State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Protection of Alaska Plan Participants from Conflicted Rollover Solicitations
Relating to Distribution Counseling and Withdrawal Processing Provided by Empower
for the Defined Contribution Retirement Plans, Deferred Compensation Plan,
and the Supplemental Annuity Plan (SBS-AP)

Resolution 2025-08

WHEREAS, the Alaska Retirement Management Board ("ARMB") was established under AS 37.10.210(a) to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.220(a)(4), the ARMB shall assist in prescribing the policies for the proper operation of the systems and take other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210 - 37.10.390; and

WHEREAS, under AS 37.10.220(a)(5) the ARMB is to provide a range of investment options and establish the rules by which participants can direct their investments among those options with respect to accounts established under the Defined Contribution plans, the Supplemental Annuity Plan (SBS-AP), and the public employees' Deferred Compensation Plan; and

WHEREAS, the Alaska Department of Administration has contracted with Empower pursuant to AS 39.35.004(c) and AS 14.25.004(c) to provide recordkeeping services for the Defined Contribution Retirement Plan, Deferred Compensation Plans, and the Supplemental Annuity Plan (SBS-AP) and in 2019 added "Distribution Counseling" to those services (Attachment 1, "Distribution Counseling Timeline", Exhibit 4); and

WHEREAS, on February 18, 2025, the ARMB received a written complaint (Exhibit 1) from a retired member and former Defined Contribution System Manager stating that, while attempting a routine withdrawal, an Empower representative made an unprompted solicitation for her to liquidate all her assets in Alaska's Defined Contribution Plans and transfer the proceeds into an Empower IRA to purchase different funds; and

WHEREAS, the ARMB Chair forwarded the complaint to the Division of Retirement and Benefits (DRB) and requested data and explanations (Exhibit 2), to which Empower responded on Feb 27, 2025, with rollover statistics for 2020-2024 (Exhibit 3) and with additional historical data on April 29, 2025 (Exhibit 4); and

WHEREAS, before Distribution Counseling launched, rollovers from Alaska plans to Empower IRAs averaged less than $400 000 per year; after launch, those rollovers rose to $7.8 million in 2019, $20 million in 2020, and $63 million in 2024 (Attachment 1, "Rollovers to Empower IRAs", Exhibits 3 & 4); and

WHEREAS, Empower's assertion that distribution counseling "retained" nearly $914 million between 2020 and 2024 (Exhibit 3) overstates by design actual retention (Exhibit 3; Attachment 1, "Stay-In-Plan Assets Metric"), because the "Stay-In-Plan Assets" metric

(a) credits a participant's entire account balance which is not withdrawn to "retention" the first time they speak with a distribution counselor - often during a routine partial-withdrawal call - thus recording "success" even when no rollover was contemplated, and
(b) combines those routine-withdrawal cases with instances where a participant initially sought to roll over 100 percent of their assets, so the data cannot reveal the degree to which retention occurred; and

WHEREAS, two Trustees listened to the recorded complaint call separately and observed repeated IRA-oriented references in the call incompatible with a neutral counseling service (Attachment 1,"Recording Review"); and

WHEREAS, Distribution Counseling calls are routed to Empower's Retirement Solutions Group (RSG), a unit embedded in Empower's Wealth Management, creating a potential conflict of interest between fiduciary duty and Wealth Management's mindset of gathering assets and rollovers (Attachment 1, "Potential Conflict of Interest: Wealth Management Placement"); and

WHEREAS, Empower's CEO stated during the 2021 Investor Day, "So as we put things together, we get a feel for the size of the opportunity. Looking at rollovers, we see that about 6% of planned assets roll over every year in round numbers with Empower at $1 trillion in assets under administration. That's a rollover market opportunity of $60 billion. That $60 billion is tied to the existing relationships Empower has with defined contribution retirement plan participants"; and

WHEREAS**,** Empower's own Investor-Day presentations (2021) Slide 37 states "Own the last mile to the participant: The ability to reach participants and deliver engaging experiences allows for greater capture of rollovers" and "Looking ahead, winning in DC (Defined Contribution) will require recordkeepers to drive meaningful revenue growth from adjacent products while maintaining cost discipline" (Attachment 1, "Investor Day Presentation Evidence") ; and

WHEREAS, Empower's CEO stated during the Q3-2024 Earnings Call, "In the near-term, however, the biggest opportunity remains increasing the capture rate of asset rollovers from defined contribution retirement plans to IRAs held within our Personal Wealth platform. Given approximately $115 billion of IRA rollovers within our Retirement platform each year, there is significant upside to the net flows within Empower Personal Wealth, which are approaching $10 billion a year" (Exhibit 5); and

WHEREAS, the Illustrative Member Online Walk-Through on May 11, 2025, documented three different member withdrawal scenarios. The member-experience architecture placed meaningful friction on routine cash withdrawals and non-Empower rollovers while making an Empower IRA the path of least resistance. That tilt - combined with the absence of cost disclosures about Empower IRA fees - raised fiduciary questions about whether the current withdrawal process serves members' best interests or primarily advances the recordkeeper's objectives (Attachment 1, "Illustrative Member Online Withdrawal Walk-Through", Exhibit 6); and

WHEREAS, the ARMB's Education Working Group has discussed and reviewed distribution counseling at its April and May meetings, and the Education Working Group, the Defined Contributions Committee, and the ARM Board has reviewed the full record -including Attachment 1, Exhibits 1 – 6, and Division of Retirement and Benefits and Empower presentations at the March 2025 meetings - and finds no compelling evidence that distribution counseling serves participants' best interests;

NOW, THEREFORE, BE IT RESOLVED by the Alaska Retirement Management Board that:

1) The ARMB determines that Empower's Distribution Counseling program, as presently structured and delivered through the RSG division of Empower Wealth Management, does not serve the best interests of plan participants or the State of Alaska.

2) The ARMB recommends that the Division of Retirement and Benefits immediately terminate Empower's Distribution Counseling service for the Defined Contribution Retirement Plans, Deferred Compensation Plan, and Supplemental Annuity Plan (SBS-AP), revoking all RSG call-center access to Alaska participants.

3) The ARMB recommends that, until distribution counseling service termination is complete, any participant-initiated call concerning distributions or rollovers shall be handled solely by Empower customer-service staff who are prohibited from soliciting IRAs or other retail products and are not part of Wealth Management.

4) The ARMB requests the Division of Retirement and Benefits to include in its regular quarterly reporting to the Board the number of rollovers and total dollars of assets rolled outside the plans, broken out by

    (a) rollovers into the recordkeeper's IRA and

    (b) rollovers to all other providers.

5) The ARMB requests the Division of Retirement and Benefits provide the Board, beginning with the quarter September 30, 2025, and each quarter thereafter, the redacted transcripts of calls for

    (a) the 15 largest rollovers by dollar amount to the recordkeeper's IRA and

    (b) the 15 largest rollovers by dollar amount to other providers.

6) The ARMB requests the Division of Retirement and Benefits, in coordination with the recordkeeper, redesign the online and call-center withdrawal experience so that Members can execute routine partial withdrawals online.

7) The ARMB requests the Division of Retirement and Benefits provide the ARMB with screenshots and a live demonstration of the re-engineered withdrawal path, compared to the scenarios documented in Exhibit 6, no later than the first regular Board meeting after the withdrawal experience has been improved.

8) This resolution is accompanied by Attachment 1: Companion Document to Resolution 2025-08, which sets out the Board's detailed findings, supporting data, and the referenced Exhibits 1-6.

DATED at Anchorage, Alaska this 18th day of June, 2025.

Robert L. Williams

Chair

ATTEST:

Michael Williams

Secretary

Attachment 1: Companion Document to Resolution 2025-08
Relating to Distribution Counseling and Withdrawal Processing Provided by Empower for the Defined Contribution Retirement Plans, Deferred Compensation Plan, and the Supplemental Annuity Plan (SBS-AP)

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Executive Summary

This Attachment documents the Alaska Retirement Management Board's (ARMB) review of Empower's Distribution Counseling and explains why the Board voted to direct the Division of Retirement and Benefits (DRB) to terminate the service.

- **Complaint.** On 18 February 2025 a retired State employee - formerly the Defined Contribution System Manager - reported that when she attempted to make a routine withdrawal, Empower routed her call to a Retirement Counselor who made an unprompted solicitation for her to liquidate all her assets in Alaska's Defined Contribution Plans and transfer the proceeds into an Empower IRA to purchase different funds.
- **Empirical findings.** Trustees examined the complaint, the Division of Retirement and Benefits and Empower's presentations at the March 2025 Board meeting, and Empower's data and responses. Rollovers to Empower IRAs have risen from an average of less than $400,000 a year before the implementation of distribution counseling to an average of $35 million after the implementation of distribution counseling. Empower IRA fees (≈ 0.80 – 0.90 percent) are higher than a common Alaska State Defined Contribution Plan's fees (≈ 0.23 percent).
- **Potential fiduciary conflict.** Empower locates its distribution counselors inside the Wealth Management unit.
  - Empower's own Investor-Day presentations (2021) Slide 37 states "Own the last mile to the participant: The ability to reach participants and deliver engaging experiences allows for greater capture of rollovers" and "Looking ahead, winning in DC (Defined Contribution) will require recordkeepers to drive meaningful revenue growth from adjacent products while maintaining cost discipline."
  - Empower's CEO stated during the Q3-2024 Earnings Call, "In the near-term, however, the biggest opportunity remains increasing the capture rate of asset rollovers from Defined Contribution retirement plans to IRAs held within our Personal Wealth platform. Given approximately $115 billion of IRA rollovers within our Retirement platform each year, there is significant upside to the net flows within Empower Personal Wealth, which are approaching $10 billion a year."

- The Government Accountability Office reports (2013, 2024) confirm that sales-oriented settings steer retirees into higher-fee proprietary IRAs.
- In response to these risks, some public plans now bar wealth-management personnel from handling participant calls.

- **Illustrative Member Online Withdrawal Walk-Through. The** Board Chair replicated an online withdrawal process with three $2,000 withdrawal scenarios (PERS Deferred Compensation, PERS Supplemental Annuity Plan (SBS-AP), and TRS Deferred Compensation). Each path included friction for making a withdrawal and streamlined the process for rolling out of the plan to an Empower IRA.

- **Conclusion.**

The ARM Board recommends:

- termination of distribution counseling
- quarterly reporting of rollover data to the Board
- production to the Board of redacted transcripts of the top 15 rollovers - both outside the plan and to the recordkeeper IRA
- the creation of a streamlined process to withdraw funds online without IRA rollover solicitations

1. Background and Complaint

On February 18, 2025, the Alaska Retirement Management Board (ARMB) received a written complaint (Exhibit 1) from a retired member who had formerly served as the Defined Contribution System Manager for the Department of Revenue. In her letter, she described her experience while attempting to make a routine withdrawal from her Alaska Defined Contribution accounts through Empower, the State's recordkeeper.

Rather than facilitating her withdrawal, the Empower representative began a repeated pitch aimed at convincing her to move her assets out of the State of Alaska Defined Contribution plans into a privately managed Empower Individual Retirement Account (IRA). The member's concerns included:

1. Inappropriate investment advice was offered within minutes, despite the member's refusal to disclose financial details and the lack of any comprehensive financial assessment.
2. Use of the withdrawal system as a marketing platform, pushing Empower's private investment products for its own financial benefit.
3. Empower failed to disclose key consequences related to moving assets out of the member's State of Alaska managed plans. Empower did not initially inform her that transferring funds to their IRA would remove her access to the State's institutional investment options and low-fee structure. This was only acknowledged after she explicitly asked the Empower representative.
4. The member expressed concern for the potential harm to the broader system, noting that if such practices persuaded many retirees to move their assets, it could weaken the State's bargaining power in negotiating fees and services for the Defined Contribution plans.

1.1 ARM Board Follow-up and Empower Response

In response, the ARMB Chair provided the complaint to the Division of Retirement and Benefits (DRB) and shared his concerns in a communication to the DRB Director on the same day (Exhibit 2). In his message, the ARMB Chair noted that it appeared that Empower may be using its access to members by promoting rollovers out of the State's plans - contrary to his understanding that rollover counseling was intended to assist members in consolidating into the State plans.

In his communication to DRB, the ARMB Chair requested the following:

- A summary of how many members have rolled over accounts or funds for each of the past five years, including the total balance for each plan where Empower serves as recordkeeper.

