

# **Texas Department of Banking 2017-2021 Workforce Plan**



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# SCHEDULE F

## WORKFORCE PLAN 2017-2021

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## I. DEPARTMENT OVERVIEW

The Department of Banking's (Department) mission is carried out through chartering, licensing, examination, supervision and customer assistance. Regulated entities receive examinations and off-site monitoring to ensure they are operating in a safe and sound manner and are in compliance with state and federal laws. The ability to adequately supervise the entities under the Department's jurisdiction requires that sufficient support be provided to our financial examiners, as well as the regulated entities through professionalism, technology, legal services, communication and administrative services.

The Department is a Self-Directed, Semi-Independent (SDSI) agency operating under the oversight of the Texas Finance Commission (Commission). As a SDSI agency, the Department is not required to have its budget approved by the Legislature. The Commission is responsible for setting the spending authority or limits for the agency each year.

The Department competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. The agency is approved to have 199 full-time equivalent (FTE) employees and as of March 31, 2016, employs 187 individuals, the majority of which are financial examiners. The Bank and Trust Supervision Division is staffed with 101 field examiners and the Special Audits Division is staffed with 17 field examiners. There are 10 vacant financial examiner positions.

In order to reduce historical turnover among the financial examiner series, the Department, with the support of the Finance Commission, sought to receive approval to initiate examiner salary adjustments. Continuation of equity adjustments for financial examiner salaries to better align with federal counterparts has led to an overall decline in examiner turnover. Total financial examiner turnover in FY 2014 was 9.09%. In FY 2015 a spike in financial examiner turnover to 12.50% occurred. As of March 31, 2016, the financial examiner turnover for FY 2016 was 7.14%.

The Department has worked diligently to reduce turnover, and must continue the same efforts to sustain a qualified workforce. Lessons learned from the past banking crisis highlight the need to retain a sufficient number of trained and tenured staff to stay abreast of economic and industry changes and be prepared to address adverse events that will occur in the next down cycle. The Department must be prepared for these contingencies rather than become complacent during times of prosperity. In an effort to remain competitive with federal banking regulators, the agency continues efforts to maintain examiner salaries at no less than 92.5% of the FDIC (Federal Deposit Insurance Corporation) salaries, with a goal of achieving parity. With the SDSI status, the agency has the ability to adjust salaries as needed to remain competitive.

Offering competitive incentives and career opportunities remains a priority. Although the burden cannot be fully eliminated, the Department continues to search for avenues to reduce the onus and necessity of travel. Examining personnel spend a significant amount of their time away from home to conduct on-site examinations. To reduce travel time, and provide a more family-friendly arrangement, all offices have implemented flexible schedules that allow either every Friday or every other Friday off. The Pre-Examination Program (PREP) was also implemented to allow examiners to perform certain procedures prior to traveling on-site to the bank. This program has also reduced the regulatory burden on the institutions being examined. Enhanced imaging methods used by banks to provide documents in advance have also contributed in reducing travel. Improvements in infrastructure, such as increasing headquarters and regional offices online bandwidths, have been implemented to enhance the methods of information exchange. To compensate for the burden of prolonged travel, the Department offers a stipend program to individuals who meet a minimum number of nights in "stay-out" travel status on an annual basis.

In 2012, the Department developed the Student Educational Employment Program (SEEP) which is a paid internship program in partnership with Texas A&M University and Sam Houston State University. Each has a dedicated banking program. The purpose of the SEEP is to introduce students to the career

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of a financial examiner. Interns who are successful in the SEEP program (as evaluated by the Regional Director) are offered employment as a Financial Examiner I upon graduation, contingent on their ability to meet the minimum qualifications for the position.

## II. WORKFORCE PLAN FOCUS

Key economic and environmental factors affecting the Department's workforce over the next five years include: an improving economy; turnover and retention of financial examiners; an aging workforce; introduction of a new generation of workers; increased ethnic diversity; and technology that improves efficiency and productivity.

The Texas unemployment rate as of February 2016 was 4.4%, down significantly from the peak in August 2009 at 8.4%. Nationwide, the unemployment rate was 4.9% as of January 2016. Some studies indicate that the low unemployment rate is misleading as a high number of people are under employed and in part-time employment and are discouraged. The "real" national unemployment rate considering these factors is closer to 9.9 %<sup>1</sup>. Competition for qualified workers in Texas is a significant factor in staffing and recruiting.

Challenges facing employers include keeping workers engaged. Increased hiring rates in recent years have allowed more workers to find new jobs and explore other options for their career. Better compensation and career advancement are cited as reasons for pursuing new positions.<sup>2</sup>

The Institute for Organizational Excellence at the University of Texas at Austin conducted a Survey of Employee Engagement for Department staff in November 2015 which indicated that Department employees have a higher level of engagement than the national average. Maintaining this level of engagement continues to be a priority.

