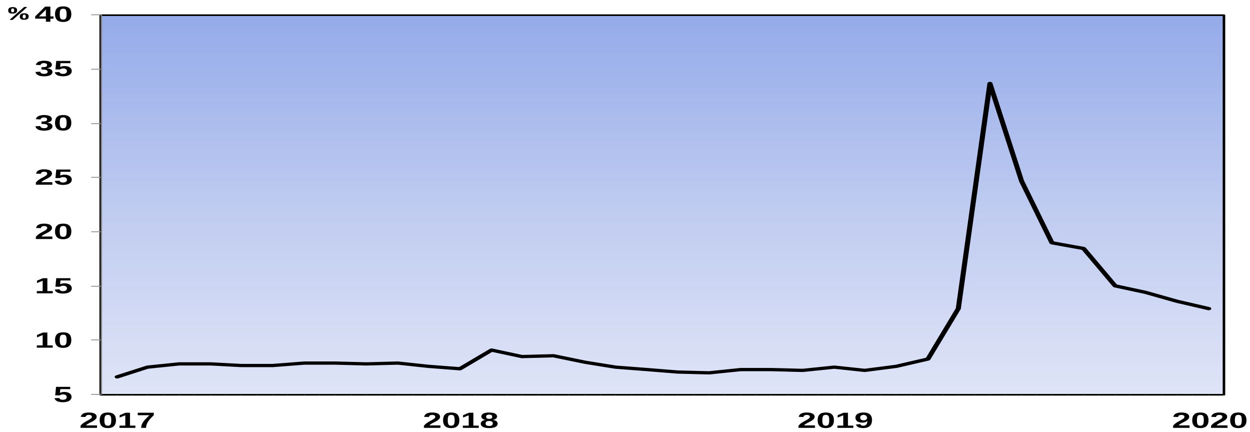
Following the brief but steep recession last spring, the US economy is in the very early stages of a traditional business cycle expansion. Current economic and financial conditions are still fragile but should eventually transition to a more robust phase that is increasingly consistent with sustained economic growth. *Investors could be surprised by the unusually rapid growth in GDP during the six quarters beginning in the third quarter of this year*.

The following are the most prominent factors in support of a healthy and self-perpetuating economic recovery:

1. **Vaccine Rollout**: A tentative timetable for vaccination of the US population has been established through the spring of this year, with plans for inoculation of a large portion of the country by the first half of the year. Attainment of herd immunity will be the key for a full reopening of the economy, manifested in accelerating growth in spending and output.

2. **Credit Conditions**: As discussed previously, the US financial system is in good health and supportive of sustained economic growth. Delinquency rates on credit cards and home mortgages have risen only slightly, while corporate bond defaults are in a declining trend. Private sector balance sheets are flush with cash (see chart 5).

Chart 6: Household Savings Surged to Record Highs in 2020
Personal Savings Rate
Household Savings, Percent of Disposable Personal Income
Source: Bureau of Economic Analysis



3. **Fiscal Policy Support**: The number one priority of the Biden administration will be passage of COVID-relief legislation. Depending upon its size and composition, a fiscal spending package should successfully support the economy until vaccines are widely available by the spring and summer months.

4. **Monetary Policy Support**: The Federal Reserve is the primary constant in the outlook. The Fed has pledged to maintain ultra-accommodative monetary conditions for an extended period, even if the inflation rate exceeds 2%.

5. **Low Resource Utilization**: There remains an enormous amount of slack in the economy to support economic growth over the next several years. With an unemployment rate and capacity utilization rate of 6.7% and 72.5%, respectively, the risk of emerging bottlenecks is minimal until 2023.

To conclude, favorable prospects for economic growth in 2021 and 2022 should be viewed in the context of a classic economic cycle. Powerful business cycle forces should be the dominant economic force, temporarily deferring long-term structural economic challenges in the intermediate term. However, the rate of economic growth could slow sharply beginning in 2023, as these formidable structural forces begin to undermine growth.

Pent-Up Demand: The economic recovery in 2021 could also be supercharged by deferred spending. The pandemic has constrained spending in three areas of the economy:

- **Services**: Because of obvious physical distancing constraints, the pandemic has created an enormous pent-up demand for a wide range of services, most notably in the recreation, hospitality, entertainment, and travel industries. Household savings during 2020 spiked to record levels (see chart 6).