- A breakdown for each of the past five years of how many members and the total fund balance by plan that were specifically rolled over into Empower accounts outside of State-managed plans.
- A written statement from Empower explaining how long this has been occurring and why this has been allowed to occur.
- Empower's attendance at the March Board meeting to present their response to these concerns and take questions from the Board.

Empower responded to the ARMB Chair's request for data and answers to his questions on February 27, 2025 (Exhibit 3).

2. Division of Retirement and Benefits and Empower Responses

At the March Board meeting, both the Division of Retirement and Benefits and Empower responded to the Letter of Complaint and the ARMB Chair's concerns.

2.1 Division of Retirement & Benefits response (Division Director, March meetings)

- Background - DRB added "distribution counseling" four years ago after learning that employers were telling departing workers they had to pull their money; the service's first message is always "you don't have to take your money out."
- Results - DRB maintained that nearly $1 billion has been retained in plan assets, while about $34 million has been rolled in from other plans. DRB stated that approximately ~11-12 % of rollovers go to an Empower IRA.
- Complaint Review - DRB, an Empower supervisor, and another listener not affiliated with the DRB reviewed the recorded call. They heard only one mention of the IRA and did not detect any pressure by the Empower representative to move assets. DRB reasoned that the real flaw was that the representative continued past Step 2 even after the caller signaled she only wanted a withdrawal. Empower retrained that representative and reminded staff to stop when interest is not expressed.
- Assessment - DRB explained that this was the first complaint in four years. DRB also did not see the complaint as evidence of a systemic problem, was "quite pleased" with the program's retention record, and was satisfied with Empower's corrective actions.

2.2 Empower response (Senior Vice President, March Board meeting)

- Immediate Action - The Senior Vice President for Empower personally listened to the call and assembled his team to address the issue. He emphasized that complaints about distribution counseling are "very rare" and this was the first one in

2025 among ~35 000 participant contacts. He also noted Empower's contact-center satisfaction statistics related to the service (4.48 / 5, 90% for distribution advisors).

- Position on Rollovers – The Senior Vice President noted that Empower is "comfortable" with its record-keeping fee and is "not trying to exploit anyone." The firm's priority is keeping participants in the plan. He explained that over the last five years the counseling program has convinced about 5,300 Members to remain in the State-managed plan and helped 800-plus Members to roll in another $30 million, a 40% Stay-In-Plan success rate.
- Program Origins and Rules - Distribution counseling was implemented at DRB's request between April 2019 and February 2020. FINRA Rule 13-45 requires advisors acting in a fiduciary capacity to present four options (stay, new employer plan, IRA, cash) and to have a proprietary IRA available for fee comparison; Empower's IRA averages 80–90 bps in fund expenses.
- Corrective Steps and Openness - The individual representative was retrained. The Senior Vice President offered to contact the complainant directly and to explore procedural refinements (e.g., a simpler path for periodic withdrawals) to ensure the discussion on rollovers stops when Members decline additional advice.

2.3 Follow-up Data

There were Trustee requests at the Board meeting for additional rollover data going back further in time so the benefits of Distribution Counseling could be better assessed. Empower responded with preliminary data near the end of March and shared responses to additional questions with additional historical data on April 29th (Exhibit 4).

2.4 Referral to Education Working Group

The ARMB Chair assigned the Distribution Counseling issue to the Education Working Group for examination and discussion at its April and May meetings.

3. Key Findings

3.1 Distribution Counseling Timeline

Distribution counseling was implemented by DRB without a formal contract amendment. An amendment to the contract formalizing distribution counseling was put in place in 2021. The Board was not informed of any changes to the recordkeeping contract related to distribution counseling with their significant impact. The timeline of distribution counseling implementation, per Empower (Exhibit 4), is as follows:

- April 2019: Inbound asset consolidation was turned on for Members. According to Empower, no amendment was required due to existing plan provisions.
- June 2019: Welcome/asset consolidation outbound calls began for assets to roll into the State of Alaska Plans. Again, no contract amendment was implemented.
- September 2019: Inbound distribution education was activated for assets that could roll out of the State of Alaska Plans. Empower cites the 2006 contract's education language from almost two decades previously as sufficient authority.
- February 2020: A fiduciary point-in-time advice pilot began.
- May 2021: DRB and Empower execute a contract amendment to make the distribution counseling advice a permanent service.

3.2 Recording Review

Two Alaska Retirement Management Board Trustees separately listened to the recording of the call leading to the complaint. Both Trustees had stronger concerns about the call than what was described at the Board meeting by DRB and Empower. The incident raised broader concerns about the objectivity and structure of Empower's Distribution Counseling program.

The Trustees' concerns were aligned with the retired Member who made the complaint:

- A routine withdrawal had a strong pull for rolling over assets outside of the plan to an Empower IRA, as evidenced by the questions and comments made by the Empower representative:
    - "Are you familiar with IRAs?"
    - "Do you know Empower offers IRAs?"
    - "Process is 15 to 20 minutes with our advice team. They have to act in your best interest and compare services and fees."
    - "(Benefits of consolidation of accounts) It may benefit more than what you have now. Those are some benefits that may have some interest to you."
    - "Our IRAs come with a dedicated financial advisor and the ability to work with a CFP professional. With the balance you are at, there would be no additional fees. Those are some benefits that could help you."
    - "No advisory services with this plan. That would change with the IRA."
    - "Also with the IRA, you are going to have more investments. Our IRAs come with 130 investment options and have access to those professionals. Just to give you an idea."

- The PERS member had to ask if she was being encouraged to remove her assets from the State of Alaska Defined Contribution System into a separate Empower IRA outside of the State of Alaska Defined Contribution System.
- At no time was it disclosed that Empower's IRA fees typically range from 80 to 90 basis points (Empower March ARM Board Meeting) while the State of Alaska Plans have an administrative fee of 13 basis points and Target Date Funds with a fee of approximately 10 basis points for a common total fee of 23 basis points.

3.3 Potential Conflict of Interest: Wealth Management Placement

3.3.1 Introductory overview.

Embedding distribution-counseling staff inside a recordkeeper's Wealth Management arm blurs the boundary between neutral guidance and product sales. The Government Accountability Office (GAO) in 2013 and 2024 found call-center representatives steering retirees into the recordkeeper's higher-fee proprietary IRAs despite minimal fact-finding. Empower's own Investor-Day presentations and the Empower CEO's statements on the importance of Defined Contribution rollovers signals that housing distribution counseling within Wealth Management embeds a sales mindset where fiduciary neutrality is required. (Evidence is developed in Sections 3.3.2 – 3.3.6.)

3.3.2 Distribution Counseling Inside Wealth Management

Empower's distribution counseling is housed in the Retirement Solutions Group (RSG), which is located within Empower's Wealth Management division. Locating participant calls inside a recordkeeper's Wealth Management division - rather than in an operations-neutral service center - creates a potential conflict between fiduciary duty and revenue generation. As the initial complaint to the ARM Board illustrates, what began as a routine withdrawal request from a Defined Contribution account quickly pivoted into a repeated pitch to liquidate all assets in the State of Alaska plan and to deposit the balance into an Empower IRA. The representative emphasized claimed advantages of consolidating assets with a "dedicated advisor", the fact that the Empower IRA offered"130 investment options", and that Empower would not assess any "additional fees." However, the representative omitted any mention of the increase in fees associated with an Empower IRA. Empower IRAs typically cost 80-90 basis points, while State-managed plans cost approximately 23 basis points.

Housing distribution counselors inside a unit geared toward attracting rollovers can tilt withdrawal discussions toward liquidating assets and transferring the proceeds to Empower IRAs instead of simply facilitating the requested transaction. The complaint the Board received demonstrates that when distribution education is delivered by staff whose business model leans towards gathering rollovers, participants could be steered toward higher-fee products that run counter to their interests.

3.3.3 Government Accountability Office (GAO) Findings on Rollovers

- **GAO-13-30 (2013).** Undercover mystery call testing found that record-keeper representatives "routinely promoted IRAs." GAO urged regulators to require clearer disclosure of provider conflicts. "Plan participants often receive guidance and marketing favoring IRAs when seeking assistance regarding what to do with their 401(k) plan savings when they separate from their employers. GAO found that service providers' call center representatives encouraged rolling 401(k) plan savings into an IRA even with only minimal knowledge of a caller's financial situation. Participants may also interpret information about their plans' service providers' retail investment products contained in their plans' educational materials as suggestions to choose those products."
- **GAO-24-104632 (2024).** A follow-up review of 15,000 firm disclosures and 75 undercover calls reported that conflict disclosures "are not always clear or understood," and that IRA fiduciary oversight is "lacking," leaving investors exposed to sales-driven advice associated with lower net returns.

These bipartisan studies - spanning more than a decade - suggest that rollover counseling delivered by recordkeepers has a risk of steering assets toward higher-cost recordkeeper IRAs and that this has been a persistent issue.

3.3.4 Empower Investor Day Presentation Evidence

- **2021 Investor Day (slide 37): Own the last mile to the participant**
  - "The ability to reach participants and deliver engaging experiences allows for greater capture of rollovers."
  - "Looking ahead, winning in DC (Defined Contribution) will require recordkeepers to drive meaningful revenue growth from adjacent products while maintaining cost discipline."

- **2021 Investor Day – "Empower Wealth Management Funnel" (Slide 69).**
    - Empower shows $40 Billion in total distributable assets each year; it contacts 50 % of those balances ($20 Billion) and already converts 27 % of contacted dollars into Empower IRAs - about $5.3 Billion a year - with forecasts for further growth over the next five years.
- **2023 Investor Day – "Empower offering aligns with largest opportunities in workplace solutions" (Slide 70).**
    - The slide contrasts flat record-keeping fees with higher-growth "IRA rollovers (5-10 % growth rate)" and describes "strong and growing rollover business with personal wealth franchise."
- **2023 Investor Day (slide 74).**
    - "Personal Wealth captures the IRA rollovers of Empower workplace customers who change employers and IRAs held away."
    - "Personal Wealth rollover rate from Empower workplace customers improved by 31 % from 2018-2022"
    - 60 % of the improvement occurred after the Personal Capital tech integration."
- **Empower Feb 7, 2025 press release**
    - Empower's Personal Wealth 29 % Assets Under Administration growth in 2024 was driven in part by "continued success in capturing rollover volume from defined contribution plans."
- **2025 Great West Lifeco Inc Investor Day (Slide 49)**
    - "Wealth Platform Leverages Workplace Scale"
    - "Sizeable Rollover Opportunity Contributes to Growth"
    - Expected Next 5 Year Rollover Opportunity: $1 Trillion;
    - "Continue to grow the rollover capture rate"
    - Rollovers have increased 30% over the past 5 years and the goal is to increase rollovers by another 30% in the next 5 years.

3.3.5 Empower Leadership Statements Noting Rollover Importance

These public remarks raise fiduciary concerns that defined contribution rollover capture is a declared recordkeeper growth engine - reinforcing the concern that distribution counselors housed within Wealth Management have a sales focus that conflicts with impartial participant education.

Empower CEO Ed Murphy, Investor Day, Jun 8, 2021 (Exhibit 5):

- **“**On the revenue side, we've seen consistent downward pressure on both investment and recordkeeping fees... This means a significantly increased reliance on revenue from IRA rollovers, managed accounts and other consumer offerings.”
- **“**Another key point of this slide is what drives IRA contributions. IRA contributions are overwhelmingly driven by rollovers from defined contribution plans. From 2013 to 2018, 96% of IRA contributions were defined contribution plan rollovers. So in conclusion, the very large IRA market is highly synergistic with the defined contribution plan market.
- **“**So as we put things together, we get a feel for the size of the opportunity. Looking at rollovers, we see that about 6% of planned assets roll over every year in round numbers with Empower at $1 trillion in assets under administration. That's a rollover market opportunity of $60 billion. That $60 billion is tied to the existing relationships Empower has with defined contribution retirement plan participants.
- “Finally, with the evolving revenue streams, owning the last mile gives providers the ability to reach participants and deliver engaging experiences, which allows for greater capture of rollovers. To sum it up, what’s needed is a formula of winning customer experience, scale, cost discipline and finding revenue from a variety of sources.”