### LEVEL OF EMPLOYEE ENGAGEMENT

Level of Engagement	Highly Engaged	Moderately Engaged	Disengaged
Department Results	64%	33%	3%
Nationwide Polling Results	30%	50%	20%

In addition to employee retention efforts, a shift in recruiting strategies is being considered. The next generation entering the job market (Generation Z, also known as iGeneration and Post-Millennials) has an increased preference for using mobile devices when online. Searching for employment is no exception.<sup>3</sup> The Department may consider subscribing to more online and app-based job search platforms rather than relying solely on traditional computer based job advertisements. Increased usage of technology will continue to be an area of focus in all aspects of business for which the next generation of workers will be able to capably manage.

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<sup>1</sup> Chad Moutray, Chief Economist, Washington D.C. based National Association of Manufacturers.

<sup>2</sup> Society for Human Resources Management, (2016) Employee job satisfaction and engagement survey (unpublished data).

<sup>3</sup> Society for Human Resources Management (January 2016) *Using Social Media for Talent Acquisition – Recruitment and Screening*.

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The resurgence in banks seeking to hire examiners at a higher rate of compensation has and will likely continue to affect the Department's ability to retain experienced examiners. Since FY 2014, the Department has lost 11 examiners (30% of examiner turnover), all of whom left for employment with a bank. The agency's challenge over the next five years will be to maintain a reasonable turnover rate while preparing for the impact of the departure of a significant number of retiring workers. If the economic recovery involves a significant inflationary impact, many retirement eligible employees may need to postpone retirement. Alternatively, if the Texas legislature makes significant changes to the retirement system or retirement eligibility requirements, this could hasten the retirement of approximately 20% of the current workforce eligible to retire today. The Department needs to plan for an array of possibilities for future retention and adjustment initiatives.

## FINANCIAL EXAMINER TURNOVER BY FISCAL YEAR

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016*
11.3%	8.8%	6.2%	11.4%	17.0%	8.2%	9.0%	12.5%	7.1%

\*As of March 31, 2016

In fiscal year 2014, financial examiner turnover totaled 12 employees. This included three retirements, one death, and eight resignations. Of the eight resignations, four employees left for employment with banks, three left to work for a federal regulatory agency, and one cited personal reasons for leaving.

Fiscal year 2015 financial examiner turnover increased to a total of 16 employees. This included one retirement, two involuntary separations, and 13 resignations. Of the 13 resignations, three individuals left for employment with banks, two for a federal regulatory agency, and one for private industry. The remaining seven cited personal reasons for leaving.

During the current fiscal year, 2016, there have been nine financial examiners who have either voluntarily or involuntarily left the Department. Financial examiner turnover between September 1, 2015 and March 31, 2016 includes four employees who left to work for a bank, four who left for personal reasons and one involuntary separation.

### A. TRENDS AND FACTORS AFFECTING THE RETENTION OF FINANCIAL EXAMINERS

The Department's examiner positions require highly skilled and educated employees. The competition to hire and retain these workers is an on-going challenge. The Department continually reviews its training programs and compliments external curriculums with in-house schools that target specific training needs of the examiners. The Department has also implemented a Financial Examiner III-B level within the classification of the financial examiner series which allows for a salary increase after passing Phase I of the Bank Examination Testing System (BETS). Providing rewards and incentives has also helped the agency's retention of qualified staff. Examples of the agency's efforts that have been implemented include:

- Noncompetitive promotion through Financial Examiner VI classification.
- Development of career paths into specialty areas – IT, Trust, Bank Secrecy Act/Anti Money Laundering, Capital Markets, and Large Bank Supervision.
- Frequent overnight stay-out travel stipend program, if funds are available.
- Flexible work schedules to accommodate employees and their families.
- One-time or permanent merit based pay increases.
- An Employee Education Reimbursement Program.

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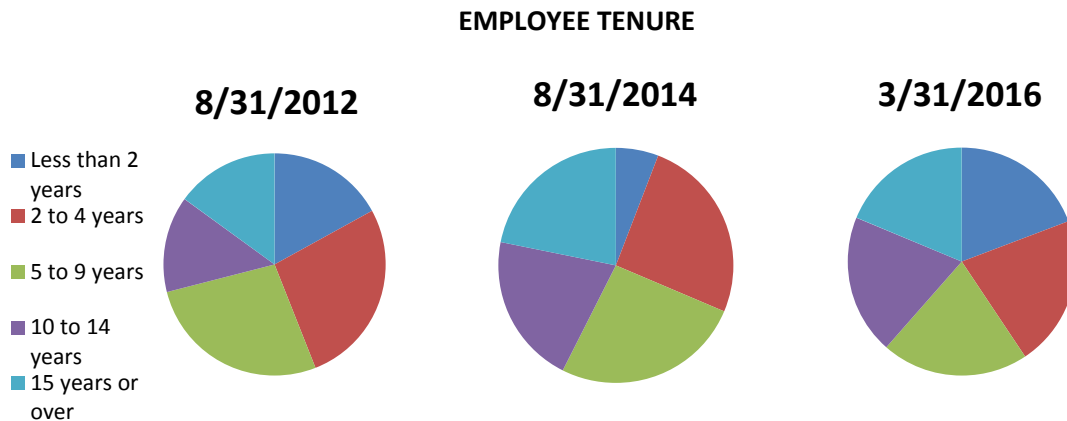
The Department continues to use a work style profile in the hiring process. The profile helps to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel and desire to establish a long term career with one employer. The screening appears to be an asset to help identify candidates best suited for our employment. The Department also includes prior work experience, preferably with a financial institution, and bilingual skills as preferred qualifications of potential candidates. Use of competency based interviewing also helps the Department better identify the most qualified and potentially successful candidates for hire.