Chart 7: Extreme Shortage of Single-Family Homes
Vacancy Rate, Single-Family Homes
Source: Census Bureau

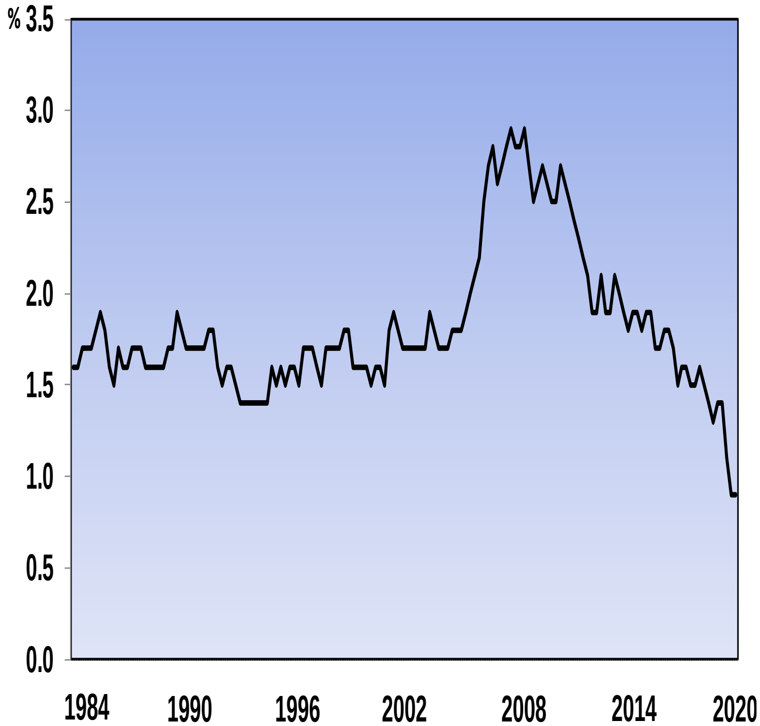
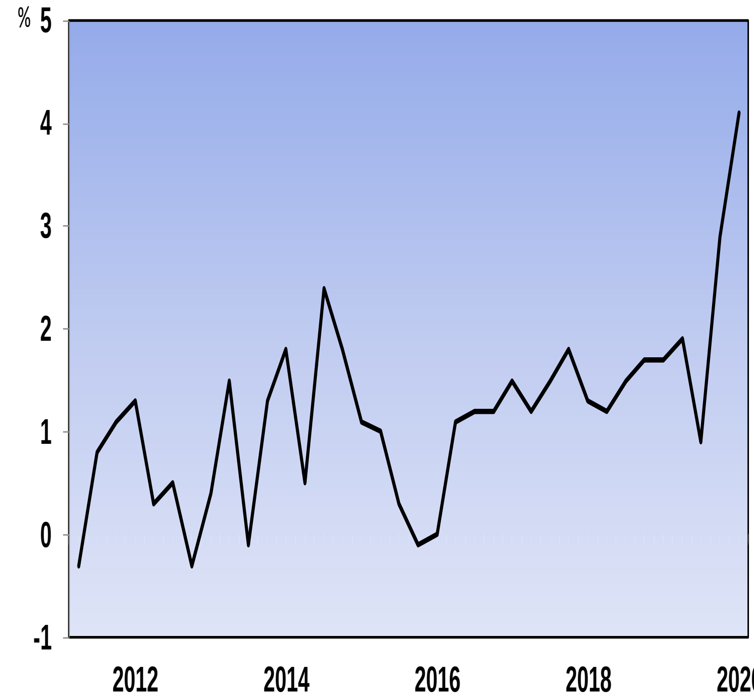


Chart 8: Accelerating Growth in Labor Productivity
Output Per Hour, Nonfarm Business Sector
Annual Percentage Growth Rate
Source: Bureau of Labor Statistics



- **Housing**: There is also huge pent-up demand for housing. Demand for single-family homes is extremely strong at a time of enormous shortage of homes for sale. The vacancy rate for single-family homes has fallen to a record low of 1%. Several consecutive years of strong new construction will be needed to allow the supply of homes to catch up with booming demand (see chart 7).

- **Inventories**: The current low level of business inventories should also propel manufacturing during the next year. As always occurs during a recession, businesses have overreacted to the decline in final demand, slashing output and reducing inventories to rock-bottom levels.

Business Capital Investment: There is also deferred demand for investment in business equipment and software, which has fallen below desired levels. Business investment spending should recover strongly during 2021 and 2022 because of several positive fundamental factors:

  - An unusually low *cost of capital* along with an elevated after-tax return on capital is an incentive for capital formation.