CEO Ed Murphy (PlanAdviser, Jun 22 2023) (Exhibit 5)

- “To the extent that we can introduce [participants] to capabilities that we have—while they are an in-plan participant, before they make a lifetime decision like changing jobs or retiring—and build that trust and credibility with them, we think we can win the day,” Murphy said. “Whether you call it cross-selling, or whether you call it marketing services and capabilities to those customers, we think that represents a significant opportunity for us.”

CEO Ed Murphy, Q3-2024 Earnings Call (Exhibit 5)

- "In the near-term, however, the biggest opportunity remains increasing the capture rate of asset rollovers from defined contribution retirement plans to IRAs held within our Personal Wealth platform. Given approximately $115 billion of IRA rollovers within our Retirement platform each year, there is significant upside to the net flows within Empower Personal Wealth, which are approaching $10 billion a year."

Q1 2025 Great West Lifeco Inc Earnings Call (Exhibit 5)

Analyst

- **"**Just wanted to talk about the sales in the Retirement business and how those migrate over into the Wealth business? First of all, the trend in plan redemptions improved consistently over the past few quarters and you're back into net inflows, that's good. Then I saw a note about a 30% increase in rollover sales. Just for clarification, those are redemptions and whatever the total number is of redemptions, you've captured some in the rollover and that number is 30% higher than last year, right? ... And is there a dollar amount you can share? Because I mean 30% sounds good, but it's still pretty low relative to your ultimate objectives, correct, the volume?"

CEO Ed Murphy

- **"**The gross number was $6.6 billion in gross sales with the majority of that being rolled over. That's the best quarter we've had in the history of the business. And in terms of our effectiveness and our efficacy, we're also at the highest level in terms of our ability to successfully capture the money that's in motion. So I think that's a work in progress. We expect to see further improvement there. I will say it's a strong statement about our value proposition, our ability to compete in a very competitive market in the US mass affluent market. So we're pretty pleased about our results."

Great-West Lifeco Inc Empower Retirement Investor Day Transcript - April 2, 2025

Carol Waddell - *President Empower Personal Wealth*

- "So I talked a little bit about crossover, a little bit about rollover and a little bit about direct to consumer. I thought I'd really focus on the rollover opportunity now. As John mentioned earlier, we have a substantial rollover pipeline. You see about $1 trillion rolling out of our retirement plans over the next five years. This presents an enormous opportunity for our wealth business. Rollovers are driven by many of the factors I've mentioned, so changing jobs or retiring. But when you look at the job changers in The U. S, an average customer is going to change jobs 12 times. So that creates a lot of money in motion and opportunities for us to engage with individuals."

- "We look at our growth, this is going to enable us to grow wealth assets organically from roughly $90 billion today to over $200 billion by 2029. And we're going to do that by improving rollover rates by roughly 30% over the next five years, which is actually the improvement we've experienced over the last five years. We're going to increase those rollover rates by strengthening relationships. So it's all about beginning early and connecting early with individual participants so that they receive our advice, they trust our advice and they're aware of the services that we provide."

3.3.6 Analyst Rollover Focused Questions at April 2, 2025 Investor Day

- **"**The U. S. and personal wealth, that seems to be the biggest driver of this ROE (Return on Equity) improvement trajectory. You quantified the trillion-dollar money in motion over the next five years. That's "the holy grail" of this trajectory, capturing 30% more rollover assets than you are currently. That's the key?
- "And maybe if you can add some sizzle to the steak, the margin pickup between when you have a rollover asset versus when they were at Empower. Could you help me understand that?
- "I'm thinking maybe this is an old way of thinking, but AUA (Assets Under Administration) to AUM (Assets Under Management). When you're a plan participant, the way I think of it is you go to your screen, you adjust your ... you hit 60%, you go to 80% bonds. But the revenue that you're getting as Empower is maybe a flat fee for that customer. But then when they retire, they take that money, put it into some sort of proprietary product and you go from a flat fee or whatever it is, to something more meaningful. I want to get a sense for what the enhancement is to your economics.

3.3.7 Conclusion

The evidence is consistent across regulators, investors, and Empower's own leadership: Defined Contribution rollover capture is marketed as a core growth engine for recordkeepers, not a by-product of member service. When distribution counseling sits inside Wealth Management, the pressure to increase Defined Contribution rollovers to Empower IRAs and meet the stated historical and future Defined Contribution rollover capture goals inevitably competes with the fiduciary duty to deliver neutral, low-cost guidance. GAO's undercover testing highlights the risk; Empower's slide decks and earnings calls confirm the incentive; and the complaint before the Board show how quickly sales messaging can displace routine withdrawal assistance.

Given this alignment of profit motives and documented steering risk, the prudent course is clear. Participant counseling should be walled off from Wealth Management, measured on service quality and in-plan retention - not on rollover production. Until Empower can demonstrate a conflict-free model – and a verifiable participant benefit - the safest course and prudent fiduciary practice is to separate participant counseling from the Wealth Management division of the organization.

3.4 Illustrative Member Online Withdrawal Walk-Through (May 11, 2025)

3.4.1 Background

The Illustrative Member Online Withdrawal Walk-Through is not intended to portray the experience of every Alaska Defined Contribution participant. Rather, it chronicles three actual sessions - one each for a PERS member making a Deferred Compensation account withdrawal, a PERS member making an SBS-AP account withdrawal, and a TRS member making a Deferred Compensation account withdrawal. Each session was captured with screenshots on May 11, 2025 (see Exhibit 6). These snapshots offer qualitative insight into the withdrawal process; they are illustrative, not statistically representative.

Rollovers of Alaska State Defined Contribution Plan assets into Empower IRAs could be amplified by the IRA-focused script used during distribution-counseling calls, as alleged in the complaint. If retirees can complete withdrawals entirely online - moving funds directly from their Defined Contribution accounts to personal bank accounts - the reach of those sales pitches would be sharply curtailed. The dynamic is analogous to a retail bank: no matter how persuasively a banker promotes a rollover during an in-person visit, the influence is minimal when customers rely on ATMs or online bill pay, channels that bypass one-on-one solicitations altogether.

To examine the Empower online participant experience, the ARMB Chair on May 11, 2025 attempted three separate $2,000 withdrawals under common retiree scenarios for PERS and TRS members. The real-time screenshots in Exhibit 6 provide additional, verifiable context on what members actually encounter when they try to access their money.

3.4.2 Scenario 1 – PERS Retiree, Deferred Compensation Plan Withdrawal

The Public Employee Retirement System (PERS) retiree had an on-screen flow experience that never presented a simple "Request withdrawal" process. Instead, the member must

(a) call a toll-free number or (b) click a large button inviting an immediate rollover to an Empower IRA. No other rollover targets were offered. Opening the Empower IRA path launched a partially completed application populated with the retiree's personal information; the system stated that the process will take "less than five minutes." A retiree who merely wanted a modest cash payment cannot proceed without first being invited to rollover their funds to an Empower IRA, scheduling an Empower call or speaking directly with Empower staff - an approach that mirrors the concerns raised in the recent complaint made to the Board about steering participants toward rollovers.

3.4.3 Scenario 2 – PERS Retiree, Supplemental Annuity Plan (SBS-AP) Withdrawal
After selecting "Request a withdrawal," the retiree was shown two large buttons:

1. "Rollover and Save" (presented first, with positive language about professional guidance, broad investment choice) – choosing this again provided two large buttons, the first option being a rollover to an Empower IRA described as "assets transfer seamlessly" and the second button being to rollover to other IRA providers. It should be noted that "assets transfer seamlessly" for the Empower IRA rollover (Exhibit 6), is a false statement. The assets do not transfer. Rather, the assets are sold and then cashed out. The money from that liquidation is transferred to Empower's IRA where different funds outside the State of Alaska's Plans are purchased.

If the member explored "Rollover to a different provider," the site stated that a check will generally be mailed to the participant - who must then mail the check to the IRA provider - even though several outside firms can accept a direct transfer. Once again, the Empower IRA application was prefilled and marketed as seamless, while many external rollovers and straightforward cash withdrawals involved phone calls, extra clicks or mailed paperwork.

2. "Pay It To Me" – accompanied by prominent warnings about income-tax withholding and potential penalties. The member could withdraw funds electronically to a bank account for a $15 fee or for free with mailed check.

3.4.4 Scenario 3 – TRS retiree, Deferred Compensation Plan withdrawal
The Teachers' Retirement System (TRS) retiree encountered an initial promotional pitch ("Rollover and Save" vs. "Pay It To Me") and a preferential treatment for Empower's in-house IRA. Unlike the PERS Deferred Compensation experience, however, the TRS retiree could ultimately reach an online withdrawal form without calling the toll-free number - highlighting an inconsistency in how identical plan types are handled across retirement systems.

3.4.5 Design Observations Across The Scenarios

- **Withdrawal requests are treated as Empower IRA rollover opportunities.** Every path began with a phone-based counseling offer or a rollover tile; the cash withdrawal option was secondary or, in one case, absent.
- **Empower's own IRA receives preferential treatment.** It was the only destination offered with a fully digital, pre-populated application and a promised sub-five-minute completion time. External rollovers were portrayed as slower and more cumbersome.
- **Information asymmetry.** The interface never mentioned that money moving to Empower IRA assets would leave Alaska's low-cost institutional funds or that Empower's IRA fees typically run 0.80% – 0.90 % - far higher than the Alaska Defined Contribution Plan's 0.13 % administrative fee and roughly 0.10 % expense ratios in Alaska's Target Date Funds for a common total fee of 0.23%.
- **Inconsistent access.** The PERS retiree could not complete an online Deferred Compensation withdrawal without a phone appointment, while a TRS retiree performing the same action could - an odd disparity that suggests rules are being applied unevenly.
- **Behavioral nudges.** Positive framing ("Rollover and Save") and convenience cues were reserved for the Empower rollover path.

3.4.6 Implications

The member-experience architecture placed meaningful friction on routine cash withdrawals and non-Empower rollovers while making an Empower IRA the path of least resistance. That tilt - combined with the absence of cost disclosures about Empower IRA fees - raises fiduciary questions about whether the current withdrawal process serves members' best interests or primarily advances the recordkeeper's objectives.

4. Distribution Counseling Effectiveness Analysis

4.1 The Three Lenses

Empower's Distribution Counseling program has been described as a safeguard that keeps participant assets in the State of Alaska Defined Contribution Plans. At the March 2025 Board meeting, Empower cited nearly $1 billion in "Stay-In-Plan Assets" from 2020-2024 as proof of success. To test that claim, this analysis applies three lenses:

1. The Stay-In-Plan Assets metric - Does it truly measure retention or merely record any remaining account balance present when a participant first speaks with a counselor?
2. System-wide rollovers - Have total dollars leaving the plans slowed since distribution counseling began, or have they accelerated?
3. Rollovers to Empower IRAs - Has counseling inadvertently (or deliberately) funneled money away from State plans into Empower's proprietary IRA products?

4.2 Stay-In-Plan Assets Metric

Empower's Stay-In-Plan Assets metric counts all assets retained when a member has the first contact with distribution counseling (Exhibit 4). There is some ambiguity as to when distribution counseling applies. Empower's Feb 27, 2025, communication (Exhibit 3) states "To facilitate distribution education, all distributions over $25,000 are directed to the Empower Care Center." Empower's April 29, 2025 communication (Exhibit 4) states "Distribution counseling is available to all State of Alaska participants. The State instructed Empower to route all distribution calls for participants with account balances $25,000 and above to a Retirement Counselor for distribution education."

Empower's Distribution Counseling Service data (Exhibit 3) showing Stay-In-Plan Assets from 2020 through 2024 of $914 million could imply that distribution counseling led to the retention of assets in the State Retirement Plans if the metric only measured retention of assets of members that requested to rollover 100% of their assets to another provider. However, this is not the case. The metric counts all assets retained the first time a member has contact with a distribution counselor. As the complaint call demonstrates, a routine withdrawal request includes contact with distribution counseling. A member with $1 million in their account that wants to make a first withdrawal of $25,000 and successfully does so, would have $975,000 counted as Stay-In-Plan Assets even though there never was any intention to remove those assets from the plan. This blurs retention of assets when members plan to roll over assets outside of the plan with members planning to make a withdrawal from their State-managed Plan account.