The Department must continue to curb turnover at the lower and mid financial examiner levels. These examiners must be cultivated, trained, and retained to replace departing and retiring employees. Internal policy prescribes that an assistant examiner has seven years to complete the core training curriculum and pass an internal test, BETS, to become a qualified “commissioned” examiner. Without continued competitive salaries, the Department will have difficulty retaining trained personnel and competing for qualified candidates. Education trends indicate that the number of workers in the prime age category who have attended college is not expected to increase over the coming decades, even though demand for highly educated workers will continue to grow. Further, it is expected that there will be much greater demand and competition for highly-skilled workers.

Pay is identified as the lowest scoring construct of the Survey of Employee Engagement for Department employees. This construct captures employees’ perceptions about how well the compensation package offered by the organization holds up when compared to similar jobs in other organizations. Lower scores suggest that pay is a central concern or reason for discontent and is not comparable to similar organizations. Although pay was the lowest scoring construct (363), according to the interpretation guidelines of this report, scores typically range from 300 to 450, and 350 is a tipping point between positive and negative perceptions. The lowest score for a construct is 100, while the highest is 500.

The Department's overall score for all constructs in the Survey of Employee Engagement is 407, indicating that overall employee engagement is high.

## B. DEPARTMENT OF BANKING TENURE



The short-term goal of the Department is to achieve a two to one ratio of commissioned examiners to non-commissioned assistant examiners with a longer range goal of a four to one ratio. The charts above show a positive movement towards a balanced experienced tenure ratio. The goal of the Department is to retain the large group of commissioned examiners with five to twelve years of experience which helps the agency move to the staffing plan goal of 88% commissioned examiners in Bank and Trust Supervision. Special Audits aims to have 71% senior examiners.



## **C. TRENDS AND FACTORS RELATED TO THE AGING WORKFORCE**

Within the next five years, 31% of the Department's workforce will be eligible to retire. Sixty-five percent of this group is eligible to retire today. The loss of these employees combined represents approximately 900 years of experience.

Most demographic experts estimate that the number of people over the age of 65 will double over the next few decades. The impact of this shift will affect the workplace in a number of ways. The aging workforce and issues related to succession planning will become crucial as large numbers of baby boomers are expected to retire at the same time. In response to these trends, the Department is furthering the development of the succession plan and bringing Department and industry (bankers, former federal regulators) retirees back into the workforce; thus we fill the gap between examiners early in their careers and the long tenured experienced examiners. This facilitates and expedites the education process of new examiners and relieves experienced examiners of some training duties, allowing them to focus on other assignments.

Efforts to even out the percentage of assistant examiners to senior examiners has resulted in a more balanced financial examiner workforce. In the past, the examiner workforce was "bottom heavy", meaning there were more inexperienced staff than experienced. Today the ratio is much closer to our model.

The ability to maintain competitive salaries with federal counterparts also increases the Department's ability to recruit commissioned examiners from federal employers and gain employees with training and experience.

The aging workforce necessitates developing non-traditional workplace and employment relationships, such as short-term assignments and consulting agreements with retired employees. There are state law constraints regarding return-to-work retirees and contracting limitations but we will work within the system to best utilize this talent pool.

Succession planning is a priority as retirement and other turnover factors continue to rise. In the next five years, 63% of senior management is eligible to retire. Preparing qualified staff to carry on these roles will require training programs such as sponsoring eligible employees for the Governor's Center for Management Development schools and other educational opportunities to develop management skills. The agency has begun to require all Financial Examiner level VI and above to enroll and participate in this type of management training. Pertinent to the success of this transition is retaining mid-level examiners to then replace high level examiners who move into these leadership roles. Current efforts to aid in succession planning include a cross-training program where senior financial examiners volunteer to rotate through different work roles at the Department headquarters. These roles include review examiner duties, corporate functions and other administrative functions of headquarters staff.

## **D. INCREASING DIVERSITY**

The Department continues to emphasize the need for workplace diversity and to strive for a workforce reflective of the racial composition of the population. According to the May 2011 Issue of the 2010 Census Briefs, Hispanics are now the nation's largest minority group and account for the majority of births in some states. The 2010 Census reports that the Hispanic population accounted for over half the growth of the total population in the United States between 2000 and 2010. In addition to a workforce that mirrors the population, this shift in demographics increases the demand for multilingual training and information. The Department includes fluency in Spanish as a preferred qualification for certain job postings. Recruiting activities include representation at job fairs at many diverse universities in the state and distribution of job announcements to minority organizations.

