WORKFORCE PLAN

Fiscal Years 2021 to 2025

Texas Department of Banking

June 2020

Texas Department of Banking
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SCHEDULE F

WORKFORCE PLAN 2021-2025

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I. DEPARTMENT OVERVIEW

The Department of Banking's (Department) mission is carried out primarily through chartering, licensing, examination, supervision, and consumer assistance. Regulated entities receive examinations and off-site monitoring to ensure they are operating in a safe and sound manner and complying 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 Finance Commission of Texas (FC). As a SDSI agency, the Department is not required to have its budget approved by the Legislature. The FC 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 federal regulatory agencies for its professional examination staff. The agency is authorized to have 194 full-time equivalent (FTE) employees and as of March 31, 2020, it employed 175 individuals, the majority of whom are financial examiners. The Bank and Trust Supervision Division is staffed with 96 field examiners and the Non-Depository Supervision Division is staffed with 17 field examiners. As of March 31, 2020, there are 15 vacant financial examiner positions.

To reduce turnover in the financial examiner series, the Department continues to adjust financial examiner salaries to better align with federal regulatory agencies. This approach has led to an overall decline in examiner turnover. Financial examiner turnover in fiscal year (FY) 2018 was 11.29%. In FY 2019, financial examiner turnover was 10.57%. As of March 31, 2020, financial examiner turnover for FY 2020 was 6.61%.

The Department has worked diligently to reduce turnover and must continue the same efforts to sustain a qualified workforce. Past banking crises have highlighted the need to retain a sufficient number of trained and tenured staff in order to be prepared to address adverse events that will occur in the next down cycle. The Department must be ready for these contingencies rather than become complacent during times of prosperity. To remain competitive with federal regulators, the agency continues efforts to maintain examiner salaries up to 95% of the Federal Deposit Insurance Corporation (FDIC) salaries, with a goal of achieving parity. With SDSI status, the agency can adjust salaries as needed to remain competitive.

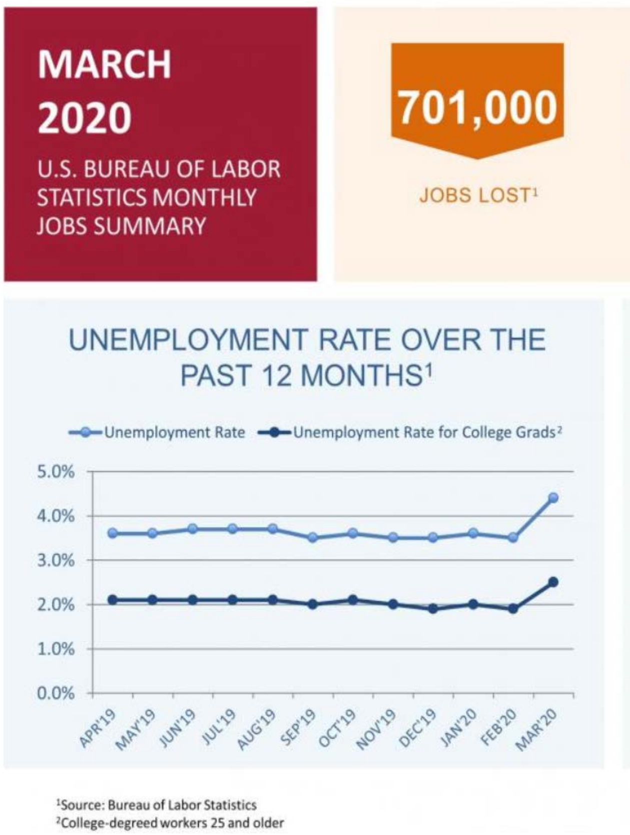
Offering competitive incentives and career opportunities remains a priority. Although the burden cannot be fully eliminated, the Department continues to search for avenues to reduce the onus and necessity of travel. Examination personnel spend a significant amount of their time away from home to conduct on-site examinations. To reduce travel time and provide a more family-friendly arrangement, all offices have implemented flexible 40- hour work week schedules that allow examiners to take either every Friday or every other Friday off. The Pre-Examination Program (PREP) is utilized to allow examiners to perform certain procedures prior to traveling on-site to the regulated entity. Enhanced imaging methods used by licensees to provide documents in advance has also contributed to reduced travel. Technological improvements in the agency's infrastructure, such as increased bandwidths and the secure data exchange portal (DEX), have enhanced the Department's information exchange capabilities. Further, the Department is implementing the Examination Modernization Project which will provide examination process changes that promote offsite examination work when it can be done without jeopardizing the effectiveness of the examination. The combination of these efforts reduces the regulatory burden on supervised institutions while simultaneously contributing to a better work-life balance for employees. Furthermore, a stipend program to compensate for the burden of prolonged travel is available to individuals who meet a minimum number of nights in "stay-out" travel status on an annual basis.