Empower does not measure retention of assets of members that desire to roll 100% of their funds outside the plan to a different provider (Exhibit 4). Ironically the complaint call that generated this distribution counseling examination had the distribution counselor encouraging the PERS retiree to rollover all her State of Alaska Plan assets to an Empower IRA even though she had no intention of doing so. It is incorrect to claim that the Stay-In-Plan Assets metric measures asset retention. The metric lumps together two very different groups - balances that were never slated to leave the plan and balances that were genuinely at risk of rolling out. This leads to an inflated number that does not reveal whether Empower's counseling prevents rollovers, and it obscures assessment of Empower's IRA-solicitation practices.

4.3 System Wide Rollovers

Another way to analyze distribution counseling value is by asking whether it slows the flow of assets rolling out of the State of Alaska plans. Exhibit 3 and Exhibit 4 detail the dollars that left each year:

Year	Overall Rollovers ($)	Percent Change From Prior Year
2009	28,145,067	
2010	79,671,945	183%
2011	90,343,472	13%
2012	97,743,283	8%
2013	118,961,588	22%
2014	117,305,710	-1%
2015	144,616,658	23%
2016	137,232,981	-5%
2017	154,393,824	13%
2018	159,213,482	3%
2019	172,321,769	8%
2020	193,054,150	12%
2021	253,289,370	31%
2022	200,090,385	-21%
2023	274,011,627	37%
2024	376,767,799	38%

Pre- distribution counseling (2013-2018): Average annual rollovers were $138.6 million.

Post-distribution counseling (2019-2024): Average annual rollovers climbed to $244.9 million - a 76.7 percent increase.

Rollovers fluctuate year-to-year, but the direction is unmistakably upward after distribution counseling began. Given this sustained rise, there is no evidence that the program has reduced - or even slowed - the movement of assets out of the State of Alaska Defined Contribution Plans.

4.4 Rollovers to Empower IRAs

There is one area where distribution counseling has had a significant and measurable impact: rollovers to Empower IRAs.

Historical data provided by Empower (Exhibit 3 and Exhibit 4) show the effects of the implementation counseling in 2019.

Year	Rollover to Empower IRA ($)	Percent Change From Prior Year
2013	600,104	
2014	319,010	-47%
2015	283,606	-11%
2016	477,661	68%
2017	226,927	-52%
2018	439,826	94%
2019	7,831,303	1681%
2020	20,053,244	156%
2021	32,819,291	64%
2022	38,685,793	18%
2023	47,998,949	24%
2024	63,624,580	33%

Pre- distribution counseling (2013-2018): Average annual rollovers to Empower IRAs were $391,189.

Post-distribution counseling (2019-2024): Average annual rollovers to Empower IRAs climbed to $35.1 million - an 8,890 percent increase.

While market gains and demographic trends lifted dollar rollovers industry-wide, Empower's percentage of rollovers captured into its proprietary IRAs rose sharply after counseling began (Exhibit 3 & 4). Prior to the implementation of Distribution Counseling in 2019, rollovers to Empower IRAs average was under $400,000 annually. Following the start of Distribution Counseling, rollover volumes increased sharply, exceeding $7.8 million in 2019, $20 million in 2020, and $63 million in 2024. The 2019 implementation of distribution counseling resulted in a 1,681% increase in assets rolled outside of Alaska State Plans to Empower IRAs from the year before. Before distribution counseling, the average rollovers to Empower IRAs was less than half a million dollars. After the implementation of distribution counseling, the average rollover amount was $35 million with the peak of $63 million in 2024.

4.5 Distribution Counseling Effectiveness Summary

An analysis of Distribution Counseling across the three key metrics - reported retention, net plan rollover outflows, and rollovers to Empower IRAs - shows no evidence that Distribution Counseling is achieving its stated goals. On the contrary:

- **Reported retention is overstated.** The program's methodology counts the remaining balance of a member's account as retention when interacting with a Distribution Counselor for the first time, even for routine withdrawals. Retention of assets for 100% rollover requests is not measured. The Stay-In-Plan metric lumps together two very different groups - balances that were never slated to leave the plan and balances that were genuinely at risk of rolling out - so it cannot reveal whether Empower's distribution counseling actually prevents rollovers.
- **Overall rollover outflows have increased.** The period after Distribution Counseling was introduced shows a clear uptick in money leaving the plans. There is no evidence that Distribution Counseling has decreased or even slowed the increase of rollover outflows outside the plan.
- **Empower IRA rollover correlation.** The timing and magnitude of the increase of rollovers to Empower IRAs point to Distribution Counseling as the catalyst rather than a coincidental trend.

Taken together, these findings indicate that Distribution Counseling is not just ineffective - it is likely encouraging participants to move assets away from the State of Alaska's low-cost, institutionally priced options and into higher-fee Empower IRAs.

5. Next Steps and Conclusion

Despite repeated assurances that Distribution Counseling "keeps assets in plan," every data point - and Empower's own marketing pitch - tells a different story.

- **Metrics that overstate retention.** The Stay-In-Plan Assets measure books the entire balance present after first contact even if a member only makes a routine withdrawal. Meanwhile, total rollovers have climbed 77 % on average since the service began.
- **Sharp Rise in Empower IRA Rollovers**. Transfers to Empower IRAs jumped from less than $400,000 a year pre-counseling to $63 million in 2024, indicating assets are being pulled from the plan, not preserved.

- **Slide-deck proof of intent.** Empower's Investor-Day slides frame Distribution Counseling as the "Last-Mile" of participant conversion, explicitly stating a $40 billion gross rollover opportunity, noting the firm has already contacted half those balances, and noting a 27 % success rate in moving contacted dollars to Empower IRAs.
- **Empower CEO emphasis on Defined Contribution rollovers.** President and CEO Ed Murphy stated, "In the near-term, however, the biggest opportunity remains increasing the capture rate of asset rollovers from defined contribution retirement plans to IRAs held within our Personal Wealth platform." He tells investors that engaging participants while they are still in-plan is critical because "whether you call it cross-selling or marketing services and capabilities to those customers, this represents a significant opportunity for us." (Exhibit 5)
- **Participant-level evidence.** The complaint call and the Illustrative Member Online Withdrawal Walk-Through show routine withdrawals running into friction, while an Empower IRA rollover is the path of least resistance.

Because Distribution Counseling sits inside Empower's Wealth Management division, the program embeds an Empower IRA rollover focus where fiduciary neutrality is required. Taken together, the evidence shows Distribution Counseling is not a service enhancement but a conduit pulling assets from Alaska's Defined Contribution plans. The Board therefore has both the rationale and the duty to recommend terminating the program to protect member interests.

Given these realities, the Board must act to protect participants and the integrity of the plans. The Board recommends terminating Distribution Counseling, separating participant-service functions from wealth-management channels, receiving quarterly transparent rollover reporting, and redesigning the online withdrawal flow. These are necessary steps to refocus the system to its statutory purpose: serving members' best interests - efficiently, objectively, and at the lowest reasonable cost.

Under AS 37.10.220(a)(4), the ARMB shall assist in prescribing the policies for the proper operation of the systems and take other actions necessary to carry out the intent and purpose of the systems in accordance with AS 37.10.210 - 37.10.390. In that capacity,

1. The ARMB finds no compelling evidence that Distribution Counseling has served the best interests of plan participants or the State of Alaska.

2. The ARMB is concerned that Distribution Counseling participant calls are being handled by Empower's Retirement Solutions Group (RSG), a business unit housed within Empower Wealth Management. The ARMB recommends revoking all access of RSG call center employees to Alaska Plan participants.
3. The ARMB recommends that the Division of Retirement and Benefits terminate the Distribution Counseling service provided by Empower immediately for the Defined Contribution Retirement Plan, Deferred Compensation Plan, and the Supplemental Annuity Plan (SBS-AP).
4. The ARMB requests quarterly updates on the number and total amount of rollovers outside the plan and rollovers to the recordkeeper's IRAs.
5. The ARMB requests each quarter the redacted transcripts of the calls for (a) the top 15 rollovers by amount to other providers and (b) the top 15 rollovers by amount to the recordkeeper's IRA.
6. The ARMB requests the entire online withdrawal process be redesigned to remove the bias to roll funds outside State-managed plans to the recordkeeper's IRA. Further, the ARMB requests that the withdrawal process be simplified so members have the ability to withdraw their funds with ease.
7. The ARMB requests screenshots and a demonstration of how the withdrawal experience has improved from the examples that were experienced in Exhibit 6.

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Michelle Prebula
[redacted]

February 18th, 2025

Bob Williams

ARMB Chair
P.O. Box 110405
Juneau, AK 99811-0405

Hello Trustee Williams,

I'm writing to you today because I recently had a disturbing interaction with Empower, as the State's recordkeeper, of which I thought the ARMB should be made aware .

I generally draw funds, at least annually, from my Deferred Compensation and Supplemental Benefits System assets as that makes up a significant portion of my retirement income. When I made a withdrawal this January, I initiated the withdrawal over the phone, as their website requires me to do. At this time, they asked me several questions, which I considered excessively probing, about how I was investing my assets and whether or not I was using a personal financial advisor. As I usually do, I declined to answer these questions as I was calling to make a withdrawal, not to ask for financial or investment advice. This is a normal, if somewhat annoying part of the withdrawal process, but one I find reasonable as they are checking in to make sure retirees are getting their needs for financial advice met. At this point, however, the Empower representative departed from the normal script I had become used to, and launched into what I would characterize as a "hard sell" for me to move my assets into a privately managed Empower Individual Retirement Account.

As you may remember, I was the State's Defined Contribution System Manager prior to my retirement in 2022. As such, it was my job to be quite familiar with retirement products currently on the market. One of the most concerning aspects of this sales pitch was that even as an individual who is quite familiar with retirement products, I could not for the life of me figure out what this man was trying to sell to me. If this was the case for me, asking relevant probing questions, what would this process be like for the average State retiree who might not know what questions to ask?

Eventually, I was able to determine that this individual was pressuring me to withdraw my assets out of the State-managed defined contribution system into a private account managed by Empower. Several aspects of this conversation appeared to me to be a breach of fiduciary duty on the part of the Empower employee, including:

1) we had spoken for less than 5 minutes about my financial situation, and he felt confident giving me financial investment advice, even given that I'd declined to answer most of his questions;
2) Empower is using the withdrawal system as a platform to sell investment products to State retirees to benefit Empower through higher fees, possibly to the State's detriment (see item 4);
3) in their attempt to sell this product, they are not making the retirees aware that the option they are advocating is outside the State-managed system and that retirees would no longer have access to the State's investments and fee structures, I had to specifically ask if this were the case before they told me that it was;
4) should many retirees be swayed into accepting this option of moving their assets, it could significantly harm the State's ability to negotiate for better terms and rates for their Defined Contribution and Deferred Compensation plan investments.

While I found all of this discussion most inappropriate, for me, there was an overriding issue that truly horrified me. You see I retired under the IRS Rule of 55. Which means that I was over age 55, but was, and still am, under age 59 ½. Under this rule, I am able to access my Deferred Compensation and Supplemental Benefits System accounts, without penalty, **but only while my assets remain with the employer from whom I retired**. If I had followed this man's "advice" I would have lost access to these funds until age 59 ½! Had I not known better, this sales pitch could have resulted in a personal financial catastrophe for me that would have required that I return to the workplace, instead of continuing the very comfortable life of travel and retirement that I'm currently enjoying.

This practice of using the withdrawal mechanism as a sales platform for Empower must cease immediately. Please ensure that the information that Empower is doing this reaches the ARMB.

Thank you,

Michelle Prebula

Resolution 2025-08 - Exhibit 2 - ARMB Chair Request to DRB (Feb 18, 2025)

From: Williams, Bob L (DOR)
Sent: Tuesday, February 18, 2025 9:44 PM
To: Lea, Kathy S (DOA)
Subject: Urgent Concerns Regarding Empower's Rollover Solicitation

Dear Director Kathy Lea,

I am writing to bring a serious issue to your attention regarding Empower's conduct as the recordkeeper for our plans. When logging into the Empower website, members are greeted with the following information:

> **Effective November 15, 2024, the Advisory Services offered through Empower, including Online Advice and My Total Retirement, are discontinued in the State of Alaska plans. For more information, click here.**
>
> **Empower offers a Point-in-Time advice service to all participants, which can help answer questions about investing options, savings, rollover advice, including advice on consolidating outside retirement accounts, and what to do when leaving employment.**
>
> **Call us at 1-800-232-0859 to schedule a meeting so we can continue helping you meet your retirement and financial goals.**

I assumed the rollover advice pertained to the possibility of members rolling over outside accounts into the State of Alaska's Plans. Based on written testimony I have now received; it appears that Empower is abusing this "advice" feature as a marketing tool to solicit members to roll over their funds into privately managed Empower accounts—directly at the expense of the State plans we hired them to administer.

