

## Responses to Kentucky Stable Value RFP Questions

1. Are you willing to accept proposals that are not multi-manager structures?
  - Yes, but it is not the preferred structure.
2. Are you willing to accept proposals with alternative investment guidelines to include security types that are not approved within the current IMA? Specifically, Traditional GICs, AAA CLOs, IG CDX, CMBX, Treasury futures, interest rate and total return swaps.
  - Yes, alternative guidelines will be considered. However, the Authority would like to maintain a more conservative structure and implementation.
3. Can you please provide the book value and market value of the portfolio as of 3/31/26. If not available, can you please provide the book value and market value of the portfolio as of 2/28/26.
  - The market to book ratio as of 12/31/25 was 97.44%
  - The market to book ratio as of 2/28/26 was 98.16%
4. Can you please provide the current crediting rate, and any changes to that if contracts re-set on 4/1/26.
  - This information will not be provided as part of this process.
5. Can you please confirm if "deemed IRA's" are considered eligible for investment in the current Fixed Contract Fund.
  - Confirmed. The Deemed IRA program is eligible for the same investments as the 401(k) and 457(b) and currently has Fixed Contract assets.
6. Would the plan consider proposals utilizing a single investment manager and wrap provider, if such a structure is otherwise consistent with the Plan's objectives?
  - Yes, but it is not the preferred structure
7. What are the Stable Value fund's exit provisions?
  - This is a separately managed account with wrap contracts specific to Kentucky. The wrap contracts generally allow 30 days' notice for any transition. Assets are moveable at the current market to book value.
8. What is the Stable Value funds market/book ratio?
  - The market to book ratio as of 12/31/25 was 97.44%
  - The market to book ratio as of 2/28/26 was 98.16%
9. Please provide the asset demographic data for the Stable Value fund broken down by ages (10 year increments, if possible) as well as by active versus inactive (terminated/retired employees), example below?
  - Please see table at the end of this document.
10. The provided documentation indicates that the Investment Manager will seek to maintain at least 50% allocation to outside managers (a reduction from the 75% limit in effect as of the 2017 RFP for this mandate). Would the Authority be open to considering a further reduction in this minimum?
  - The Authority is open to considering alternative approaches, subject to negotiation. Proposers should include their recommended structure as part of their proposal.

11. Are there any additional state statutory investment restrictions that are not reflected in the guidelines provided?
  - Proposers should rely on the Investment Management Agreement and guidelines provided, which govern this mandate.
12. Could you please provide the following portfolio metrics for the Fixed Contract Fund as of 12/31/25?
  - Not all information will be provided. Proposers should include their recommended approach as part of their proposal.
  - Average Quality of the Underlying Assets
    - This information will not be provided as part of this process.
  - Yield to Maturity
    - This information will not be provided as part of this process.
  - Effective Duration
    - This information will not be provided as part of this process.
  - Market/Book Value Ratio
    - The market to book ratio as of 12/31/25 was 97.44%
    - The market to book ratio as of 2/28/26 was 98.16%
  - Weighted Average Crediting Rate (after all fees)
    - This information will not be provided as part of this process.
13. If available, please provide participant demographics for the Fixed Contract Fund (e.g. active/terminated/retired by age band)
  - Please see table at the end of this document.
14. Does the Authority intend to maintain a quarterly declared credited rate of interest going forward?
  - At this time, there are no planned changes to the quarterly declaration of crediting rate. However, proposers may include alternative approaches for consideration.
15. Could you please clarify the Fixed Contract Fund's current expense ratio and a breakdown of the fees included in this expense ratio? Publicly available quarterly fund performance documentation indicates a gross expense ratio of 0.26%. The publicly available investment guide cites both 0.35% of operating expenses as well as a 0.32% annualized fee.
  - This information will not be provided as part of this process.
16. What was the AUM and average fee (as of 12/31/25) of each current investment manager used in the Fixed Contract Fund?
  - This information will not be provided as part of this process.
17. What was the wrap AUM for each of the Fixed Contract Fund's wrap providers as of December 31, 2025? What is the current wrap fee of each wrap provider?
  - This information will not be provided as part of this process.
18. What was the 1, 3, 5, and 10-year performance (both absolute and relative to the manager's benchmark) of each manager used in the Fixed Contract Fund on a before and after fee basis as of 12/31/2025?
  - This information will not be provided as part of this process.
19. What type of vehicle is used by each underlying investment manager (separate account, collective investment trust, mutual fund, other)?
  - Both the recommended vehicle and the underlying mandates should be separately managed accounts. Use of pooled vehicles requires prior Board approval and is not the preferred implementation.