The Department also offers a Student Educational Employment Program (SEEP), which is a paid internship program in partnership with Texas A&M University, Sam Houston State University, Stephen F. Austin State University, Texas Tech University, and other universities with dedicated banking programs. The purpose of the SEEP is to introduce students to a financial examiner career. 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 positions being available and the student's 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: increased unemployment rate in Texas due to the Coronavirus Disease 2019 (COVID-19) pandemic; turnover and retention of financial examiners; an aging workforce; introduction of a new generation of workers; increased ethnic diversity; and technological advancements that improve efficiency and productivity.

The Texas unemployment rate as of December 2019 was 3.5%, up a tenth of a percentage point from 3.4% in November 2019[1]. Due to the COVID-19 pandemic, the unemployment rate in the coming months will likely increase significantly, however, the overall impact of the pandemic remains unknown. The United States unemployment rate jumped to 4.4% in March 2020, the highest since August 2018 and well above the market expectations of 3.8%, as the COVID-19 crisis threw millions out of work. "The unemployment rate in the United States is expected to be 15.0% by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, we estimate the unemployment rate in the United States to stand at 19.0% in 12 months' time. In the long-term, the United States Unemployment Rate is projected to trend around 15.0% in 2021 and 12.9% in 2022, according to our econometric models."[2] Future increase in unemployment rates has the potential to provide the Department with a larger pool of qualified applicants that will positively impact recruiting efforts.



[1] Texas Workforce Commission, January 24, 2020

[2] Trading Economics, United States Unemployment Rate 2021-2022 Forecast

According to the Society for Human Resources Management, the top three job satisfaction contributors by level of importance to employees are:

- Respectful treatment of all employees at all levels;
- Compensation/Pay; and
- Trust between employees and senior management.[2]

In December 2019, Department staff participated in the Survey of Employee Engagement conducted by the Institute for Organizational Excellence at the University of Texas at Austin. The results reflect 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 Engagement	Highly Engaged	Moderately Engaged	Disengaged
Department Results	61%	34%	5%
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, including when searching for employment.[3] The Department may consider subscribing to more online and app-based job search platforms. Increased usage of technology will continue to be an area of focus in all aspects of business.

Institutions seeking to hire trained examiners with higher salary and benefits options will likely continue to affect the Department's ability to retain experienced examiners. 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. The Department continues to plan for an array of possibilities for future retention and adjustment initiatives.

Financial Examiner Turnover by Fiscal Year										
FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
6.1%	11.4%	17.0%	8.2%	9.1%	12.5%	11.1%	9.2%	11.3%	10.6%	6.6%

**As of March 31, 2020*

In FY 2018, financial examiner turnover totaled 14 employees. This included four retirements, two involuntary separations, and eight resignations. Of the eight resignations, five employees left for employment with banks, one left for employment in private industry, one transferred to another state agency, and two cited personal reasons for leaving.

[2] Society for Human Resources Management, Employee Job Satisfaction and Engagement: The Doors of Opportunity are Open. (2017).
[3] Society for Human Resources Management, Using Social Media for Talent Acquisition – Recruitment and Screening, (January 2016).

In FY 2019, financial examiner turnover totaled 13 employees. This included three retirements and ten resignations. Of the ten resignations, five individuals left for employment with banks, one for a federal regulatory agency, and four cited personal reasons for leaving.

In FY 2020, there have been eight financial examiners who have either voluntarily or involuntarily left the Department. Financial examiner turnover between September 1, 2019 and March 31, 2020 includes one involuntary separation, two retirements, one employee transferred to another state agency, one employee left to work for a bank, and three left to work in private industry.

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 educational needs of the examination staff. The Department implemented a Financial Examiner III-B level within the classification of the financial examiner series allowing for a salary increase after passing Phase I of the Bank Examination Testing System (BETS). Providing rewards and incentives has helped the agency's retention of qualified staff. Examples of the agency's efforts that have been implemented include:

- Non-competitive promotion through the Financial Examiner VI classification;
- Development of career paths into specialty areas – Information Technology (IT), Trust, Bank Secrecy Act/Anti Money Laundering (BSA/AML), 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; and
- An Employee Education Reimbursement Program.