## **E. MEET VETERANS WORKFORCE GOALS**

The 84<sup>th</sup> Legislature amended and added to Texas Government Code, Section 657.004, requirements for State agencies to meet a veteran employment goal of hiring veterans in full-time positions to equal at least 20% of the total number of employees. Included are requirements to interview a certain percentage of qualified veterans for each open position. The agency takes advantage of the resources of the Texas Veterans Commission and the Texas Workforce Commission and regularly attends job fairs that target the veteran workforce in different locations across Texas.

## **III. DEPARTMENT OF BANKING MISSION**

The mission of the Department of Banking is to ensure Texas has a safe, sound and competitive financial services system.

## **IV. AGENCY GOALS AND ACTION PLANS**

The Department's mission is accomplished primarily by the examination and monitoring of the chartered and licensed entities under our supervision. In order to meet our goals and fulfill our mission, the Department will abide by these core values and operating principles:

- Adhere to the highest ethical and professional standards;
- Be statutorily accountable and responsible;
- Anticipate and respond to a dynamic environment;
- Identify and promote innovative practices;
- Operate efficiently and maintain consistent and prudent regulatory standards;
- Communicate effectively;
- Foster teamwork while encouraging individual excellence and career development;
- Provide a desirable work environment that values cultural and individual differences;
- Seek input from and be responsive to the public, our supervised entities, and State leadership; and
- Adhere to the principle of "Tough but Fair" regulatory oversight.

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## AGENCY GOAL AND ACTION PLAN

### Goal: Effective Bank and Trust Regulation

To ensure timely, fair, and effective supervision and regulation of the financial institutions under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies.

### Actions Required to Achieve Goal

- Conduct commercial bank, trust company, foreign bank agency, and foreign representative office examinations, in cooperation with the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Bank (FRB), in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations through processes which include an off-site monitoring program.
- Monitor industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS).
- Promote cybersecurity awareness among regulated entities.
- Ensure correction-oriented enforcement actions will be taken, as appropriate, against regulated entities that demonstrate higher than normal weakness or risk, including consideration for noncompliance with laws, regulations, and policies.
- Maintain sufficient regulatory resources in the event of further industry deterioration or systemic industry problems, the reallocation of federal regulatory resources away from Texas, a significant increase in the regulated asset base or a substantial loss of examiners.
- Optimize efficiencies in the examination process, including automating examination procedures, adopting electronic examination tools, and utilizing the secure data exchange portal to share information with regulated entities and federal counterparts.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.
- Maintain accreditation status by CSBS.

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## AGENCY GOAL AND ACTION PLAN

### Goal: Effective Regulation of Special Audit Licensees

To ensure timely, fair, and effective supervision and regulation of the non-bank licensees under our jurisdiction in order to promote a stable financial services environment and provide the public with convenient, safe, and competitive financial services. In doing so, provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, and other government agencies.

### Actions Required to Achieve Goal

- Conduct Money Services Business (MSB), Prepaid Funeral Contract (PFC), and Perpetual Care Cemetery (PCC) examinations, in cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner.
- Maintain contact with, and monitor the condition of, regulated entities between examinations.
- Promote cybersecurity awareness among regulated entities.
- Optimize efficiencies in the examination process, including automating the data exchange of examination documents through a secure portal, and utilizing electronic examination procedures and reference materials.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Monitor industry status and engage in regular communication with federal and state regulators.
- Provide the industry with electronic access to regulatory and supervisory information through the agency's website.
- Identify and investigate non-licensed entities and fraudulent activities.
- Ensure proper enforcement actions are taken against unlicensed entities in an effort to bring such entities into compliance with rules and regulations.
- Ensure proper enforcement actions will be taken against regulated entities that demonstrate noncompliance with rules and regulations.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

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## AGENCY GOAL AND ACTION PLAN

### Goal: Effective Regulation Through Corporate Activities

To ensure that the citizens of Texas have access to convenient, safe, sound, and competitive financial services through an effective corporate activities process to evaluate and act upon corporate filings requesting to initiate, expand, or modify financial services to Texans.

### Actions Required to Achieve Goal

- Process all filings in a timely and thorough manner while adhering to the principle of providing Texans with access to convenient and competitive financial services in a safe and sound manner.
- Optimize efficiencies in the application process by enhancing automated systems, where possible, in order to improve the quality and speed of information exchanged internally and between the Department, its stakeholders, applicants, and the various federal and state agencies that we partner with to process applications.
- Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial ability to direct and/or lead a financial institution's or MSB's affairs in a safe, sound, and legal manner.
- Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Create a culture that state service can be a career.