Specifically, I received a letter from Michelle Prebula, our former State Defined Contribution System Manager and a current retiree, detailing an interaction she had with Empower while attempting to make a routine withdrawal from her Deferred Compensation (Deferred Comp) and Supplemental Benefits System (SBS) accounts. Instead of simply processing her withdrawal, she was subjected to a sales pitch to move her assets into a privately managed Empower IRA. Her concerns included:

1. An unsolicited sales pitch masked as financial advice, despite her repeatedly declining investment-related questions.
2. A complete lack of disclosure that rolling over funds would mean exiting the State's investment options and fee structures—she had to specifically ask for this information.

3. No real financial analysis—after less than five minutes of conversation, the Empower representative felt comfortable recommending a rollover of her entire Deferred Comp and SBS account funds to a separate Empower IRA outside our State Plans.
4. Significant harm to the State of Alaska's bargaining power—if many retirees follow this advice, it will erode our ability to negotiate better fees and terms for our plans and for our members.

Michelle was only one misstep away from a making a grave mistake that Empower was actively encouraging. She retired under the IRS Rule of 55, which allows penalty-free access to her retirement funds only while they remain with the employer plan. Had she followed Empower's recommendation, she would have lost access to her funds until age 59½ or be subject to a large tax penalty for withdrawing funds early. Empower's advice would have financially benefited Empower while financially harming Michelle and the State of Alaska.

This is entirely unacceptable. Empower was hired to serve as the recordkeeper for our plans, not to exploit their role to solicit business for their own financial gain. Using their position and direct access to our members as a sales channel—encouraging rollovers that benefit Empower at the expense of our retirees and State Plans—is a clear conflict of interest and must stop immediately.

I am requesting the following from Empower:

1. A summary of how many members have rolled over accounts or funds for each of the past five years, including the total balance for each plan where Empower serves as recordkeeper.
2. A breakdown for each of the past five years of how many members and the total fund balance by plan that were specifically rolled over into Empower accounts outside our State Plans.
3. A written statement from Empower explaining how long this has been occurring and why this has been allowed to occur.
4. A written statement acknowledging that Empower will cease all marketing of their own financial products to our members.
5. Empower's mandatory attendance at the March Board meeting (first day) to present their response to these concerns and take questions from the Board.

Please ensure these requests are communicated to Empower immediately. I expect a prompt and transparent response.

Bob Williams
ARM Board Chair
PhD

February 27, 2025

Ms. Kathy Lea
Director
Division of Retirement and Benefits
Department of Administration

Dear Kathy:

I am writing in response to the email from the ARMB Chair Bob Williams, expressing concerns about Empower's conduct as a recordkeeper for your plans. This concern stemmed from a letter received from a participant on February 18, 2025. In the email, Chair Williams requested five action items, which are addressed below.

Action item 3 - A written statement from Empower explaining how long this has been occurring and why this has been allowed to occur.

Empower implemented a comprehensive support structure designed to provide the State of Alaska participants with education and best-interest advice offered through our Workplace Planning and Advice group between April 2019 and February 2020. The offering is designed to increase plan balances, reduce cash-out rates and improve retirement outcomes. These services, provided by licensed and trained financial professionals, are available to the State of Alaska's active, terminated, and retired participants. Empower reviewed this offering with the State of Alaska when we were instructed to turn off advisory services and the decision was made to continue offering these services.

This program includes the following services:

Consolidating accounts
We help participants understand their options to manage the multiple retirement accounts they may have accumulated throughout their career. We assist participants in considering consolidating their assets into the State's plans to simplify account oversight while providing relevant information around related rules so they can maintain the tax deferred status of their accounts as they save towards retirement.

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Vice President
Government Markets

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Investment advice
Using your plan's fund lineup, we help your employees understand how to best determine the proper asset allocation for them based on their risk tolerance and goals. This point-in-time advice is unbiased and keeps the best interest of the individual in mind.

Distribution education
When a participant leaves employment, we help them understand the options available to them with regards to their retirement savings. Discussions include balanced information on

- Staying in their current retirement plan with no tax consequences.
- Rolling their retirement balance into an IRA with no tax consequences.
- Consolidating assets into their new employer's qualified retirement plan with no tax consequences.
- Taking a cash distribution, which may carry tax and early withdrawal penalties. During this conversation, we also explain the option to take partial withdrawals to meet their current need and keep the remainder of their retirement assets in their current retirement plan with no tax consequences.

To facilitate distribution education, all distributions over $25,000 are directed to the Empower Care Center.

Action item 1 - A summary of how many members have rolled over accounts or funds for each of the past five years, including the total balance for each plan where Empower serves as the recordkeeper.

Action item 2 - A breakdown for each of the past five years of how many members and the total fund balance by plan that were specifically rolled over into Empower accounts outside our State Plans.

Statistics for the full suite of services, including the details requested in Action items 1 and 2, are outlined below.

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Asset consolidation

ALASKA	2020	2021	2022	2023	2024	Total
Assets rolled into Alaska plans	$7,824,205	$6,998,393	$4,665,566	$6,074,491	$5,327,327	**$30,889,982**
Unique participants	182	179	137	193	144	**835**

Asset retention

- **Stay in plan**

ALASKA TOTAL	2020	2021	2022	2023	2024	Total
Stay in plan assets	$172,495,457	$224,032,081	$195,902,463	$189,528,557	$132,067,254	$914,025,812
Stay in plan participants	1,188	1,237	1,273	1,057	487	5,242

- **Rollovers**

ALASKA TOTAL	2020	2021	2022	2023	2024	Total
Total Rollovers - Assets	$213,107,394	$286,108,661	$238,776,178	$322,010,576	$440,392,379	$1,500,395,188
Roll to External - Assets	$193,054,150	$253,289,370	$200,090,385	$274,011,627	$376,767,799	$1,297,213,331
Roll to Empower IRA - Assets	$20,053,244	$32,819,291	$38,685,793	$47,998,949	$63,624,580	$203,181,857
% of assets roll to External	91%	89%	84%	85%	86%	86%
% of assets roll to Empower IRA	9%	11%	16%	15%	14%	14%
Total unique participants rollovers	1,773	2,069	2,004	2,281	2,855	10,982
Unique participants roll to External IRA	1,602	1,853	1,756	1,987	2,512	9,710
Unique participants roll to Empower IRA	171	216	248	294	343	1,272
% of unique participants rolling to External IRA	90%	90%	88%	87%	88%	88%
% of unique participants rolling to Empower IRA	10%	10%	12%	13%	12%	12%

As a result of these services, we have been able to have meaningful discussions to retain over $914M in the State of Alaksa plans. Additionally, we were able to assist in rolling approximately $31M into the State of Alaska plans.

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Approximately $203M rolled into an Empower IRA. However, this represents a small fraction of the assets that rolled out of the plan: 14% of the assets and 12% of the participants taking a rollover.

Action item 4. A written statement acknowledging that Empower will cease all marketing of their own financial products to our members.

These services are incorporated in our services agreement with the State of Alaska. We can modify them upon your request. If the State would like to discontinue these services, please let us know and we will draft an amendment to our services agreement.

Action item 5. Empower's mandatory attendance at the March Board meeting (first day) to present their response to these concerns and take questions from the Board.

Empower will attend the Board meeting on March 11th.

Participant phone call addressed in Chair Williams February 19th email

We have provided a call transcript and action items under separate cover to the Division of Retirement and Benefits. We also have a call scheduled for Friday, February 28, 2025, to review the participant call.

Please let me know if you would like to discuss it further or if there are any other questions that we can address.

Best regards,

Marybeth Daubenspeck

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Vice President, Government Markets

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Resolution 2025-08 - Exhibit 4 Empower Follow-Up Responses (Apr 29, 2025)

Empower April 29th, 2025 Response to Data Request:

Below is the data requested on rollovers from 2009 – 2019. Please keep in mind that this data was run this week and may not reconcile with the reporting that was provided between 2009 – 2019. Activity that occurred since the original reporting was run, will be reflected in the numbers below. Examples of this type of activity would be correction activity, trailing distributions, back payrolls, etc. Additionally the way the data has been categorized and reported for this exercise may be different than prior reporting. Please note, transfer to another Empower Plan has not always been a metric that we tracked.

	Beginning of Year AUA	Cash out or Equivalent	Roll to External IRA	Roll to Empower IRA	Transfer to another Empower Plan	Total	Cash out or Equivalent	Roll to External IRA	Roll to Empower IRA	Transfer to another Empower Plan	Total	Cash out or Equivalent	Roll to External IRA	Roll to Empower IRA	Transfer to another Empower Plan	Total
2009	2,353,454,213	38,048,101	28,145,067	-	-	66,193,168	1.6%	1.2%	–	–	2.8%	57.5%	42.5%	–	–	100.0%
2010	2,825,361,613	55,173,048	79,671,945	-	-	134,844,993	2.0%	2.8%	–	–	4.8%	40.9%	59.1%	–	–	100.0%
2011	3,220,910,042	64,913,560	90,343,472	-	-	155,257,032	2.0%	2.8%	–	–	4.8%	41.8%	58.2%	–	–	100.0%
2012	3,380,488,755	75,263,946	97,743,283	-	3,724	173,010,952	2.2%	2.9%	–	0.0%	5.1%	43.5%	56.5%	–	0.0%	100.0%
2013	3,826,533,483	83,637,774	118,961,588	600,104	211,781	203,411,247	2.2%	3.1%	0.0%	0.0%	5.3%	41.1%	58.5%	0.3%	0.1%	100.0%
2014	4,521,700,713	96,430,709	117,305,710	319,010	524,170	214,579,599	2.1%	2.6%	0.0%	0.0%	4.7%	44.9%	54.7%	0.1%	0.2%	100.0%
2015	4,925,602,477	101,075,251	144,616,658	283,606	1,520,566	247,496,081	2.1%	2.9%	0.0%	0.0%	5.0%	40.8%	58.4%	0.1%	0.6%	100.0%
2016	4,994,031,137	112,732,353	137,231,981	477,661	957,734	251,399,728	2.3%	2.7%	0.0%	0.0%	5.0%	44.8%	54.6%	0.2%	0.4%	100.0%
2017	5,434,670,030	121,881,106	154,393,824	226,927	330,539	276,832,397	2.2%	2.8%	0.0%	0.0%	5.1%	44.0%	55.8%	0.1%	0.1%	100.0%
2018	6,244,458,671	137,872,460	159,213,482	439,826	1,272,001	298,797,769	2.2%	2.5%	0.0%	0.0%	4.8%	46.1%	53.3%	0.1%	0.4%	100.0%
2019	6,049,170,310	145,021,635	172,321,769	7,831,303	1,655,832	326,830,539	2.4%	2.8%	0.1%	0.0%	5.4%	44.4%	52.7%	2.4%	0.5%	100.0%

Rollover to Empower Plan Clarification Question

*In the March 26 data, Empower included both "roll to Empower IRA" and "transfer to another Empower Plan." It would be helpful if Empower could provide a few examples of what constitutes a "transfer to another Empower Plan" so we can better understand that category***.**

Empower Response: A transfer to another Empower Plan occurs when a participant has a balance in a State of Alaska plan and transfers all or a portion of their assets to another plan they participate in that is also recordkept by Empower. A few examples specific to the State of Alaska include transfers from a State of Alaska plan to a Municipality of Anchorage plan, a State of Montana plan and a State of Wyoming plan.

Empower Provided Timeline of Distribution Counseling

Please see the timeline below to explain the timing of beginning distribution counseling and the signed amendment.

1. **April 2019:** The State of Alaska instructed Empower to turn on inbound asset consolidation. An amendment was not required to turn on this service in 2019 since the State of Alaska plans allowed for roll-ins.
2. **June 2019:** The State of Alaska instructed Empower to turn on the welcome/asset consolidation outbound call. With this service we reached out to new participants to welcome them to the plan and to provide information on rolling assets into the plan, if applicable. An amendment was not required to turn on this service since the plans allowed for roll-ins.
3. **Sept 2019:** The State instructed Empower to turn on inbound distribution education. The 2006 contract contained language around educating participants on their distribution options, so an amendment was not required for this service.
4. **Feb 2020:** The State participated in a fiduciary point-in-time advice pilot.
5. **May 2021:** The fiduciary point-in-time advice service became a permanent offering and the State of Alaska executed an amendment to offer the service.