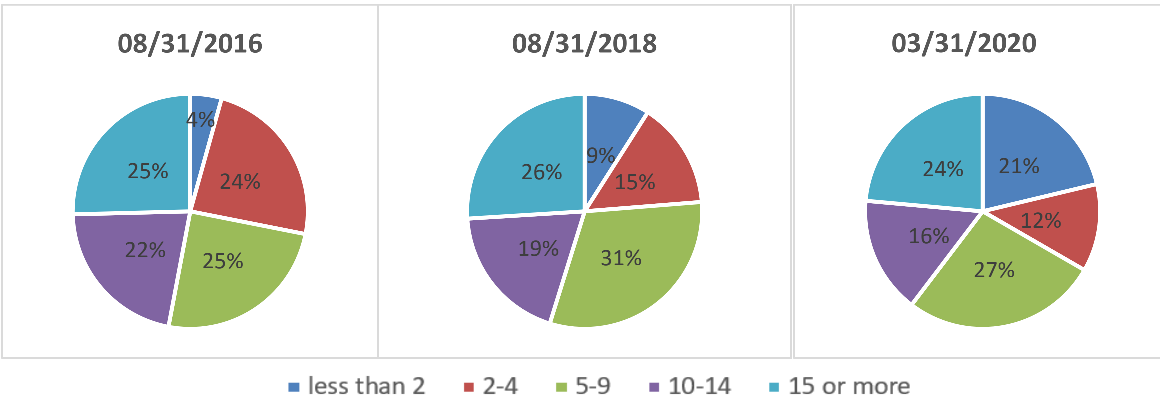
The Department continues to use a work style profile tool in the hiring process. The profile tool helps to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel, and a desire to establish a long-term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

The Department must continue to curb turnover at the lower and mid-career 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. 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 (358), 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 408, indicating that overall employee engagement is high.

In an effort to address employee concerns about compensation, the Department contracted a private firm to develop a comprehensive compensation strategy. The project encompasses market salary data analysis, compensation system design, internal and external alignment solutions, identification of career paths, and an effective total compensation program communication plan. The firm is expected to complete their work by the end of June 2020.

B. Department of Banking Tenure



The short-term goal of the Department is to maintain 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 long-term goal of the Department is to retain the commissioned examiners with five to twelve years of experience to reach the staffing plan goal of 88% commissioned examiners in Bank and Trust Supervision. Non-Depository Supervision's goal is 71% senior examiners. The charts above show that in the past four years the Department has achieved a balanced workforce tenure distribution that has allowed for the transfer of institutional knowledge on a more equally allocated scale.

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. Of this group, 71% are eligible to retire today. The loss of these employees combined represents over 1,000 years of experience.

Most demographic experts estimate that the number of people over the age of 65 will double over the next few decades, impacting the workplace in a few ways. The aging workforce and issues related to succession planning will become crucial as baby boomers continue to retire and Generation X begins nearing retirement eligibility. In response, the Department continues to bring Department and industry (bankers, former federal regulators) retirees back into the workforce to fill the gap between examiners early in their careers and the long tenured experienced examiners. This facilitates the education process of new examiners and relieves experienced examiners of some training duties, allowing them to focus on other assignments. Hiring and retaining older workers also helps retain valuable skills, address workforce shortages, and increase workplace diversity.

The Department has made considerable progress in balancing the financial examiner workforce to reach the desired percentage of assistant examiners to senior examiners.

The ability to maintain competitive salaries with federal counterparts increases the Department's ability to recruit commissioned and experienced examiners from federal employers, as well as retain staff who have been historically lost to federal counterparts.

The aging workforce necessitates developing non-traditional workplace and employment relationships, such as short-term and part-time assignments.

Succession planning is a priority as retirement and other turnover factors continue to grow. In the next five years, 72% of senior management is eligible to retire. Preparing qualified staff to step into these crucial roles will require the agency to offer training programs that develop managerial skills. The Department regularly sponsors eligible employees to attend various courses held by the Governor's Center for Management Development and other educational opportunities aimed at developing management skills. Since FY 2017, the Department has sponsored a formal internal Leadership Program. Directors and selected financial examiners are candidates for this program. Pertinent to the success of this transition is retaining mid-level tenured staff to replace high-level employees who move into these leadership roles.

D. INCREASING DIVERSITY

The Department continues to emphasize the need for workplace diversity and to strive for a workforce reflective of the racial and gender composition of the statewide workforce. According to the May 2011 Issue of the 2010 Census Briefs, Hispanics are 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.

The Texas Demographic Center, December 2019 brief on population estimates indicates that non-Hispanic Whites saw declines while Hispanics experienced increases in their share of the state population across all age groups, and all the other race / ethnicity groups saw relatively stable shares of the state population across all age groups.

The 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 to better serve our regulated entities and their customers. Recruiting activities include representation at job fairs at many diverse universities in the state and distribution of job announcements to minority organizations.