## AGENCY GOAL AND ACTION PLAN

### Goal: Effective and Efficient Operations Compliant with State Laws

To ensure that Texans and stakeholders are effectively and efficiently served by high-quality professionals entrusted to implement regulatory requirements and industry standards, utilize advanced technologies, safeguard confidential information, and provide educational opportunities to support and strengthen the financial services industry.

### Actions Required to Achieve Goal

- Investigate, process, and respond to consumer complaints about Department supervised entities in a professional, appropriate and timely manner.
- Develop comprehensive annual budget and staffing plan.
- Adhere to the agency's annual budget.
- Update and test Continuity of Operations Plan (COOP) annually.
- Utilize technology to streamline processes throughout the agency.
- Promote financial education.
- Migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) by 2020.
- Promote information security and cybersecurity awareness within the agency through training and processes designed to protect sensitive data.
- Engage in regular communication and reporting with the FC.
- Prepare and deliver Self-Directed, Semi-Independent (SDSI) agency reports to the Governor and Legislature in an accurate and timely manner.
- Attract and retain qualified staff and maintain professional service.

## V. ANTICIPATED CHANGES IN STRATEGIES

- Specialized staff and training are necessary in order to assess licensees' procedures and preparedness to prevent cybersecurity attacks.
- Technology and electronic payment systems continue to change as new forms of payment systems arise. Therefore, the Department must devote additional resources to evaluate emerging technologies and provide education and training to staff to keep up with these new products and technologies.
- Large bank examinations are requiring a higher level of expertise in the areas of model risk management, capital planning and stress/shock testing.
- The Department may become more involved in compliance examinations of the larger financial institutions and will be participating in compliance examinations of large money service businesses with the Consumer Financial Protection Bureau.

## VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

### A. CRITICAL WORKFORCE SKILLS

Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business functions. The skills are:

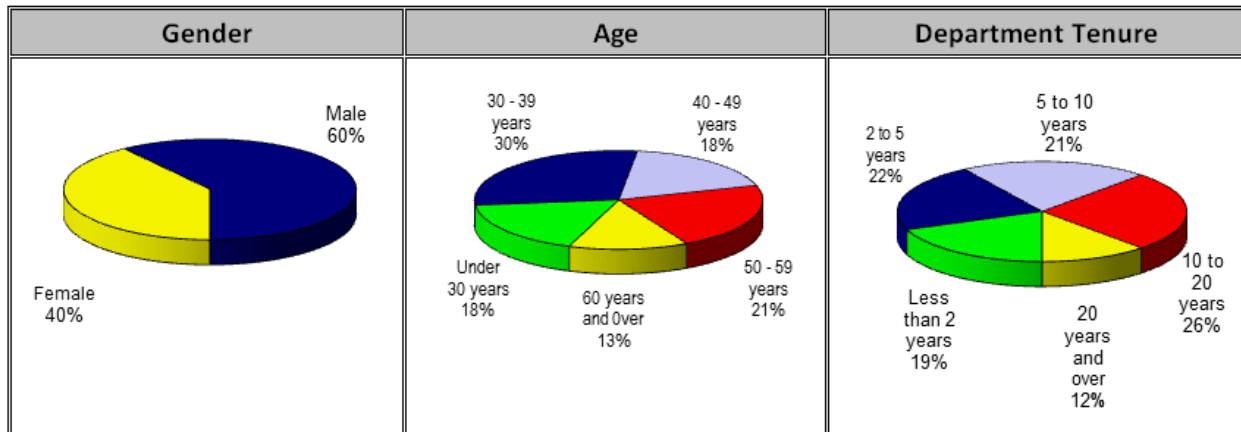
- Financial examination experience and expertise, particularly in capital markets, model risk management and corporate governance;
- Customer service expertise;
- Information technology and cybersecurity expertise;
- Financially related legal knowledge;
- Bank Secrecy Act experience and expertise;
- Database development and maintenance expertise;
- Regulatory and accounting experience and expertise; and
- Financial regulatory legal expertise.

### B. WORKFORCE DEMOGRAPHICS

**Workforce Breakdown:** The following chart profiles the Department's current workforce of 187 individuals that includes both full and part-time employees. The Department's workforce is comprised of 60% males and 40% females. Approximately 52% of employees are over the age of 40 and approximately 41% have five years or less of Department service. Over 45% of financial examiners have less than five years of Department experience. This percentage is high enough to warrant strong programs to ensure examiner retention.

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## WORKFORCE BREAKDOWN AS OF MARCH 31, 2016



**Department Workforce by Job Category:** The following table compares African-American, Hispanic American, and Female Department employees as of March 31, 2016 to the statewide civilian workforce as reported by the Texas Workforce Commission, Civil Rights Division. The Department strives to meet these diversity targets. Hispanic-Americans and Females are underrepresented in Official/Administration category. African-Americans and Females are underrepresented in the Professional category. Females and Hispanic-Americans are underrepresented in the Technical category. African-Americans and Hispanic-Americans are underrepresented in the Administrative Support category. The Department is vigilant in its effort to continue to monitor, address, recruit, and improve the minority representation within the agency.