Empower Provide 2020 – 2024 Rollover Data

ALASKA TOTAL	2020	2021	2022	2023	2024	Total
Total Rollovers - Assets	$213,107,394	$286,108,661	$238,776,178	$322,010,576	$440,392,379	$1,500,395,188
Roll to External - Assets	$193,054,150	$253,289,370	$200,090,385	$274,011,627	$376,767,799	$1,297,213,331
Roll to Empower IRA - Assets	$20,053,244	$32,819,291	$38,685,793	$47,998,949	$63,624,580	$203,181,857
% of assets roll to External	91%	89%	84%	85%	86%	86%
% of assets roll to Empower IRA	9%	11%	16%	15%	14%	14%
Total unique participants rollovers	1,773	2,069	2,004	2,281	2,855	10,982
Unique participants roll to External IRA	1,602	1,853	1,756	1,987	2,512	9,710
Unique participants roll to Empower IRA	171	216	248	294	343	1,272
% of unique participants rolling to External IRA	90%	90%	88%	87%	88%	88%
% of unique participants rolling to Empower IRA	10%	10%	12%	13%	12%	12%

Follow-up Question About Stay In Plan Assets

We are also seeking further clarification on Empower's response regarding the "Stay in Plan" metric.

- Empower wrote: "We define assets as 'Stay in Plan' when a participant has a conversation with a Retirement Consultant, the distribution options are reviewed and the participant decided to stay in plan as a result of the conversation. If multiple partial withdrawals occurred over time, only the first stay in plan amount is captured."

This metric appears to bring distribution counseling to every withdrawal over $25,000 and counts the remainder that is not withdrawn as Stay in Plan Assets. On the statement that "only the first stay in plan amount is captured," can you clarify whether that time period resets each calendar year or applies over a longer period? For example, if someone has $1,000,000 in an account and withdraws $50,000 in January for ten years, are Stay in Plan Assets counted each year for the portion not withdrawn, or just once in the first year? We want to make sure we thoroughly understand this metric and how it is being applied.

- **Empower Response:** Distribution counseling is available to all State of Alaska participants. The State instructed Empower to route all distribution calls for participants with account balances $25,000 and above to a Retirement Counselor for distribution education. The time period does not reset, the assets are considered just once in the first year following the initial stay in plan conversation and action. In the example above, the stay in plan assets are counted just once in the first year.

Question on Retention of Assets for 100% Rollover Requests.

Additionally, does Empower track a separate metric that measures Stay in Plan outcomes specifically for members who initially submit a 100% rollover request? That would be helpful in understanding the effectiveness of the counseling for those most likely to leave the plan entirely.

- **Empower Response:** The Empower metric measures all stay in plan outcomes. We do not separately track just those participants that call in to submit a 100% rollover request.

Resolution 2025-08 Exhibit 5: Empower Leadership Statements Noting Rollover Importance

Great-West Lifeco Inc Empower Retirement Investor Day

June 8, 2021

Edmund Francis Murphy - *Great-West Lifeco Inc. - President & CEO of Empower Retirement*

Excerpt 1

On the revenue side, we've seen consistent downward pressure on both investment and recordkeeping fees. Historically, many record-keeping business models were built around proprietary investment revenue. That business model is becoming much harder to execute. As we just covered, employers are thinking about benefits differently. They are increasingly focused on financial wellness and interested in the efficiency of integrating benefits. At the same time, consumers have experienced a digital service revolution in all aspects of their lives and expect a similar offering from their retirement plan provider. These trends plus a steady flow of regulatory and legislative developments has driven a need for recordkeepers to make significant investments in infrastructure. So what we see now and moving forward is that investment offerings are increasingly open architecture without a significant proprietary investment element. This means a significantly increased reliance on revenue from IRA rollovers, managed accounts and other consumer offerings.

Excerpt 2

Now let's turn our focus to the IRA market. IRAs have emerged as the most popular retirement savings vehicle for individuals. Cerulli projects that this market could represent $17 trillion in assets by 2025. The chart on the bottom left highlights the growth of the market since 2015. In 2020, the market was $11.8 trillion, with a 2015 to 2020 CAGR of 9.5%. Cerulli projects that this market will continue rapid growth. Their baseline case is a market of $17.4 trillion in 2025, with a modest CAGR assumption of 8.1%.

Another key point of this slide is what drives IRA contributions. IRA contributions are overwhelmingly driven by rollovers from defined contribution plans. From 2013 to 2018, 96% of IRA contributions were defined contribution plan rollovers. So in conclusion, the very large IRA market is highly synergistic with the defined contribution plan market.

So as we put things together, we get a feel for the size of the opportunity. Looking at rollovers, we see that about 6% of planned assets roll over every year in round numbers with Empower at $1 trillion in assets under administration. That's a rollover market opportunity of $60 billion. That $60 billion is tied to the existing relationships Empower has with defined contribution retirement plan participants.

Excerpt 3

In summary, as with most markets, success in the defined contribution market has new imperatives moving forward. Industry dynamics will continually raise the bar needed for scale. Winning product offerings will be intuitive and easy customer experiences that include consumer advice and holistic financial wellness. Providers will need robust revenue streams beyond proprietary investment revenue. With scale mattering more and more, providers need successful distribution in all market segments. Finally, with the evolving revenue streams, owning the last mile gives providers the ability to reach participants and deliver engaging experience, which allows for greater capture of rollovers. To sum it up, what's needed is a formula of winning customer experience, scale, cost discipline and finding revenue from a variety of sources.

Plan Adviser June 22, 2023

Empower CEO Edmund Murphy

"To the extent that we can introduce [participants] to capabilities that we have—while they are an in-plan participant, before they make a lifetime decision like changing jobs or retiring—and build that trust and credibility with them, we think we can win the day," Murphy said. "Whether you call it cross-selling, or whether you call it marketing services and capabilities to those customers, we think that represents a significant opportunity for us."

Great-West Lifeco Inc. Third Quarter 2024 Results Conference Call Transcript

November 7, 2024

Edmund Francis Murphy - *Great-West Lifeco Inc. - President & CEO of Empower Retirement*

The business continues to benefit from economies of scale, including significant cost synergies from acquisitions and operational efficiencies through automation. This has been a significant driver of the 16% growth this year in base earnings from Empower's defined contribution and Personal Wealth businesses, with revenue growth outpacing operating expenses by 4% during this period. Going forward, we expect the contribution from revenue diversification to also increase. This includes increasing the number of customers that also access our suite of in-plan advice-based solutions.

In addition, we are adding new capabilities that can drive stronger asset inflows and generate incremental fees. For example, the acquisition in late September of OptionTrax has enhanced our ability to both win new retirement plans and attract more Personal Wealth customers. In the near-term, however, the biggest opportunity remains increasing the capture rate of asset rollovers from defined contribution retirement plans to IRAs held within our Personal Wealth platform. Given approximately $115 billion of IRA rollovers within our Retirement platform each year, there is significant upside to the net flows within Empower Personal Wealth, which are approaching $10 billion a year.

Looking ahead, we are confident in this diversified set of growth drivers at Empower that far outweigh the modest impact that participant flows driven by demographics. Our growth opportunity is significant, and our platform remains well-positioned to capture.

Q1 2025 Great-West Lifeco Inc Earnings Call Transcript (May 8, 2025)

Gabriel Dechaine, National Bank Financial - Analyst

Just wanted to talk about the sales in the Retirement business and how those migrate over into the Wealth business? First of all, the trend in plan redemptions improved for the -- consistently over the past few quarters and you're back into net inflows, that's good. Then I saw a note about a 30% increase in rollover sales. Just for clarification, those are redemptions and whatever the total number is of redemptions, you've captured some in the rollover and that number is 30% higher than last year, right?

Paul Mahon, Great-West Lifeco Inc - President, Chief Executive Officer, Director

I'll turn that one over to Ed.

Edmund Murphy, Empower CEO

Yes, that's correct. 30% higher, yes. Those are people using or retiring, yes.

Gabriel Dechaine, National Bank Financial - Analyst

Okay. And then I just think about money showing up in the new gross sales of the Wealth business, correct?

Edmund Murphy, Empower CEO

Yes, that's correct. Right.

Gabriel Dechaine, National Bank Financial - Analyst

And is there a dollar amount you can share? Because I mean 30% sounds good, but it's still pretty low relative to your ultimate objectives, correct, the volume?

Edmund Murphy, Empower CEO

The gross number was $6.6 billion in gross sales with the majority of that being rolled over. That's the best quarter we've had in the history of the business. And in terms of our effectiveness and our efficacy, we're also at the highest level in terms of our ability to successfully capture the money that's in motion. So I think that's a work in progress. We expect to see further improvement there. I will say it's a strong statement about our value proposition, our ability to compete in a very competitive market in the US mass affluent market. So we're pretty pleased about our results. The other thing I would just note that was, I think, a significant contributing factor to our net new assets is the improvement that we've made in asset retention that we moved from 86% to close to 90% year over year, which again, reflects, I think, the value proposition and some of the steps that we took to shore up and strengthen our service offering.

Paul Mahon , Great-West Lifeco Inc - President, Chief Executive Officer, Director

Sorry, I was just going to underline that when you think back to the Investor Day where I talked about the drivers of growth into the future, the plan is playing out as we expected. And as a matter of fact, I think this is a really strong quarter where we've made strong -- getting strong positive momentum. So that 30% increase year over year in rollover captures strong performance. We'd like to keep that going.

Gabriel Dechaine, National Bank Financial - Analyst

And then sorry, the $6.6 billion number, what is that -- again, that's like that's total rollover assets retained?

Edmund Murphy, Empower CEO

That's our gross sales in the segment. Gross sales for the segment. So for the quarter, $6.6 billion.

Gabriel Dechaine, National Bank Financial - Analyst

Of rollover sales?

Edmund Murphy, Empower CEO

Well, most of it's rollover. but we have other -- we have a direct-to-consumer channel. So we have what I would call an unaffiliated customer that will open up an account with us that -- they see our advertising. They see some of our performance marketing. So that's another channel of distribution for us.

Great-West Lifeco Inc Empower Retirement Investor Day (April 2, 2025)

Carol Waddell - *President Empower Personal Wealth*

So I talked a little bit about crossover, a little bit about rollover and a little bit about direct to consumer. I thought I'd really focus on the rollover opportunity now. As John mentioned earlier, we have a substantial rollover pipeline. You see about $1 trillion rolling out of our retirement plans over the next five years.

This presents an enormous opportunity for our wealth business. Rollovers are driven by many of the factors I've mentioned, so changing jobs or retiring. But when you look at the job changers in The U. S, an average customer is going to change jobs 12 times. So that creates a lot of money in motion and opportunities for us to engage with individuals.

We look at our growth this is going to enable us to grow wealth assets organically from roughly $90 billion today to over $200 billion by 2029. And we're going to do that by improving rollover rates by roughly 30% over the next five years, which is actually the improvement we've experienced over the last five years. We're going to increase those rollover rates by strengthening relationships. So it's all about beginning early and connecting early with individual participants so that they receive our advice, they trust our advice and they're aware of the services that we provide. We talked a lot about brand, brand loyalty, brand image and brand preference will be critical in this journey.

And then we'll also be expanding our financial solutions, which will enable us to be more effective. We'll really focus on that world class experience that Ed mentioned earlier. And then we'll be leveraging AI and analytics to help guide our advisors to better engage with individuals. All of those things will help us improve rollover capture. And so with that, I'm going turn it back to Ed for some closing remarks.

Great West Lifeco Inc. Investor Day 2025 (April 2, 2025)

Q& A # 2

Gabriel Dechaine, National Bank Financial - Analyst

Just a question on the how the business works and then back to the plan, the ROE (Return On Equity) trajectory thing, but the how the business works. So when you're at Empower, you're a plan participant, it's open architecture. If you retire, change jobs and you roll over, you've got the same or more options to invest?

Carol Waddell - *President Empower Personal Wealth*

Yes. We maintain open architecture. So you can invest in a mutual fund solution, much like you might have done in a retirement plan, and it has more than 25 different asset managers underlying that. Or we also offer a highly customizable personal strategy product, which is built in individual security level. So again, highly customized and includes things like private equity.