With advances in public health and medicine, Americans are living longer and working longer, resulting in an unprecedented transformation of the workplace. Employers are managing a four-generation workplace. Managing the needs of workers with generational differences is a challenge that must be continually addressed. For example, a growing group of workers are caregivers who are trying to balance their work and caregiving roles, while others are seeking more flexibility with work at home opportunities to reduce commute times.

E. VETERANS WORKFORCE GOALS

The 84th 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 in the law 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. The FY 2020 second quarter Veterans Workforce Summary reflects that veterans represent 6% of the Department's workforce.

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. 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.
- Adhere to the principle of "Tough but Fair" regulatory oversight.

AGENCY GOAL AND ACTION PLAN
Goal: Effective Bank and Trust Regulation
Ensure timely, fair, and effective supervision and regulation of the financial institutions under our jurisdiction. The regulatory process promotes a stable banking and financial services environment and provides the public with convenient, safe, and competitive financial services. 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), while conforming 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. Continue to improve off-site monitoring processes by augmenting our technology platforms.
- Research and report on changing industry, statutory, and economic conditions, especially with the effects from Coronavirus Disease 2019 (COVID-19) and develop appropriate supervisory strategies to adapt to these changes.
- React timely and appropriately when needed to implement disaster preparedness plans, evaluating, and adjusting to changing situations as needed to continue to provide effective oversite of regulated entities.
- Monitor the industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS).
- Promote cybersecurity awareness and best practices among our regulated entities.
- Maintain a cybersecurity tracking system for institutions that report cybersecurity incidents as required by the new notification rules for state-chartered banks and trust companies effective January 2, 2020.
- Ensure financial institutions are prepared to implement the Financial Accounting Standards Board's Current Expected Credit Losses (CECL) accounting methodology and transition away from use of the London Inter-Bank Offered Rate (LIBOR).
- Identify and investigate fraudulent activities.
- Ensure correction-oriented enforcement actions are taken, as appropriate, against regulated entities that demonstrate higher than normal weakness or risk, including consideration of noncompliance with laws, regulations, and policies.
- Maintain sufficient regulatory resources in the event of 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 utilizing electronic examination tools and the Department's secure electronic data exchange portal (DEX) to share information with regulated

entities and federal counterparts.

- Reduce dependencies on stale technologies through the adoption of cloud offerings where appropriate and by ensuring current technologies are in use to support regulatory obligations and operations.
- Provide the industry 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. Promote a culture of state service as a career.
- Maintain accreditation status by CSBS.

AGENCY GOAL AND ACTION PLAN
Goal: Effective Regulation of Non-Depository Licensees
Ensure timely, fair, and effective supervision and regulation of the non-depository licensees under our jurisdiction. The regulatory process promotes a stable financial services environment and provides the public with convenient, safe, and competitive financial services. 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 conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner. In addition, conduct MSB examinations in cooperation with federal and other state regulatory entities.
- Maintain contact with, and monitor the condition of, regulated entities between examinations.
- Monitor fluctuations in economic conditions, especially effects from COVID-19, that will impact non-depository financial service providers.
- Promote cybersecurity awareness and best practices among regulated entities.
- Maintain a cybersecurity tracking system for cybersecurity incidents reported by MSBs, as required by the new notification rule for MSBs effective January 2, 2020.
- Actively participate in the Multi-State MSB Examination Task Force (MMET) and the Money Transmitter Regulators Association (MTRA) and its various committees to promote a nationwide framework for cooperation and coordination among state regulators to ensure a uniform regulatory oversight of the MSB industry.
- Maintain MSB examination efficiencies through cooperation and coordination among states by developing uniform examination procedures and practices and actively participating in the standardization of a networked supervision approach. Participation in the MMET multi-state networked supervision system allows the Department to conserve resources and minimize the regulatory burden on supervised entities while achieving our objectives.
- Optimize efficiencies in the examination process utilizing electronic examination tools and DEX to share information with regulated entities and federal counterparts.
- Reduce dependencies on stale technologies through the adoption of cloud offerings where appropriate and by ensuring current technologies are in use to support regulatory obligations and operations.
- Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes.
- Monitor the industry's status and developments in new consumer trends and engage in regular communication with federal and state regulators.
- Provide the industry access to regulatory and supervisory information through the agency's website.
- Obtain feedback from license holders regarding proposed rule changes.

