



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
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 SECRETARY

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**Correspondence Memorandum**


**Date:** May 28, 2020  
**To:** Deferred Compensation Board  
**From:** Shelly Schueller, Director  
 Wisconsin Deferred Compensation Program  
**Subject:** Cash Custodian Decision

**ETF recommends the Deferred Compensation Board (Board) appoint Great West Trust Company as the successor financial institution to serve as the plan’s cash custodian, and delegate its authority to the ETF Secretary to contract with the selected financial institution.**

The Wisconsin Deferred Compensation Program (WDC) is self-trusted and is not required to have a custodian bank for securities and mutual funds. However, the plan has had a cash (pass-through) custodian bank<sup>1</sup> for certain transactions such as when local employers are submitting checks for their employees’ WDC deferrals and interactions with the Personal Choice Retirement Account (self-directed brokerage) option offered through Schwab.

Since December 2005, Wells Fargo Bank’s Institutional Retirement & Trust division (Wells Fargo) has served as the WDC cash custodian, in partnership with Empower Retirement as the plan administrator. Wells Fargo contacted the Department of Employee Trust Funds (ETF) in April 2020 to inform the Board that the Principal Financial Group (Principal) had taken ownership of the Wells Fargo Institutional Retirement & Trust business. Since the WDC needs a cash custodian to operate, this decision is time sensitive and ETF is offering two options for the Board’s consideration. The Board has the option of migrating to the Principal as the plan’s cash custodian, or it may choose to utilize Great-West Trust Company (GWTC) as the plan’s cash custodian. The table on the following page provides a comparison of the two cash custodian options.

- <sup>1</sup> A custodian bank is responsible for safeguarding an entity’s financial assets and is not engaged in "traditional" banking. The primary role of the WDC’s custodian bank is to maintain and manage cash transactions (deposits and withdrawals).

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services  
 Electronically Signed 6/4/20

Board	Mtg Date	Item #
DC	6.11.20	9

<b>WDC Cash Custodian Option Comparison</b>		
	<b>GWTC</b>	<b>Principal</b>
Fee	\$500	\$500
How fee would be paid	included with the WDC's recordkeeping fees	through the Board's existing operating account (at Empower)
Integrated with recordkeeping services?	Yes, fully integrated	No, independent with separate oversight
Other	<ul style="list-style-type: none"> <li>• No transition needed</li> <li>• Execution of Successor Appointment Agreement required</li> </ul>	<ul style="list-style-type: none"> <li>• Seamless transition and maintains existing service team</li> <li>• Execution of Service Continuity Agreement required</li> </ul>

ETF recommends the Board appoint Great West Trust Company to serve as the plan's cash custodian, and further recommends the Board delegate its authority to the ETF Secretary to contract with Great West Trust Company. Both banks would provide equivalent cash custodian services, however, using Great West Trust Company reduces the number of vendors working with the WDC and provides continuity with the record keeper's current services to the plan.

Under the Wisconsin State Procurement Manual, if a service is estimated to cost \$5,000 or less, the decision to award will be made on best judgment. Therefore, as this service is estimated at \$500, this is considered a best judgment procurement. Such a unique procurement does not require any procurement action but does still require the decision makers to have no ethical conflicts. If any Board member has direct or indirect personal or financial interest in either of these financial institutions that would interfere with the Board member's fiduciary duty to the beneficiaries, please disclose such conflict of interest to the Board Chairperson as soon as possible after the conflict is known, in accordance with the Board's Conflict of Interest Policy.

ETF's Office of Legal Services staff will review all documents before an agreement is signed with either successor cash custodian. ETF will work with the selected financial institution to complete this process before the end of 2020. The Principal has requested notification of the Board's decision by July 2020.

Staff will be at the meeting to answer any questions.