WORKFORCE PLAN

Fiscal Years 2023 to 2027

Texas Department of Banking

June 2022

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SCHEDULE F

WORKFORCE PLAN 2023-2027

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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 202 full-time equivalent (FTE) employees and as of March 31, 2022, it employed 170 individuals, the majority of whom are financial examiners. The Bank and Trust Supervision Division is staffed with 89 field examiners and the Non-Depository Supervision Division is staffed with 16 field examiners. As of March 31, 2022, there are 22 vacant field 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) 2020 was 9.92%, 7.20% in FY 2021, and 7.50% for FY 2022 as of March 31, 2022.

The Department has worked diligently to reduce turnover and must continue the same efforts to sustain a qualified workforce. Changes in the labor market following the COVID-19 pandemic along with the resignation trends of the past two years heightened the importance of monitoring turnover and employee satisfaction. As the Department returns from operating in a pandemic environment and further develops it hybrid model, increased sensitivity to employee work-like balance will be necessary.

Past banking crises highlighted the need to retain a sufficient number of well-trained and tenured staff to provide appropriate regulatory supervision during adverse events such as an economic downturn. The Department must be prepared for these contingencies rather than become complacent during times of prosperity. The agency strives for examiner salaries that are comparable to the Federal Deposit Insurance Corporation (FDIC) counterparts. With SDSI status, the agency can adjust salaries as needed to remain competitive.

Offering competitive employment incentives and career opportunities remains a priority. Flexible work weeks and work-at-home options are becoming a requested benefit from staff and applicants for employment. The Department is working with a hybrid model currently that includes work at home opportunities. Though the travel burden cannot be fully eliminated, the Department continues to search for avenues to reduce the amount of overnight travel and related staff turnover. With that goal, the Department has implemented several technological improvements in the agency's infrastructure over time, such as increased network bandwidth, information sharing through the secure data exchange portal (DEX), and the use of Microsoft Teams to enhance the Department's information exchange capabilities and aid in conducting work remotely. In addition, leveraging technology such as the enhanced imaging methods used by regulated entities have allowed examination staff to access required documents for off-site review, contributing to a reduction in travel. The Pre-Examination Program (PREP) is another tool utilized to allow examiners to perform certain procedures prior to traveling on-site to the regulated entity. Finally, 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.

Prior to the pandemic, examination personnel spent a significant amount of their time away from home to conduct on-site examinations. The pandemic required modifications to how examinations were performed historically. The Department effectively leveraged advancements in technology to implement a hybrid examination model that uses a combination of on-site and off-site examination activities. This examination model allows for certain work to be performed off-site while also providing for critical in-person communication and examination work more effectively conducted on-site. The Department is also working on an examination modernization project which focuses on improving examination procedures and scoping processes to better tailor examinations to each institution while utilizing resources and technology more effectively. This revised approach to examination planning in conjunction with the evaluation of a hybrid examination model, is anticipated to provide an examination process that allows for an appropriate mix of on-site and off-site examination work without jeopardizing the effectiveness of the examination while also reducing the overnight travel burden.

The Department 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: a declining unemployment rate in Texas, the lingering effects of the Coronavirus Disease 2019 (COVID-19) pandemic; turnover and retention of financial examiners and leadership positions; 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 March 2022 was 4.4%, which decreased 2.0 percentage points from a year earlier. According to a Texas Workforce Commission press release in April 2022, Texas added a total of 731,600 jobs since March 2021. "The prosperous economic climate in Texas expands opportunities for all who call Texas home"[1].

[1] Texas Workforce Commission Press Release, April 2022

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 2021, 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	66%	31%	3%
Nationwide Polling Results	30%	50%	20%

In addition to employee retention efforts, recruiting strategies have shifted. 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] To improve agency recruiting, the Department increased its online and app-based presence on 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 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022*
17.0%	8.2%	9.1%	12.5%	11.1%	9.2%	11.3%	10.6%	9.9%	7.2%	7.5%

**As of March 31, 2022*

In FY 2020, twelve financial examiners separated from employment with the Department. Financial examiner turnover included one involuntary separation, three retirements, one employee transferred to another state agency, one employee who left to work for a bank, and six that left to work in private industry.

In FY 2021, nine financial examiners separated from employment with the Department. Financial examiner turnover included two retirements, two transfers to a federal agency, one who left to work for a bank, three voluntary separations for personal or unknown reasons, and one who went to work for private industry.