### DEPARTMENT WORKFORCE BY JOB CATEGORY AS OF MARCH 31, 2016

Job Category Employee Count	African-American		Hispanic American		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 13	7.7%	7.1%	7.7%	20.9%	23.1%	37.5%
Professional* 150	9.3%	11%	20.7%	18.6%	38.0%	54.9%
Technical 5	40.0%	13.8%	20.0%	28.8%	0.0%	51.3%
Admin. Support 19	10.5%	13.6%	31.6%	33.0%	84.2%	72.8%

*\*Para-Professional Category deleted from Texas Workforce Commission, Statewide Civilian Workforce Composition data. Employees previously categorized as Para-Professional moved to Professional Category.*

**C. EMPLOYEE TURNOVER**

Overall turnover has remained relatively static and lower than the State Turnover Rate over the past five fiscal years, but is still higher than the Department’s target turnover rate of 8% or less. The turnover rate for FY 2013 was 11.9%, a decrease from the prior year, as reflected in the next chart. Excluding retirements and involuntary separations, the turnover rate for FY 2014 is 6% and FY 2015 is 10%. Economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods.

**Twelve Year Turnover:** The following table compares the Department’s turnover to that of the state over the last twelve years.

**TWELVE YEAR TURNOVER**

<b>Fiscal Year</b>	<b>Department Turnover Rate</b>	<b>State Turnover Rate*</b>
<b>FY 2015</b>	13.8%	19.0%
<b>FY 2014</b>	10.2%	19.1%
<b>FY 2013</b>	11.9%	18.9%
<b>FY 2012</b>	12.6%	19.6%
<b>FY 2011</b>	10.3%	17.7%
<b>FY 2010</b>	6.2%	15.9%
<b>FY 2009</b>	7.1%	15.6%
<b>FY 2008</b>	13.6%	19.3%
<b>FY 2007</b>	10.8%	19.2%
<b>FY 2006</b>	15.8%	17.9%
<b>FY 2005</b>	20.9%	19.1%
<b>FY 2004</b>	14.4%	41.8%**

\* Information obtained from the State Auditor’s Office E-Class System including interagency transfers.

\*\* The exceptionally high statewide turnover in FY 2004 is due to the reorganization of the health and human services agencies.



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### FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of Financial Examiners	% of Financial Examiners	% of Financial Examiner Turnover FY 2015
Less than 2 years	15	12%	32%
2 – 5 years	34	27%	25%
5 – 10 years	35	28%	12%
10 – 15 years	23	18%	12%
15 – 20 years	9	7%	0%
20 years and over	10	8%	19%
<b>TOTAL</b>	<b>126</b>	<b>100%</b>	<b>100%</b>

### FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

Years of Service	% of Financial Examiner Turnover FY 2014	% of Financial Examiner Turnover FY 2015	% of Financial Examiner Turnover FY 2016*
Less Than 2 years	17%	32%	0%
2 – 5 years	25%	25%	33%
5 – 10 years	25%	12%	55%
10 – 15 years	17%	12%	0%
15 – 20 years	8%	0%	12%
20 years and over	8%	19%	0%

\* FY 2016 data as of March 31, 2016

**Financial Examiner Turnover:** The financial examiner series is the largest component of the Department's workforce. Turnover in this group is the most costly to the Department because examiners receive extensive professional training and direct supervision in the first four to five years of employment. This requires a substantial monetary commitment by the Department.

As of August 31, 2015, 67% of financial examiners had tenure of less than 10 years. This group constitutes 69% of the financial examiner turnover for FY 2015, an increase over the 67% turnover in the same category in fiscal year 2014. As of March 31, 2016, the turnover in the below 10 year tenure category is 88% of total financial examiner turnover.

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### NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	% of Non-Examiner Turnover FY 2015
Less than 2 years	6	11%	30%
2 – 5 years	9	16%	10%
5 – 10 years	9	16%	20%
10 – 15 years	14	25%	0%
15 – 20 years	5	9%	20%
20 years and over	13	23%	20%
<b>TOTAL</b>	<b>56</b>	<b>100%</b>	<b>100%</b>

### NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

Years of Service	% of Non-Examiner Turnover FY 2014	% of Non-Examiner Turnover FY 2015	% of Non-Examiner Turnover FY 2016*
Less than 2 years	43%	30%	50%
2 – 5 years	0%	10%	0%
5 – 10 years	14%	20%	0%
10 – 15 years	29%	0%	50%
15 – 20 years	0%	20%	0%
20 years and over	14%	20%	0%

\* FY 2016 data as of March 31, 2016

**Non-Financial Examiner Turnover:** The majority of non-examiner turnover is occurring among employees with less than ten years of experience. It is expected that non-examiner turnover will increase with time due to retirement eligibility and an improved job market.