- Identify and investigate non-licensed entities and fraudulent activities.
- Ensure proper enforcement actions are taken against unlicensed entities to bring such entities into compliance with rules and regulations.
- Ensure correction-oriented enforcement actions are 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. Promote a culture of state service as a career.
- Receive CSBS's inaugural MSB accreditation in 2021 and maintain status.
- Review the Division's disaster preparedness during the COVID-19 pandemic and make appropriate adjustments to contingency plans.
- React timely and appropriately when needed to implement disaster preparedness plans, evaluating, and adjusting to changing situations as needed to continue to provide effective oversite of regulated entities.

AGENCY GOAL AND ACTION PLAN
Goal: Effective Regulation Through Corporate Activities
Provide an effective process to evaluate and act upon corporate filings requesting to initiate, expand, or modify financial services to Texans. In doing so, ensure that the prospective owners, managers, and operators of financial service entities are capable of offering citizens of Texas access to convenient, safe, sound, and competitive financial services.
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 operating in a safe and sound manner. • Optimize efficiencies in the application process by enhancing automated systems, where possible, 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. • Reduce dependencies on stale technologies through the adoption of cloud offerings where appropriate and by ensuring current technologies are in use to support regulatory obligations and operations. • Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial acumen to direct and/or lead a financial institution 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. Promote a culture of state service as a career.

AGENCY GOAL AND ACTION PLAN
Goal: Effective and Efficient Operations Compliant with State Laws
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, provide educational opportunities to support and strengthen the financial services industry, and assist consumers in resolving complaints with the financial service providers regulated and licensed by the Department.
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 the Continuity of Operations Plan (COOP) as directed by the State Office of Risk Management (SORM).
- Migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) by 2022.
- Promote information security and cybersecurity awareness within the agency through training and processes designed to protect sensitive data.
- Position the Department for continual modernization of management information systems (MIS).
- Utilize technology to streamline processes throughout the agency.
- Reduce dependencies on stale technologies through the adoption of cloud offerings where appropriate and by ensuring current technologies are in use to support regulatory obligations and operations.
- Engage in regular communication with and reporting to the FC.
- Collaborate with the Office of Consumer Credit Commissioner and the Department of Savings and Mortgage Lending on the FC's efforts to achieve greater efficiencies.
- Prepare and deliver SDSI agency reports to the Governor and Legislature in an accurate and timely manner.
- Attract and retain qualified staff and maintain professional service. Promote a culture of state service as a career.
- Promote financial education.

V. ANTICIPATED CHANGES IN STRATEGIES

- Specialized staff and training are necessary to assess chartered and licensed entities 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.
- As banks and trust companies under the Department's supervision become larger and more complex, more resources will be required for staff development.
- Large bank examinations are requiring a higher level of expertise in the areas of target industry credit analysis, model risk management, capital planning and stress/shock testing.

VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

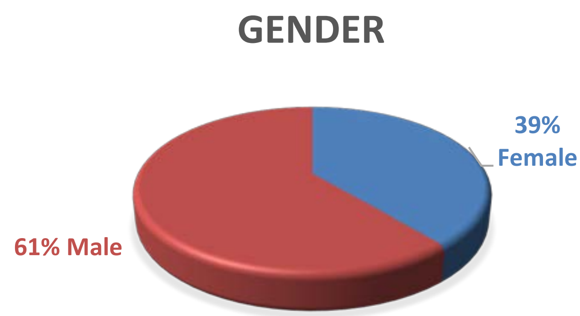
Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business functions. The skills are:

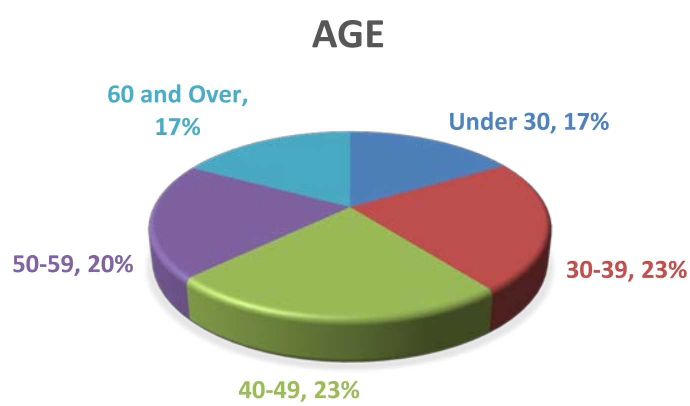
- Financial examination and regulatory experience;
- Specific regulatory expertise in capital markets, model risk management, trust operations, BSA/AML compliance, investigations, and corporate governance;
- Customer service expertise;
- Information technology and cybersecurity expertise;
- Trust activities and financially related legal knowledge;
- Legal expertise;
- Human Resources and Financial Management expertise;
- Database development and maintenance expertise; and
- Regulatory and accounting experience and expertise.