[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 2022, through March 31, 2022, ten financial examiners separated from employment with the Department. Financial examiner turnover includes three retirements, one transfer to another state agency, four who went to work for private industry, and two voluntary separations for personal or unknown reasons.

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.

For bank and trust examiners, 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). Non-Depository Supervision examiners enjoy a similar career ladder with promotional opportunities after demonstrating certain competencies in each job classification level. 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, career ladder, promotion through the Financial Examiner VI classification for Bank and Trust Examiners
- 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;
- Work-at-home opportunities;
- One-time or permanent merit-based pay increases; and
- Employee Education Reimbursement Program.

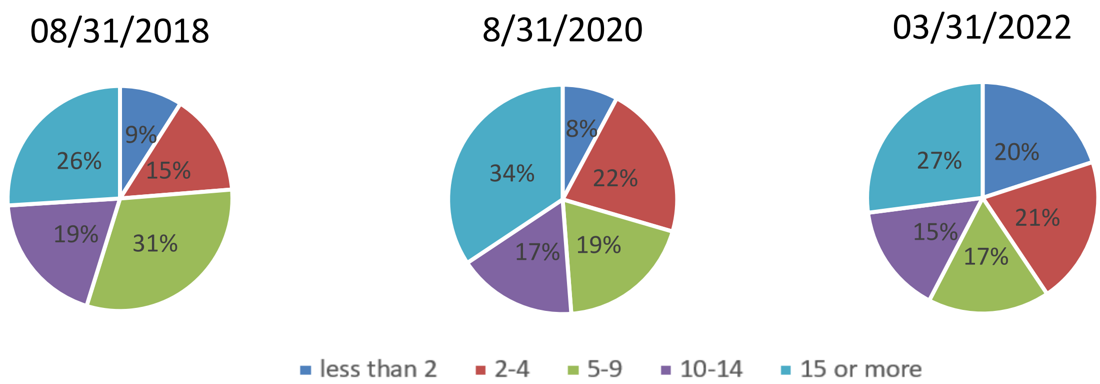
The Department continues to use a work style profile tool in the hiring process. The profile tool helps to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel, and a desire to establish a long-term 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 and skill assessments allow the Department to better identify the most qualified and potentially successful candidates.

The Department must continue to curb turnover at the lower and mid-career Bank and Trust 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, there is 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. Pay was the lowest scoring construct (334). 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 412, indicating that overall, employee engagement is high.

In an effort to address employee concerns about compensation, the Department conducted a market salary study in 2020 and developed a comprehensive compensation strategy and administration guidelines. Since that study, the labor market has been in flux. Salaries in the private sector have increased due to labor shortages, giving potential employees greater negotiating posture. Furthermore, the ability to work from home is a new labor force dynamic affecting turnover and recruiting.

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 more balanced workforce tenure distribution that has allowed for the transfer of institutional knowledge on a more equally allocated scale. Although considerable progress has been made to achieve the desired short-term goal, the agency needs to continue to work on meeting the long-term goal.

C. Trends and Factors Related to the Aging Workforce

Within the next five years, 35% of the Department's workforce will be eligible to retire. Of this group, 58% are eligible to retire today. The loss of these employees combined represents over 1,000 years of experience.

Demographic experts estimate that by 2030 the percentage of people over the age of 65 will be 18% of the population. The aging workforce and issues related to succession planning are crucial as baby boomers continue to retire and Generation X begins retirement eligibility. In response, the Department hires agency 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.

As noted previously, 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 remains a priority as retirement and other turnover factors continue to grow. In the next five years, 80% of senior management is eligible to retire, with 47% eligible to retire today. 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. In recent years, the Department sponsored a formal internal Leadership Program for Directors and selected financial examiners in leadership roles. Pertinent to the success of this transition is retaining mid-level tenured staff to replace high-level employees who move into these leadership roles.

Following the COVID-19 pandemic, many eligible employees retired, and the rate is on trend to increase for fiscal year 2022.

Year	2018	2019	2020	2021	2022**
Retirement Rate*	26%	32%	16%	29%	33%

*Percentage of retirements from the total turnover for the fiscal year.
**As of March 31, 2022

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.

Texas gained the most residents of any state since 2010, and its Hispanic population is now nearly as large as the non-Hispanic white population, with just half a percentage point separating them. Texas has gained nearly 11 Hispanic residents for every additional white resident since 2010. Texans of color accounted for 95% of the state's population growth.[4]

Hispanic Texans are almost the state's largest demographic group

The 2020 census shows there are nearly 2 million more Texans who identify as Hispanic than in 2010.