## Workforce Plan 2017-2021

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### ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2015

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees*	% of Department Turnover FY 2015	% of State Turnover FY 2015*
Less than 2 years	21	12%	21%	31%	40%
2 – 5 years	43	23%	16%	19%	20%
5 – 10 years	44	24%	23%	15%	11%
10 – 15 years	37	20%	12%	8%	11%
15 – 20 years	14	8%	11%	8%	10%
20 years and over	23	13%	174%	19%	8%
<b>TOTAL</b>	<b>182</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*\*Information obtained from the State Auditor's Office E-Class System including interagency transfers.*

**All Employee Turnover:** The highest rates of Department turnover in FY 2015 occurred in the less than 2 year, 2-5 year and 20 years and over service categories. The Department must continue to provide incentives for employees to make employment with the Department an attractive long-term career choice.

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## WORKFORCE BY AGE AS OF AUGUST 31, 2015

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	% of Department Turnover FY 2015	% of State Turnover FY 2015*
Less than 30	28	15%	14%	27%	37%
30 – 39	55	30%	23%	19%	18%
40 – 49	35	19%	26%	15%	12%
50 – 59	39	22%	24%	27%	14%
60 and over	25	14%	13%	12%	19%
<b>TOTAL</b>	<b>182</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

*\*Information obtained from the State Auditor's Office E-Class System including interagency transfers.*

**Workforce by Age:** Employees over the age of 40 comprised 55% of the Department's workforce as of August 31, 2015. Employees under the age of 30 comprised 15% of the workforce.

### D. RETIREMENT ELIGIBILITY

Thirty-seven (or 20% of) employees are qualified to retire in FY 2016. In the next five years, 47.5% of Headquarters staff and 22% of all field examiner staff are eligible to retire.

Historically, retirement from the Department does not account for the majority of separations. For this fiscal year through March 31, 2016, only one staff member has retired. Over the next five years, however, our pool of retirement eligible employees increases. With these retirements, we will lose substantial institutional knowledge and expertise. As of March 31, 2016, the Department has 58 employees, including 14 financial examiners that could potentially retire within the next five years. Furthermore, 65% of this group is eligible to retire today. In the next five years 63% of senior management is eligible to retire.

## VII. DEMAND ANALYSIS - FUTURE WORKFORCE PROFILE

Assessing the future workforce requirements of the Department encompasses a broad range of issues. These issues have been identified through the Department's strategic planning process, interaction and discussion with federal banking regulators, input from agency management, and input from industry representatives. The evolution of the financial services industry means the Department will need an experienced and qualified professional staff to meet anticipated growth and change in the industry.

## **A. CRITICAL FUNCTIONS**

- Increased Information Technology (IT) examination activity at the regulated entity and service provider level.
- Increased demand on supervisory resources due to changes in national, regional and local economic and regulatory conditions.
- Increased trust examination activity as the population ages and wealth management becomes more pronounced.
- Increased examination activity because of changes in products and technologies in the money services businesses area.
- Increased demand for Bank Secrecy Act/Anti-Money Laundering specialists.
- Increased need for Fraud Specialists.
- Implementation of Dodd-Frank requirements.
- Increased need for cybersecurity experts.

## **B. EXPECTED WORKPLACE DYNAMICS**

- Increased use of technology to maximize efficiency.
- Increased use of subject matter specialists.
- Greater focus on risk assessments and problem resolution of our regulated entities.
- Greater need to investigate unlicensed and/or illicit activity.
- Greater emphasis on cybersecurity.

## **C. ANTICIPATED INCREASE IN NUMBER OF EMPLOYEES NEEDED**

- Number of new, more complex money services businesses licensed by the Department continues to increase.
- Assets of and services offered by state-chartered banks under supervision will increase.
- Changes to federal counterpart priorities and reallocation of examination resources.
- Training needs increase.

## **D. FUTURE WORKFORCE SKILLS NEEDED**

A competent and knowledgeable staff is necessary to efficiently and effectively supervise the variety of entities under the Department's oversight and to respond to changes in these industries. Employees must increase skills in the following areas:

- Comprehensive understanding of IT risk in a constantly changing environment.
- Changing technology and diversity of products offered.
- Knowledge of financial crimes and risks.
- Project management.
- Process analysis.
- Change management.
- Management and supervision of staff.
- Cybersecurity.
- Changing financial industry needing to focus on risk management, capital planning and compliance with federal regulations.

## **VIII. GAP ANALYSIS**

### **A. ANTICIPATED SHORTAGE OF WORKERS OR SKILLS**

- Recruiting experienced examiners remains a significant challenge.
- The optimal balance in staff experience would be 80% commissioned examiners in various areas of expertise and 20% non-commissioned assistant (apprentice level) examiners. The current position is 63% commissioned and 37% non-commissioned. This ratio has significantly improved over the last eight years.
- An increase in assets or large institutions under the Department supervision would call for additional staffing.
- A significant downturn in the state's economy will require more field examinations and time reviewing an institution's books and records.
- An increase in fraud investigations or enforcement actions would call for additional staffing or contracted investigators.
- An increase in technology and cybersecurity needs will require additional Information Technology staff.
- An increase in the number of money service business opinion requests, new applications, and examinations require expanded legal and financial examiner resources.