Gabriel Dechaine, National Bank Financial - Analyst

Okay. And then my question earlier when you weren't on the stage, now you are, so I'll ask it. The U. S. and personal wealth, that seems to be the biggest driver of this ROE (Return on Equity) improvement trajectory. You quantified the trillion dollar money in motion over the next five years. That's “the holy grail” of this trajectory, capturing 30% more rollover assets than you are currently. Then that's the key? And maybe if you can add some sizzle to the steak, the margin pickup between when you have a rollover asset versus when they were at Empower. Could you help me understand that?

Edmund Murphy, Empower CEO

So there's really three channels of opportunity for us. There's the direct to consumer channel. So we have about 3.5 million registered users that see value in our tools that are aggregating their assets with us, but they haven't yet hired us to manage their money. So that's one opportunity.

That's the direct to consumer Empower Personal Wealth. The second channel is the one Carol touched on, which is crossover. So we know that if we can build a relationship with an existing defined contribution participant before they have a life event, then they're more likely to be predisposed to consider us and to roll to us with a job change or retirement. So that's the crossover opportunity. And then there's just those that maybe we don't have a relationship with, a preexisting relationship.

That's the rollover where there is an event. And we have to compete for that on our own merits. Some of them may have an existing advisory relationship and they'll roll to that advisor. Some, particularly in the mass affluent space, don't really have existing relationships, so that creates an opportunity for us. So it's hypercompetitive, and that's why we have to continue to invest in our value proposition.

But those are the three channels. And then your question around the economics, the economics are far more compelling on the workplace side, particularly if what happens, and this often happens in Carol's business, is the rollover event may be that USD 160,000 or $170,000 But invariably, what happens is if we deliver on our promise, they aggregate with us. So we don't really view it as a $160,000 account. We view it as a $500,000 account or opportunity, I should say. So that's hopefully, that answers your question.

Gabriel Dechaine, National Bank Financial - Analyst

Maybe I didn't ask it the right way. I'm thinking maybe this is an old way of thinking, but AUA (Assets Under Administration) to AUM (Assets Under Management) When you're a plan participant, the way I think of it is you go to your screen, you adjust your ... you hit 60%, you go to 80% bonds, whatever. But the revenue that you're getting as Empower is maybe a flat fee for that customer. But then when they retire, they take that money, put it into some sort of proprietary product, and you go from a flat fee or whatever it is, to something more meaningful. I want to get a sense for what the enhancement is to your economics.

Edmund Murphy, Empower CEO

Some customers that transition to us, as Carol noted, will hire us on a managed account basis. So they're paying roughly 80 basis points in fees, okay? Some roll to us and

they say, you know what, I want to buy treasury bonds or certificates of deposit or individual securities. So we have a brokerage platform that can essentially meet the needs of all of our clients. We also have the spread product inside the personal wealth business as well. So to the extent that people are maintaining some level of liquidity, so they're paying fees to us through the spread account. So it really depends on the product and service that people choose. But our goal is to you can't build a trillion dollar business if you're a one trick pony, right? Have different needs, they have different requirements. Part of what we're building is a multidimensional wealth management capability.

Paul Mahon , Great-West Lifeco Inc - President, Chief Executive Officer

Ed, it's fair to say that what we do with a participant that becomes a direct to consumer customer wealth is more. We're doing more. We're advising more. Generally, there's going to be more personalized advice. And the net impact is that the average margin that we're making because of all those services is meaningfully higher in Empower Personal Wealth than it was when they were just a direct retirement client. There's a lift because we do more.

Illustrative Member Online Withdrawal Walk-Through (May 11, 2025)

Executive Summary

The Illustrative Member Online Withdrawal Walk-Through is not intended to portray the experience of every Alaska Defined Contribution participant. Rather, it chronicles three actual sessions - one each for a PERS member making a Deferred Compensation account withdrawal, a PERS member making an SBS-AP account withdrawal, and a TRS member making a Deferred Compensation account withdrawal. Each session was captured with screenshots on May 11, 2025. These snapshots offer qualitative insight into the withdrawal process; they are illustrative, not statistically representative.

Rollovers of Alaska State Defined Contribution Plan assets into Empower IRAs could be amplified by the IRA-focused script used during distribution-counseling calls, as alleged in the complaint. If retirees can complete withdrawals entirely online - moving funds directly from their Defined Contribution accounts to personal bank accounts - the reach of those sales pitches would be sharply curtailed. The dynamic is analogous to a retail bank: no matter how persuasively a banker promotes a rollover during an in-person visit, the influence is minimal when customers rely on ATMs or online bill pay, channels that bypass one-on-one solicitations altogether.

To examine the Empower online participant experience, the ARMB Chair on May 11, 2025 attempted three separate $2,000 withdrawals under common retiree scenarios for PERS and TRS members. These real-time screenshots provide additional, verifiable context on what members actually encounter when they try to access their money.

Scenario 1 – PERS retiree, $2 000 withdrawal from the Deferred Compensation Plan
The Public Employee Retirement System (PERS) retiree had an on-screen flow experience that never presented a simple “Request withdrawal” process. Instead, the member must (a) call a toll-free number or (b) click a large button inviting an immediate rollover to an Empower IRA. No other rollover targets were offered. Opening the Empower IRA path launched a partially completed application populated with the retiree’s personal information; the system stated that the process will take “less than five minutes.” A retiree who merely wanted a modest cash payment cannot proceed without first being invited to rollover their funds to an Empower IRA, scheduling an Empower call or speaking directly with Empower staff - an approach that mirrors the concerns raised in the recent complaint letter about steering participants toward rollovers.

Scenario 2 – PERS retiree, $2,000 withdrawal from the Supplemental Annuity Plan (SBS-AP)
After selecting "Request a withdrawal," the retiree is shown two large buttons:
1. "Rollover and Save" (presented first, with positive language about professional guidance, broad investment choice) - choosing this again provides two large buttons, the first option being a rollover to an Empower IRA described as "assets transfer seamlessly" and the second button being to rollover to other IRA providers. It should be noted that "assets transfer seamlessly" for the Empower rollover is a false statement. The assets do not transfer. The assets are liquidated and cashed out with the money being transferred to Empower's IRA where different funds outside the State of Alaska's Plans are purchased.

If the member explored "Rollover to a different provider," the site stated that a check will generally be mailed to the participant - who must then mail the check to the IRA provider - even though several outside firms can accept a direct transfer. Once again, the Empower IRA application was prefilled and marketed as seamless, while many external rollovers and straightforward cash withdrawals involved phone calls, extra clicks or mailed paperwork.

2. "Pay It To Me" – accompanied by prominent warnings about income-tax withholding and potential penalties. The member could withdraw funds electronically to a bank account for a $15 fee or for free with mailed check.

Scenario 3 – TRS retiree, $2,000 withdrawal from the Deferred Compensation Plan
The Teachers' Retirement System (TRS) retiree encountered the same initial promotional pitch ("Rollover and Save" vs. "Pay It To Me") and the same preferential treatment for Empower's in-house IRA. Unlike the PERS Deferred Compensation experience, however, the TRS retiree could ultimately reach an online withdrawal form without calling the toll-free number - highlighting an inconsistency in how identical plan types are handled across retirement systems.

Design Observations Across The Scenarios

- **Withdrawal requests are treated as Empower IRA rollover opportunities.** Every path began with a phone-based counseling offer or a rollover tile; the cash withdrawal option was secondary or, in one case, absent.
- **Empower's own IRA receives preferential treatment.** It was the only destination offered with a fully digital, pre-populated application and a promised sub-five-minute completion time. External rollovers were portrayed as slower and more cumbersome.

- **Information asymmetry.** The interface never mentioned that money moving to Empower IRA assets would leave Alaska's low-cost institutional funds or that Empower's retail IRA fees typically run 0.80 %–0.90 % - far higher than the Alaska Defined Contribution Plan's 0.13 % administrative fee and roughly 0.10 % expense ratios in Alaska's Target Date Funds for a common total fee of 0.23%.
- **Inconsistent access.** A PERS retiree could not complete an online Deferred Compensation withdrawal without a phone appointment, while a TRS retiree performing the same action could - an odd disparity that suggests rules are being applied unevenly.
- **Behavioral nudges.** Positive framing ("Rollover and Save") and convenience cues were reserved for the Empower rollover path.

Implications

The user-experience architecture placed meaningful friction on routine cash withdrawals and non-Empower rollovers while making an Empower IRA the path of least resistance. That tilt - combined with the absence of cost disclosures about Empower IRA fees - raises fiduciary questions about whether the current withdrawal process serves members' best interests or primarily advances the recordkeeper's objectives.

Scenario 1: PERS Retired Member Deferred Compensation Withdrawal

Goal: Withdraw $2,000 from a State of Alaska Deferred Compensation Plan with more than $25,000 as a balance.

Member Screenshot Experience

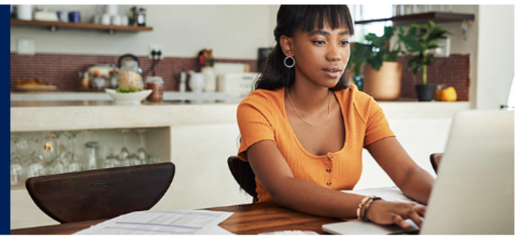
State of Alaska Deferred Compensation

- Withdraw
    - Request a New Withdrawal: $2,000

More ways to plan for your future

Let us help you review all your options, at no additional cost to you. You have four potential choices:

- Leave your money in your current plan.
- Move it to your new employer's plan.
- Roll it over to an Individual Retirement Account (IRA).
- Withdraw what you may need.



Call us at 877-534-4569

An Empower consultant can help make it easy for you to decide your next steps and to put them in place. Talk to us at a time that's convenient for you, Monday – Friday .

Schedule a time

Rollover to an Empower IRA

If an IRA is right for you, we make it easy. Manage your retirement savings and take control of your financial future.

Continue

Call 877-534-4569 to make a withdrawal or talk to a consultant. We're here to help you.
Consider all your options and their features and fees before moving money between accounts.

Option 1:

If Schedule a Time for the Call: A calendar and possible call times are available for selection.

Option 2:

If Rollover to an Empower IRA is selected:

Empower IRA account information

First you need to set up your IRA, which should take less than 5 minutes. Then we will help you complete your funds transfer to the new IRA.

Open an account

Back

A significant amount of personal information is automatically populated in the Empower IRA Account Application Setup.

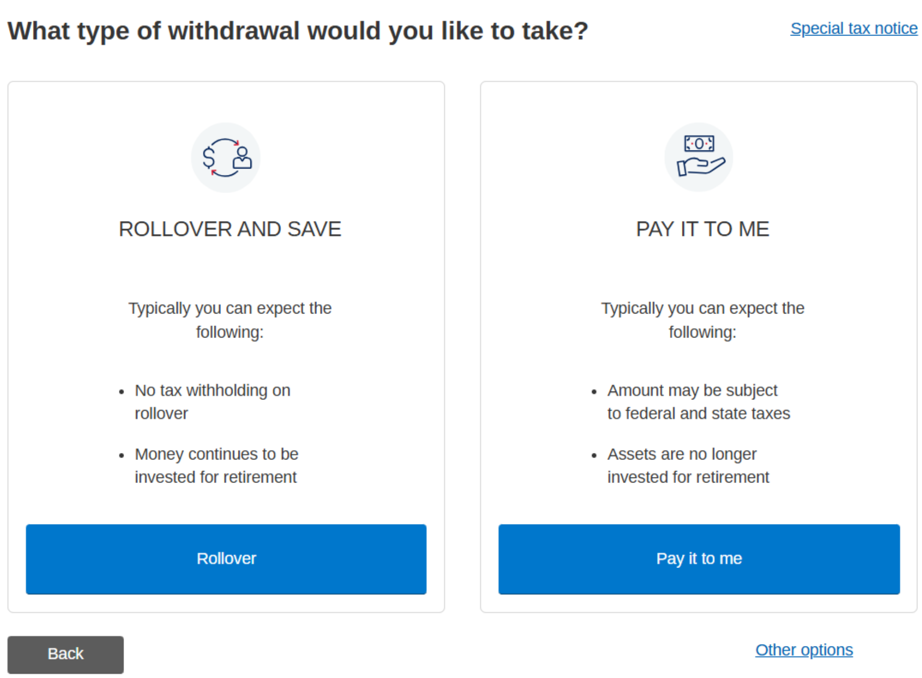
Scenario 2: PERS Retired Member SBS Withdrawal

Goal: Withdraw $2,000 from a State of Alaska Supplemental Annuity Plan (SBS-AP) with more than $25,000 as a balance.