20. It appears the Fixed Contract Fund is utilized by multiple-employer plans:
- If so, do the participating employers electively participate in the plan(s)?
  - If yes, are the participating employers allowed to terminate participation in the plan(s) and transfer participant balances to another provider?
  - If yes, are there any restrictions on the ability of the participating employer to withdraw/transfer participant balances to another provider?
  - Please provide the concentration of the stable value fund's balances by the top 10 electively participating entities (i.e. those that could withdraw assets on behalf of participants in the event they terminate participation).
  - Yes, participating employers elect to participate in KDC and may terminate and transfer assets subject to Plan provisions. The time to leave the Plan is subject to KDC's control.
21. Please confirm that the requested data, where not specified, should be provided as of 12/31/2025.
- Confirmed. All data should be as of 12/31/2025 unless otherwise noted.
22. Exhibits 6 and 7 are marked as required. Are these exhibits applicable only if we are claiming qualified bidder and/or resident bidder status? If not claimed, should the forms be omitted, and how should that be indicated?
- These exhibits are only required if you are claiming either status. If not, they do not need to be submitted.
23. What was the market value to book value ratio of the Fixed Contract Fund 3 as of December 31, 2025?
- The market to book ratio as of 12/31/25 was 97.44%
  - The market to book ratio as of 2/28/26 was 98.16%
24. What is the current allocation to outside managers?
- This information will not be provided as part of this process.
25. The investment guidelines specify "Derivatives shall not be used in the Fund", please confirm if this applies on a look through basis to any fixed income CIT utilized in combination with synthetic GICs.
- Derivatives are not permitted on a look-through basis. Both the recommended vehicle and the underlying mandates should be separately managed accounts. Use of pooled vehicles requires prior Board approval and is not the preferred implementation.
26. What percentage of plan assets are held by active versus inactive participants?
- Please see table at the end of this document.
27. Are there any future plan changes contemplated that could impact the expected cashflows to/from the Fixed Contract Fund 3?
- A self-directed brokerage option is expected to be added around July 1, 2026. No other changes are currently anticipated that would impact expected cash flows.
28. Does the plan offer a managed account program to participants, such as Financial Engines, Morningstar, etc.? If yes, what percentage of the plan assets are utilizing the managed account program?
- Yes, there is a managed account program. As of 12/31/25, there was \$52.4 million or 8.4% of Fixed Contract assets as part of the program.
29. What was the 1, 3, 5, and 10 year performance (both absolute and relative to the manager's benchmark) of each managers utilized by the fund on a before and after fee basis as of 12/31/2025?
- This information will not be provided as part of this process.
30. What was the AUM and average fee (as of 12/31/2025) for each of the outside managers?
- This information will not be provided as part of this process.
31. Minimum Qualification requirements reference Exhibit 6 in the context of complying with campaign finance laws. Can you please confirm that Exhibit 6 as currently provided represents the correct affidavit to certify compliance with Kentucky's campaign finance laws?
- This does not appear in Exhibit 6. However, it is included in the PSC, which is required to be completed.