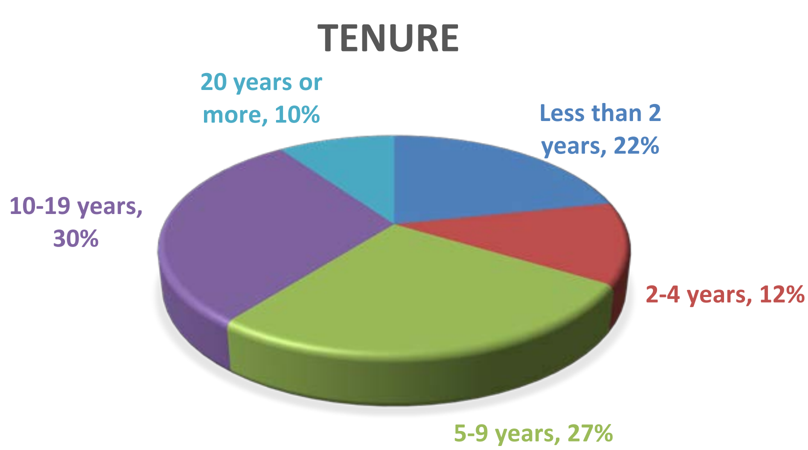
B. WORKFORCE DEMOGRAPHICS

Workforce Breakdown: The following chart profiles the Department's workforce (March 31, 2020) of 175 individuals, which includes both full and part-time employees. The workforce is comprised of 61% males and 39% females. Approximately 60% of employees are over the age of 40 and approximately 34% have five years or less of Department service. Approximately 33% of financial examiners have less than five years of Department experience.

Workforce Breakdown as of March 31, 2020







Department Workforce by Job Category: The following table compares African-American, Hispanic, and Female employees as of March 31, 2020, to the statewide civilian workforce as reported by the Texas Workforce Commission, Civil Rights Division. The workforce analysis performed with the Workforce Analysis Tool provided by the Texas Workforce Commission indicates that the Department has potential underutilization of Females in both the Professional and Technical workforce category. The Department strives to meet these diversity targets and 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, 2020

Job Category Employee Count	African-American		Hispanic		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 16	0%	8.1%	12.5%	22.4%	25.0%	38.8%
Professional 140	9.3%	10.9%	25.7%	20.3%	37.9%	54.5%
Technical 7	14.3%	14.4%	14.3%	29.2%	0%	55.2%
Admin. Support 12	8.3%	14.3%	41.7%	36.4%	91.7%	71.6%

Statewide Civilian Workforce Composition, 2016 1-year PUMS file from the American Community Survey (ACS), US Census Bureau

C. Employee Turnover

Overall turnover has fluctuated over the past twelve fiscal years, but is consistently lower than the State Turnover Rate. The Department's goal is to attain a turnover rate for non-retirement separations of less than 8%. Excluding retirements, the turnover rate for FY 2018 is 13.1% and FY 2019 is 8.6%. 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 chart compares the Department's turnover to that of the state over the last twelve years.

Twelve Year Turnover		
Fiscal Year	Department Turnover Rate	State Turnover Rate*
FY 2019	12.5%	21.2%
FY 2018	17.6%	19.7%
FY 2017	11.7%	18.5%
FY 2016	10.7%	16.8%
FY 2015	13.8%	19.0%
FY 2014	10.2%	19.1%
FY 2013	11.9%	18.9%
FY 2012	12.6%	19.6%
FY 2011	10.3%	17.7%
FY 2010	6.1%	15.9%
FY 2009	7.1%	15.6%
FY 2008	13.6%	19.3%

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

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2019

Years of Service	# of Financial Examiners	% of Financial Examiners	% of Financial Examiner Turnover FY 2019
Less than 2 years	18	15%	8%
2 – 5 years	17	14%	23%
5 – 10 years	39	33%	39%
10 – 15 years	20	17%	15%
15 – 20 years	17	15%	0%
20 years and over	7	6%	15%
TOTAL	118	100%	100%

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS

Years of Service	% of Financial Examiner Turnover FY 2018	% of Financial Examiner Turnover FY 2019	% of Financial Examiner Turnover FY 2020*
Less Than 2 years	26%	8%	38%
2 – 5 years	11%	23%	12%
5 – 10 years	26%	39%	25%
10 – 15 years	15%	15%	25%
15 – 20 years	11%	0%	0%
20 years and over	11%	15%	0%

* *FY 2020 data as of March 31, 2020*

Financial Examiner Turnover

The financial examiner series is the largest component of the Department's workforce. Turnover in this group is the costliest 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, 2019, 62% of financial examiners had tenure of less than 10 years. This group constitutes 70% of the financial examiner turnover for FY 2019, a seven-basis point increase from the 63% turnover in the same category in FY 2018. As of March 31, 2020, turnover is occurring higher in the less than 10-year tenure category at 75% of total financial examiner turnover.

**NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2019**

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	% of Non-Examiner Turnover FY 2019
Less than 2 years	11	19%	44%
2 – 5 years	6	10%	11%
5 – 10 years	11	19%	0%
10 – 15 years	11	19%	11%
15 – 20 years	7	12%	0%
20 years and over	13	21%	34%
TOTAL	59	100%	100%

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

Years of Service	% of Non- Examiner Turnover FY 2018	% of Non- Examiner Turnover FY 2019	% of Non- Examiner Turnover FY 2020*
Less than 2 years	31%	44%	0%
2 – 5 years	23%	11%	67%
5 – 10 years	0%	0%	0%
10 – 15 years	15%	11%	33%
15 – 20 years	23%	0%	0%
20 years and over	8%	34%	0%

** FY 2020 data as of March 31, 2020*

Non-Financial Examiner Turnover

Non-examiner turnover is split almost evenly between employees with less than 10 years of experience and those with more than 10 years experience in the past two fiscal years. It is expected that non-examiner turnover will increase with time due to retirement eligibility.

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2019

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees*	% of Department Turnover FY 2019	% of State Turnover FY 2019*
Less than 2 years	29	16%	22%	23%	45%
2 – 5 years	23	13%	19%	18%	19%
5 – 10 years	50	28%	19%	23%	12%
10 – 15 years	31	18%	14%	14%	7%
15 – 20 years	24	14%	10%	0%	5%
20 years and over	20	11%	16%	22%	12%
TOTAL	177	100%	100%	100%	100%

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

All Employee Turnover: Department turnover in FY 2019 is lower than State turnover in the less than two-year category. In the two to five-year category, DOB turnover is similar to State turnover, but is significantly higher above five years of service. The Department must continue succession planning for replacement of retiring employees and provide incentives for employees to make employment with the Department an attractive long-term career choice.

WORKFORCE BY AGE AS OF AUGUST 31, 2019

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees*	% of Department Turnover FY 2019	% of State Turnover FY 2019*
Less than 30	26	14%	18%	18%	33%
30 – 39	42	24%	24%	41%	23%
40 – 49	41	23%	24%	5%	16%
50 – 59	33	19%	22%	18%	17%
60 and over	35	20%	12%	18%	11%
TOTAL	177	100%	100%	100%	100%

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

Workforce by Age: Employees over the age of 40 comprised 62% of the Department's workforce and 58% of the statewide workforce as of August 31, 2019. Employees under the age of 30 comprised 14% of the Department's workforce and 18% of the statewide workforce.

D. Retirement Eligibility

Thirty-nine or 22% of employees are eligible to retire in FY 2020. In the next five years, 45% of Headquarters staff and 24% of all field examination staff will be eligible to retire.

Historically, retirement from the Department does not account for the majority of separations. For FY 2020, through March 31, 2020, two staff members have retired. Over the next five years, however, the pool of retirement eligible employees increases. With these retirements, the Department will lose substantial institutional knowledge and expertise. As of March 31, 2020, the Department has 55 employees, including 28 field examination staff that could potentially retire within the next five years. Furthermore, 71% of this group is eligible to retire today. In the next five years 72% of senior management is eligible to retire.

VII. Demand Analysis - Future Workforce Profile

Identifying the future workforce requirements of the Department encompasses a broad range of factors which have been identified through the Department's strategic planning process, interaction and discussion with federal and state regulators, and input from agency management. The evolution of the financial services industry means the Department will need an experienced and qualified professional staff to meet anticipated growth, complexity, and other changes in the industries regulated by the agency.

A. CRITICAL FUNCTION CHANGES

- Increased IT examination activity for regulated entities and service providers.
- 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 and supervisory responsibilities because of changes in products and technologies in the MSB industry.
- Increased demand for BSA/AML Specialists.
- Increased need for Fraud Specialists.
- Increased demand for legal expertise for the areas regulated by the Department.
- Implementation of new or modified regulatory requirements.
- Increased need for cybersecurity experts.

B. EXPECTED WORKPLACE DYNAMICS

- Increased use of technology to maximize efficiency.
- Increased use of telecommuting and working remotely.
- Increased use of subject matter specialists.
- Greater focus on audit programs, risk assessments, and problem resolution for 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 MSBs with more complex business plans and organizational structures licensed by the Department continues to increase.
- State-chartered banks under supervision continue to increase in size, services offered, and complexity.
- Changes to federal counterpart priorities and reallocation of examination resources.
- Increased training needs.