  - Businesses are keen to improve productivity and profit margins through automation, *substituting capital for labor* (see chart 8).

- Despite high debt levels, *business finances* are in good shape: Holdings of cash and other liquid assets have surged to an all-time high, while corporate profits and cash flow are entering a rapid growth phase.

- *Technological innovation* continues to escalate, providing new software and hardware applications for businesses to improve operating efficiencies.

Business spending for equipment and software could expand at an annual rate in excess of 10% in both 2021 and 2022, the fastest pace since 2012.

ECONOMIC FORECAST

My GDP forecast assumes two separate and distinct phases of growth during 2021 defined by the timeline for COVID-19 vaccinations. Economic growth should be sluggish during the first half of the year prior to widespread vaccination of the population, which is expected by the end of summer. Real GDP should then begin to accelerate during the second half of the year and throughout 2022, assuming widespread vaccinations create an environment of mass immunity.

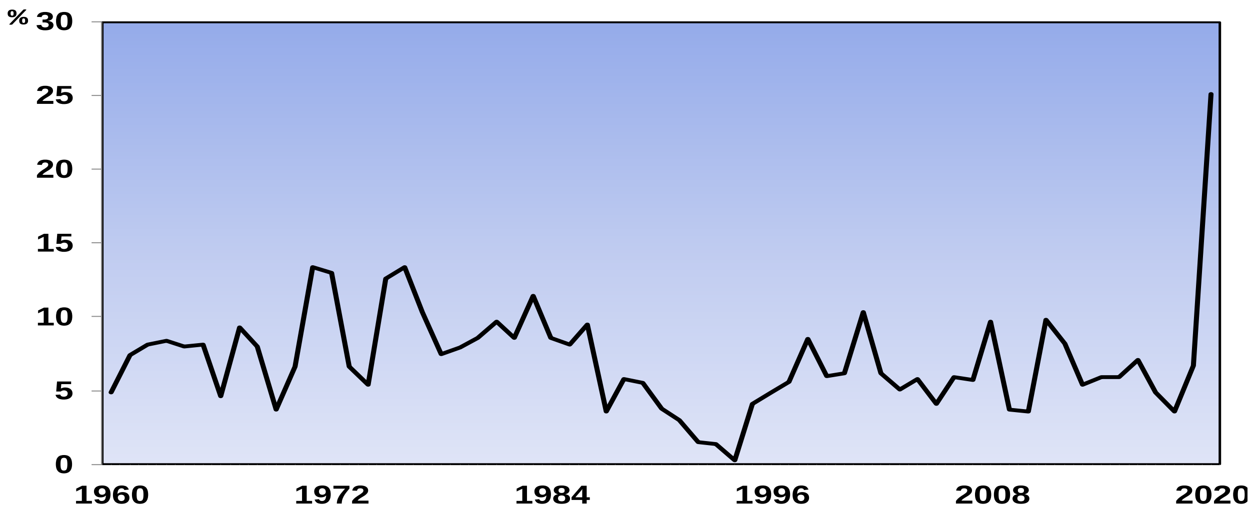
- **Gross Domestic Product**: Real GDP could expand at an annual rate of 2.5% in the first half of this year, accelerating to 6% in the second half, resulting in full-year growth of 4%. Real GDP growth for all of 2022 could exceed 5%. *If so, GDP growth in 2021 and 2022 would be the fastest since the 1990s*. Real GDP growth could slow precipitously in 2023 and 2024 to 2% or less as several powerful structural forces pertaining to government policy begin to impede growth.

Inflation: My forecast for inflation also encompasses two distinct timeframes. Inflation should remain dormant for all of this year because of excess capacity in commodity and finished goods markets along with exceptionally high unemployment. *Compared with an annual rate of 1.5% in 2020, core consumer inflation could average less than 2% again this year*. *However, I expect inflation to reach an inflection point during 2022, at which time a rising trend could become visible*.

Monetary Policy: There are two primary macroeconomic factors that could spark a rise in inflation in 2022:

- Unprecedented fiscal and monetary stimulus during 2020 — and possibly another stimulus bill early in the Biden administration — in response to persistent economic weakness and high unemployment.

Chart 9: Fastest Money Supply Growth on Record
The M2 Money Supply, Annual Growth Rate
Source: Federal Reserve



- The revolutionary monetary policy methodology of the Federal Reserve. _In adopting a more flexible and discretionary definition of its 2% price target, the Fed has signaled that it wants to create more inflation_. The M2 money supply is currently expanding at the fastest rate on record (see chart 9).