32. Current Exhibit 6 includes a certification of being a Qualified Bidder (Section 45A.465(3)). Is the RFP respondent required to be a Qualified Bidder?
- These exhibits are only required if you are claiming either status. If not, they do not need to be submitted.
33. In reference to Exhibit 7, is the RFP respondent required to be domiciled in Kentucky? If not, is the respondent required to complete Exhibit 7? Is the completion of Exhibit 7 only required for bidders who claim resident status?
- These exhibits are only required if you are claiming either status. If not, they do not need to be submitted.
34. Do the active underlying managers execute Investment Management Agreements (IMAs) directly with the Authority, or do they act as sub-advisors to the Structure Manager?
- Underlying managers act as sub-advisors to the investment manager and do not have direct IMA's with the Authority.
35. What investment vehicle is currently used for the active managers—a separate account or a Collective Investment Trust (CIT)? If a CIT, was it established by the Structure Manager?
- Both the recommended vehicle and the underlying mandates should be separately managed accounts. Use of pooled vehicles requires prior Board approval and is not the preferred implementation.
36. Does the Authority intend to maintain the existing fund structure and investment lineup, or are they open to incorporating other managers (active and/or passive)?
- The Authority is open to considering alternative approaches for the Fixed Contract. Proposers should provide their recommended structure as part of their proposal.
37. Is the Structure Manager permitted to manage a portion of the portfolio directly?
- Yes, the successful proposer may manage a portion of the portfolio directly. This will be discussed and negotiated as part of the investment guidelines.
38. What is the current MV/BV ratio?
- The market to book ratio as of 12/31/25 was 97.44%
  - The market to book ratio as of 2/28/26 was 98.16%
39. What is the breakdown of wrap providers and underlying managers?
- Wrap providers and underlying managers are identified on page 3 of the RFP. Further allocation details will not be provided as part of this process.
40. Would the Authority be able to provide demographic data for plan participants and stable value participants? For example, it would be helpful to review participant count and participant balances by age cohort (<40, 40-49, 50-59, 60-69, 70+) for both active and inactive participants.
- Please see table at the end of this document.
41. Question 6 under Product Strategy implies that a proposal does not need to include external managers, while the current strategy, and the guidelines as written in Exhibit 2, clearly does show utilization of external managers today. Would a solution with no outside managers be amenable to the Authority and Callan, or does the proposed solution need to maintain the existing structure utilizing multiple managers?
- Yes, but it is not the preferred structure. The Authority is open to considering alternative approaches for the Fixed Contract. Proposers should provide their recommended structure as part of their proposal.
42. The RFP indicates that Exhibit 6 (Qualified Bidder Status) and Exhibit 7 (Resident Bidder Status) must be completed. We do not meet the criteria for these exhibits, as we are not claiming qualified bidder status (Exhibit 6, for non-profits) nor resident bidder status (Exhibit 7, as we are registered as a Foreign
- These exhibits are only required if you are claiming either status. If not, they do not need to be submitted.

**Demographic Data (as of 12/31/2025)**  
**Plan Name(s): Kentucky Deferred Compensation**

		Participant Demographic Age Bands							
Category Name	Status	18 to 29	30 to 39	40 to 49	50 to 59	60 to 69	70+	Total	
Total Number of Participants in the Plan(s)	Active	7,236	11,455	15,095	13,034	4,709	506	52,035	
Total Number of Participants in the Plan(s)	Inactive	2,780	4,329	5,854	9,076	9,202	8,952	40,193	
Total Number of Stable Value Participants in the Plan(s)	Active	1,911	3,629	5,654	5,246	2,032	273	18,745	
Total Number of Stable Value Participants in the Plan(s)	Inactive	529	1,080	2,011	3,960	5,371	6,481	19,432	
Total Dollar Balance of Participants in the Plan(s)	Active	\$ 29,177,657	\$ 160,311,353	\$ 559,491,549	\$ 775,589,861	\$ 340,789,522	\$ 57,937,290	\$ 1,923,297,232	
Total Dollar Balance of Participants in the Plan(s)	Inactive	\$ 5,723,885	\$ 32,822,376	\$ 160,683,574	\$ 606,092,905	\$ 960,184,560	\$ 1,148,413,949	\$ 2,913,921,249	
Total Dollar Balance of Stable Value Participants in the Plan(s)	Active	\$ 1,302,339	\$ 7,176,189	\$ 29,575,242	\$ 56,061,130	\$ 36,092,136	\$ 11,305,738	\$ 141,512,775	
Total Dollar Balance of Stable Value Participants in the Plan(s)	Inactive	\$ 254,888	\$ 1,275,299	\$ 9,272,372	\$ 50,055,343	\$ 156,795,910	\$ 267,769,739	\$ 485,423,552	