D. FUTURE WORKFORCE SKILLS NEEDED

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

- Comprehensive understanding of IT operations, change management, and cybersecurity risks relating to a wide variety of products and services offered;
- Changing technology and diversity of products offered;
- Knowledge of financial crimes and risks;
- Project management;
- Investigations and fraud detection;
- Process analysis;
- Operational risk;
- Audit;
- Management and supervision of staff, and
- 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 Bank and Trust Supervision staff experience would be 80% commissioned examiners in various areas of expertise and 20% non-commissioned assistant (apprentice level) examiners. The current composition is 65% commissioned and 35% non-commissioned. This ratio has significantly improved over the last eight years but remains the same over the last three years.
- An increase in assets or large institutions under supervision would call for additional seasoned and experienced staffing.
- A significant downturn in the state's economy will require more field examinations and time reviewing a regulated entity's financials 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 IT examination staff.
- An increase in the number of MSB opinion requests, new applications, and examinations require expanded legal, corporate, and financial examiner resources.
- Additional BSA/AML Specialists will be needed to review and regulate industry compliance.
- Non-Depository Supervision anticipates a loss of knowledge and skills in the MSB area due to retirements in the next 24 months.

Gap Analysis: The Department's analysis of the current FC approved FTEs and anticipated workforce needs are presented in the chart below.

Gap Analysis
As of March 31, 2020

Division	Executive			Professional			Technical			Administrative			Total		
	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap
Executive / Admin	4	4	0	0	0	0	0	0	0	2	2	0	6	6	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	1	1	0	6	6	0
Human Resources	0	0	0	2	2	0	0	0	0	1	1	0	3	3	0
IT Division	0	0	0	1	1	0	8	8	0	0	0	0	9	9	0
Division of Strategic Support	0	0	0	4	4	0	0	0	0	4	4	0	8	8	0
Corporate Activities	0	0	0	5	5	0	0	0	0	3	3	0	8	8	0
Bank Supervision	0	0	0	90	90	0	0	0	0	6	6	0	96	96	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	11	11	0	0	0	0	0	0	0	11	11	0
IT Examinations	0	0	0	14	14	0	0	0	0	0	0	0	14	14	0
PFC/PCC	0	0	0	10	10	0	0	0	0	2	2	0	12	12	0
MSB	0	0	0	9	9	0	0	0	0	1	1	0	10	10	0
Total Department of Banking	**4**	**4**	**0**	**158**	**158**	**0**	**8**	**8**	**0**	**24**	**24**	**0**	**194**	**194**	**0**

IX. Strategy Development

Gap	Current employees need additional training to gain and retain critical skills.
Goal	Develop a competent, well-trained workforce.
Rationale	The presence of a well-trained workforce is 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.
Action Steps	• Identify skills required to meet changes that have occurred and are anticipated in the financial services industries. • Expand core training programs to include more in-depth and comprehensive courses in areas of identified weakness. • Develop additional in-house training programs to supplement programs offered by CSBS and federal regulatory agencies. • 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. • Continue to refine and improve succession planning. • Develop a knowledge transfer strategy that includes documenting processes, steps, dates, relationships, players, contacts, forms, and files. • Institute checklists, flowcharts, reference guides, and job pairing to provide easy to access resources.

Gap	Attracting and retaining the right employees.
Goal	Become an employer of choice.
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner.
Action Steps	• Continue efforts to maintain examiner salaries up to 95% of the FDIC salaries, with a goal of achieving parity. • Work in partnership with universities to recruit through job fairs and internship programs. • Continue and develop the current internship program. Expand program to more universities. • Continue to offer and expand flexible work schedules and telework. • Continue to mitigate travel exposure with alternative work methods and technology. • Provide training in specialized areas related to the examination process. • Explore new strategies to meet staffing needs. One strategy that has been discussed is to overstaff in critical areas to increase the "bench-strength" of the Department. A cost/benefit analysis of this strategy has yet to make it feasible. • Formalize a program for cross-training by exposing field staff to administrative, research, and other support duties.

Gap	Leadership Development
Goal	Through our annual performance appraisal process, identify potential employees for succession to Director positions.
Rationale	72% of current Directors are eligible to retire within the next five years.
Action Steps	• Identify the knowledge, skills, and abilities of current successful leadership positions. • Identify high potential staff that possess or could more readily acquire the necessary abilities and knowledge. • Continue to provide training, experience, or job shadowing on assignments. • Provide opportunities for mid-level to senior examiners to rotate into headquarter positions or functions for exposure to the supervisory duties not obtained in the field. • Provide opportunities for mid-level managers to attend management training programs.