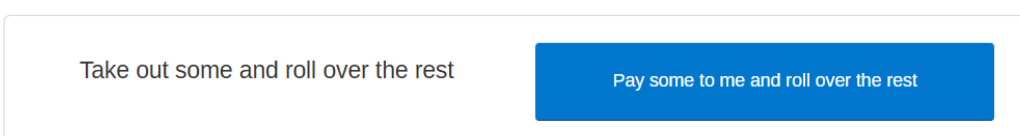
Member Screenshot Experience

State of Supplemental Annuity Plan

- Withdraw
    - Request a New Withdrawal

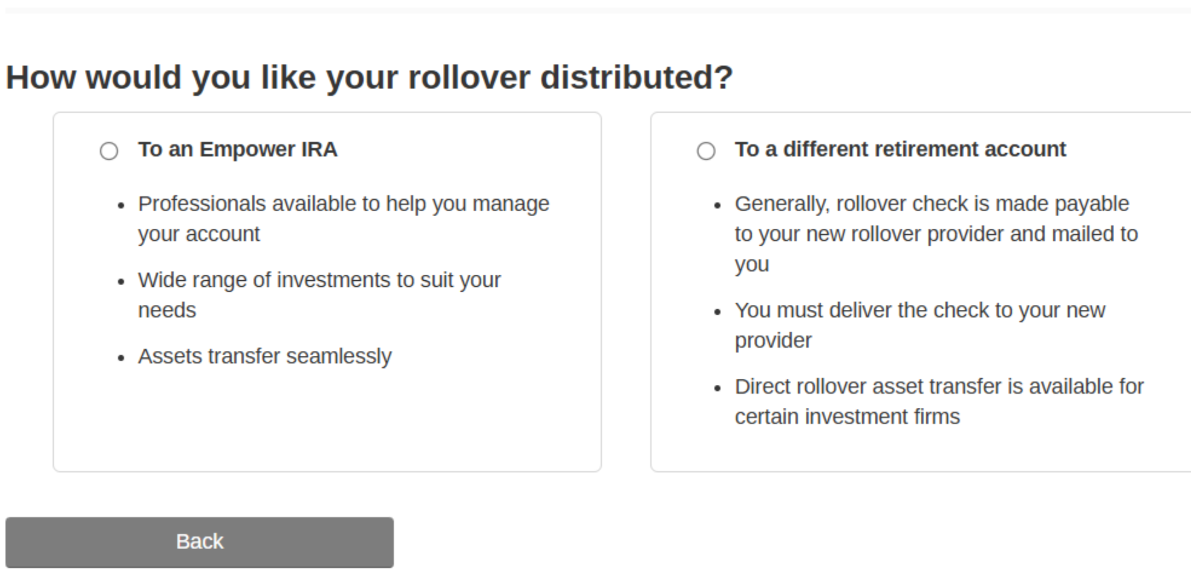


If the Other options link was selected at the bottom right, the choice was:



Selecting **Pay some to me and roll over the rest** provided the same choices as **Rollover and Save** but with the ability to input an amount for a withdrawal.

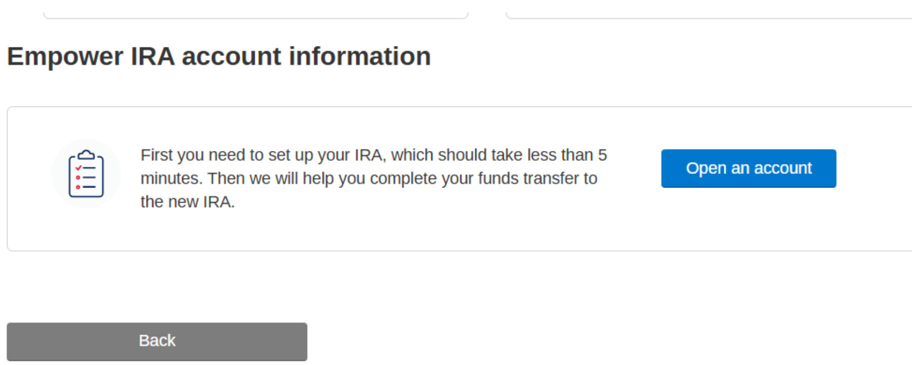
Option 1 Rollover and Save



It should be noted that "assets transfer seamlessly" for the Empower IRA rollover is a false statement. The assets do not transfer. Rather, the assets are sold and then cashed out. The money from that liquidation is transferred to Empower's IRA where different funds outside the State of Alaska's Plans are purchased.

Option 1A: Rollover to an Empower IRA

- A significant amount of personal information is automatically populated in the Empower IRA Account Application Setup.



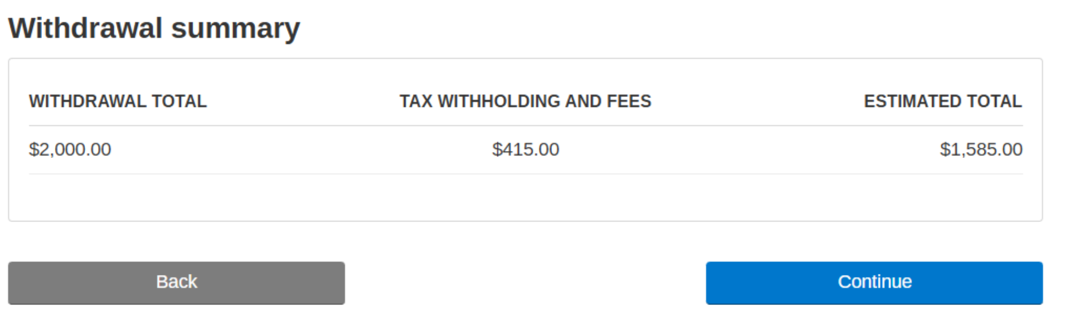
Option 1B: Rollover to a different retirement account

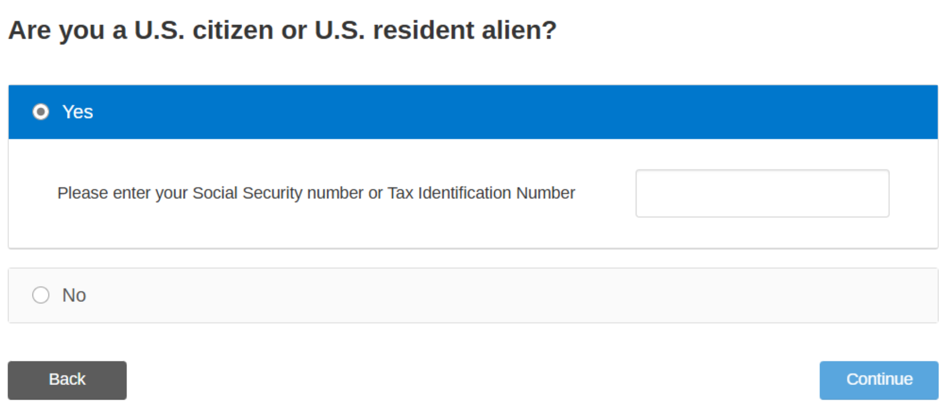
- Select Rollover Type: To an IRA or a New Employer Plan
- Requesting whether the funds are transferring into an IRA, 401K or a New Employer Plan. If tranferring into an external IRA or 401K
  - Liquidated funds can be tranferred directly to the provider for:
    - American Century Investments
    - Charles Schwab
    - E-Trade for Morgan Stanley
    - Fidelity investments
    - Merrill Lynch
    - T Rowe Price
  - Liquidated funds are sent with a check with the Providers name but are mailed to the Member who then needs to mail the check to the provider. Recipients need to receive their check from Empower and mail their check to their provider for:
    - American Financial
    - Ameriprise Trust Company
    - Capital Bank & Trust
    - Edward Jones
    - Edward Jones Investments
    - Empower
    - Empower Trust Company LLC
    - E-Trade Securities
    - Fidelity Management Trust Company
    - Fifth Third
    - FIIOC
    - FMTH
    - JPMorgan
    - JPMS
    - LPL Financial
    - MassMutual
    - Merrill Edge
    - MetLife
    - Morgan Stanley,
    - National Financial Services
    - NFS
    - Pershing LLC
    - Premier Bank
    - Principal Trust Company
    - Prudential
    - Raymond James
    - Reliance Trust Company
    - SunTrust Company
    - TD Ameritrade
    - Thrift Savings Plan
    - Thrivent Financial
    - Transamerica
    - Truest
    - UBS Financial Services
    - Vanguard

- Vanguard Fiduciary Trust Company
- VFTC
- Wells Fargo
- Wells Fargo Advisors
- Wells Fargo Bank,

Option 2: Pay It To Me

- $2,000, with electronic bank account deposit for a $15 fee





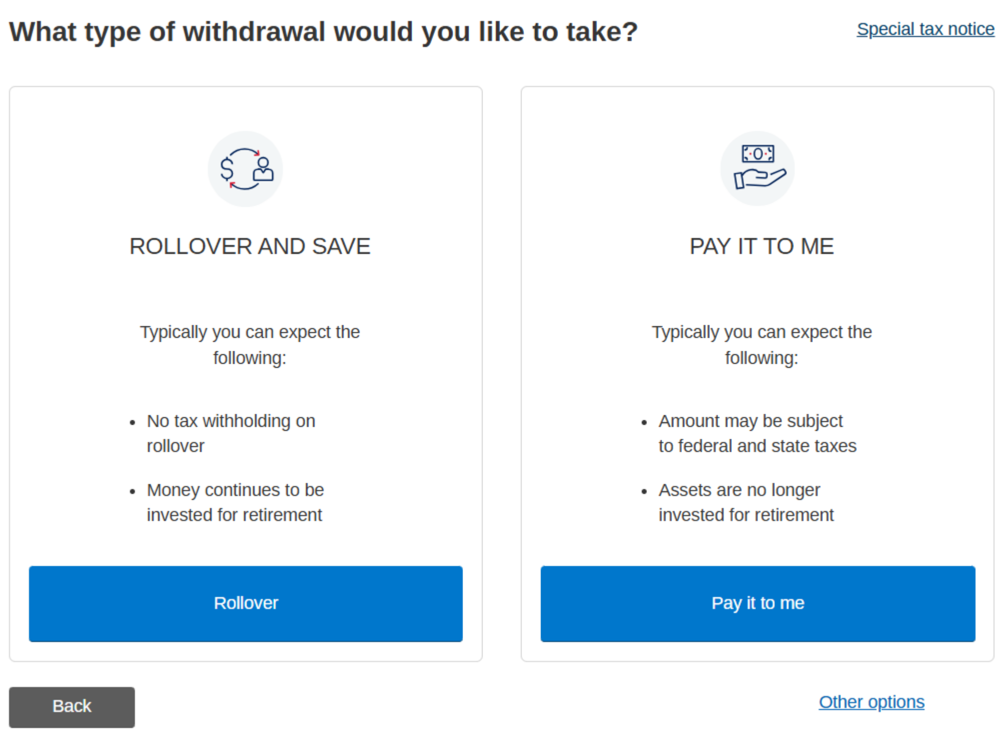
Confirm Social Security and Review Withdrawal Summary:

By clicking "I agree and submit," you are consenting and authorizing this withdrawal transaction. In addition, you are agreeing you have read the Special Tax Notice and understand that you have at least 30 days to review your withdrawal options before consenting to receive your withdrawal. If you complete this transaction before expiration of the 30 days, you are waiving the 30-day period and you understand this transaction is irrevocable. Upon completion of the administrative review, the distribution may be processed, but the proceeds remain subject to certain verification controls before delivery. If the verification controls are not completed for any reason, the proceeds of the distribution will be redeposited into your account as of the current market price on the date of redeposit. If you have elected to receive plan documents electronically, which may include statements, notices, disclosures, confirmations, prospectuses, tax statements and any other documents made available electronically, please keep your email address current as you will be sent an email when your documents are available on your account.

I agree and submit.

Scenario 3: TRS Retired Member

Goal: Withdraw $2,000 from a State of Alaska Deferred Compensation Plan with more than $25,000 as a balance.



Same choices and process as the PERS Retired Member withdrawing from the Supplemental Annuity (SBS-AP) Plan in Scenario 2.