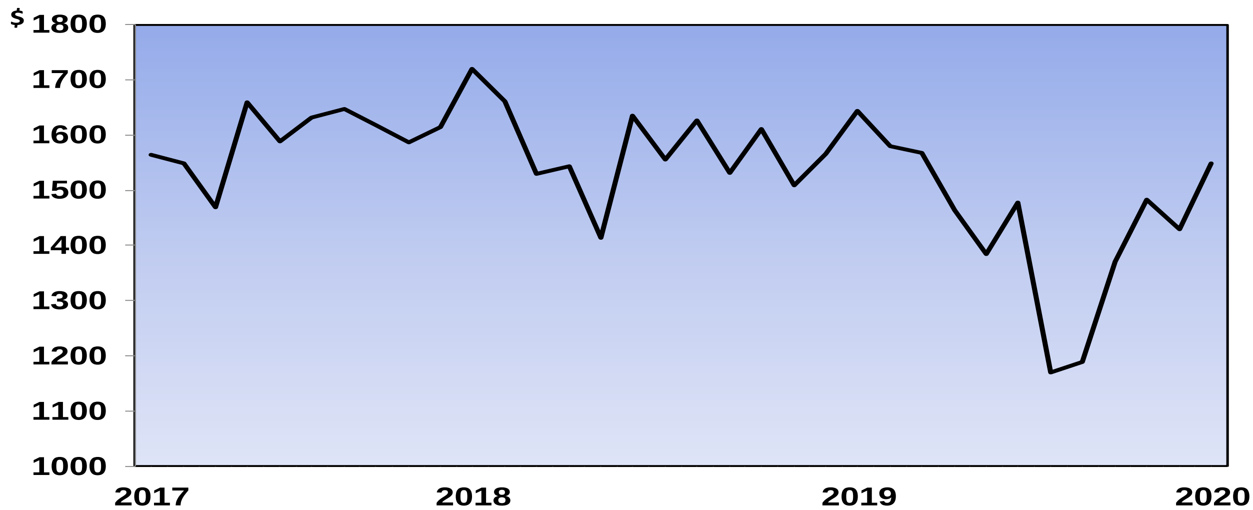
Because it is a classic lagging indicator, a monetary-induced rise in the inflation rate may not become evident until 2022 and 2023. _The primary risk is that the Fed might be compelled to tighten policy prematurely to slow the rise in inflation, triggering a spike in borrowing costs and threatening the sustainability of the economic expansion_.

Corporate Profitability: The outlook for corporate earnings is favorable. Businesses have been extremely successful in implementing productivity and efficiency initiatives that have boosted profit margins. Total labor compensation increased at an annual rate of 1.75% in the third quarter — the slowest pace in more than a decade — reflecting management's tight control over labor costs. Earnings will benefit from accelerating revenue growth in 2021 and 2022 as the rollout of the vaccine spurs a reopening of the economy. I expect earnings to increase by 20% to 25% in both 2021 and 2022.

THE GLOBAL ECONOMY

The outlook for world economic growth in 2021 is mixed, with China at the forefront and Japan, the eurozone, and the UK trailing. Emerging economies in Asia will also be at the leading edge of global growth, benefiting from exports to China and more effective control of the pandemic. The US economy should be in the middle, although GDP growth will be more similar to Asia than to Europe and Japan.

Chart 10: Strong Rebound in World Trade
World Exports, $ Billions
Source: International Monetary Fund



Following a decline of 4% in 2020, world GDP could expand at a 4.5% rate this year and achieve 5% growth in 2022, led once again by China, emerging Asia, and the US. World inflation should increase by 2% this year and 2.5% in 2022. World trade has already rebounded from its April low and could grow at a solid pace this year and in 2022. There is a strong correlation between world trade and corporate profitability (see chart 10).

As in the US, economic growth in both Europe and Japan will likely be sluggish in the first half of the year, but gradually accelerate later in the year and during 2022. Following a steep decline of 7.5% in 2020, European GDP could rebound strongly, expanding at a rate of 3.5% this year and nearly 4% in 2022. Japanese GDP could expand by 2.5% this year and 3.5% in 2022. Once again, China should be the world growth leader this year, with expected GDP growth in excess of 7%, its fastest pace in nearly a decade, slowing to 5.5% in 2022.

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

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.

S&P 500® Index: Measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

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