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**Gap Analysis:** The Department's analysis of the current Finance Commission approved FTEs and anticipated workforce needs are presented in the table below.

### Gap Analysis As of March 31, 2016

Division	Executive			Professional			Technical			Administrative			Total		
	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap
Executive / Admin	3	3	0	0	0	0	0	0	0	2	2	0	5	5	0
Legal	0	0	0	7	7	0	0	0	0	3	3	0	10	10	0
Admin Services	0	0	0	5	5	0	0	0	0	5	5	0	10	9	0
IT Division	0	0	0	1	1	0	5	6	1	0	0	0	6	7	1
Division of Strategic Support	0	0	0	4	4	0	0	0	0	5	5	0	9	9	0
Corporate Activities	0	0	0	5	5	0	0	0	0	3	3	0	8	8	0
Bank Supervision	2	2	0	100	100	0	0	0	0	6	6	0	108	108	0
Foreign Bank Supervision	0	0	0	1	1	0	0	0	0	0	0	0	1	1	0
Trust Company/ Department Supervision	0	0	0	10	10	0	0	0	0	0	0	0	10	10	0
IT Examinations	0	0	0	11	11	0	0	0	0	0	0	0	11	11	0
PFC/PCC	0	0	0	10	10	0	0	0	0	2	2	0	12	12	0
MSB	0	0	0	8	8	0	0	0	0	1	1	0	9	10	0
<b>Total Department of Banking</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>162</b>	<b>162</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>199</b>	<b>200</b>	<b>1</b>

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## IX. STRATEGY DEVELOPMENT

<b>Gap</b>	Current employees lack critical skills.
<b>Goal</b>	Develop a competent, well-trained workforce.
<b>Rationale</b>	The presence of a well-trained workforce is absolutely critical not only to the success of the Department, but also to the credibility of the agency and condition of the industry. The success of the Department is not only measured by whether and how well it meets its goals and objectives, but the level of credibility it maintains with its federal counterparts. The level of credibility maintained by the Department has a direct correlation on the cost of supervision and regulation to regulated entities. A loss of credibility could result in a higher volume and more frequent supervision by federal regulators and therefore increase regulatory burden upon the supervised businesses operating in Texas.
<b>Action Steps</b>	<ul style="list-style-type: none"> <li>• Identify skills required to meet changes that have occurred and are anticipated in the financial services industries.</li> <li>• Expand core training programs to include more in-depth and comprehensive courses in areas of identified weakness.</li> <li>• Develop additional in-house training programs to supplement programs offered by CSBS and federal regulatory agencies.</li> <li>• Conduct a risk assessment to determine the level of risk facing the Department regarding the potential loss of knowledge and the areas of knowledge gaps.</li> <li>• Continue to refine and improve our succession plan.</li> <li>• Develop a knowledge transfer strategy that may include: documenting processes, steps, dates, relationships, players, contacts, forms and files.</li> <li>• Institute checklists, flowcharts, reference guides and job pairing to provide easy to access resources.</li> </ul>



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<b>Gap</b>	Attracting and retaining the right employees.
<b>Goal</b>	Become an employer of choice.
<b>Rationale</b>	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner.
<b>Action Steps</b>	<ul style="list-style-type: none"> <li>• Continue efforts to maintain examiner salaries at no less than 92.5% of the FDIC salaries, with a goal of achieving parity.</li> <li>• Work in partnership with universities to recruit through job fairs and internship programs.</li> <li>• Continue and develop the current internship program. Expand program to more universities.</li> <li>• Continue to offer and expand flexible work schedules and telework.</li> <li>• Continue to mitigate travel exposure with alternative work methods and technology.</li> <li>• Provide training in specialized areas related to the examination process.</li> <li>• Explore new strategies to meet staffing needs. One strategy that has been discussed is to over-staff in critical areas in order to increase the “bench-strength” of the Department. A cost/benefit analysis of this strategy has yet to make it appear feasible.</li> <li>• Formalize a program for cross-training by exposing field staff to administrative, research and other support duties.</li> </ul>

<b>Gap</b>	Leadership Development
<b>Goal</b>	Through our annual performance appraisal process, identify potential employees for succession to Director positions.
<b>Rationale</b>	63% of current Directors are eligible to retire within the next five years.
<b>Action Steps</b>	<ul style="list-style-type: none"> <li>• Identify the knowledge, skills and abilities of current successful leadership positions.</li> <li>• Identify high potential staff that possess or could more readily acquire the necessary abilities and knowledge.</li> <li>• Provide training, experience, or job shadowing on assignments.</li> <li>• Provide opportunities for mid-level to senior examiners to rotate in to headquarters for exposure to the supervisory duties not obtained in the field. Provide opportunities for mid-level managers to attend management training programs.</li> </ul>

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