Group	2010 population	2020 population	2020 percent	Increase
White	11,397,345	11,584,597	39.75%	187,252
Hispanic	9,460,921	11,441,717	39.26%	1,980,796
Black	2,886,825	3,444,712	11.82%	557,887
Asian	948,426	1,561,518	5.36%	613,092

Note: The white, Asian and Black categories include individuals who indicated they were not Hispanic and selected only one race on the 2020 census. The Hispanic category includes individuals of any race.
Source: U.S. Census Bureau
Credit: Jason Kao

A presentation by the Texas Demographic Center in April 2022 shows that Texas experienced significant growth in the last ten years and continues its diversification racially and ethnically. The 2020

[4] People of Color Make Up 95% of Texas' Population Growth, And Cities and Suburbs are Booming, 2020 Census Shows, Texas Tribune, August 12, 2021.

Census information for the Lone Star State shows the non-Hispanic Whites population continues to decline while the Hispanic population is steadily increasing their share of the state population. All other race / ethnicity groups are experiencing stable shares of the state population.

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 consumers. Recruiting activities include representation at job fairs at many diverse universities in the state and distribution of job announcements to minority and veteran 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 five-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 2022 second quarter Veterans Workforce Summary reflects veterans represent 6.7% of the Department's workforce. In FY 2022, interviews were granted to 84.6% of qualified veterans that applied for open positions.

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 supervision of our chartered and licensed entities. 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, and foreign bank agency, foreign bank branch, and foreign bank representative office (foreign bank organizations) 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 management information systems (MIS).
- Research and report on changing industry, statutory, and economic conditions, (e.g., with the effects from Coronavirus Disease 2019 (COVID-19), escalating geopolitical risks and inflationary pressures), and develop appropriate supervisory strategies to adapt to these changes.
- React timely and appropriately when needed to implement disaster preparedness plans and adjust to changing situations as applicable to continue providing effective oversight of regulated entities.
- Monitor industry status and engage in regular communication with federal regulators (FDIC and FRB) and the Conference of State Bank Supervisors (CSBS).
- Obtain feedback from regulated entities regarding proposed rule changes.
- Promote cybersecurity awareness and best practices among our regulated entities and employees.
- Maintain a cybersecurity tracking system and monitor remediation efforts associated with cybersecurity incidents reported by our regulated entities.
- 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), which will be fully phased out by June 30, 2023.
- Identify and investigate fraudulent activities and insider abuse.
- 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, or a significant increase in the regulated asset base.
- 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.
- 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.

- Improve agency's technologies through the adoption of cloud offerings, where appropriate, and by ensuring current technologies are in use to support regulatory obligations and operations.
- Enhance the Department's examination procedures and scoping processes to effectively utilize examination resources and technology to accurately evaluate risks and risk management practices of our regulated entities.
- Provide the industry access to regulatory and supervisory information through the agency's website.
- 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, coordinated, and timely manner. MSB examinations are conducted 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, geopolitical risks, and inflationary pressures that will impact non-depository financial service providers.
- Promote cybersecurity awareness and best practices among our employees, and regulated entities.
- Maintain a cybersecurity tracking system for cybersecurity incidents reported by MSBs.
- Actively participate in the Multi-State MSB Examination Task Force (MMET) and the Money Transmitter Regulators Association (MTRA), CSBS 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.
- Collaborate with legislators during the 88th Legislative Session on evaluating and considering the adoption of the Model Money Transmission Modernization Act (Model Law).
- Optimize efficiencies in the examination process utilizing electronic examination tools and DEX to share information with regulated entities and other state regulators.
- Reduce dependencies on obsolete 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 issued against unlicensed entities to bring such establishments into compliance with rules and regulations.

- Ensure correction-oriented enforcement actions are issued 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.
- React appropriately when needed to implement disaster preparedness plans and adjust to changing situations as needed to continue to provide effective oversight of regulated entities.
- Maintain MSB accreditation status by CSBS.

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 obsolete 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 a 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). • Fully migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) in fiscal year 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 MIS. • Utilize technology to streamline processes throughout the agency. • Reduce dependencies on obsolete 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 (OCCC) and Department of Savings and Mortgage Lending (DSML) 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, such as digital assets. Therefore, the Department must devote additional resources to evaluate emerging technologies and provide training to enhance the skillsets of staff for any new products and technologies.
- As banks, trust companies, and MSB's 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 and enterprise-wide risk management, capital planning and stress/shock testing.

VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

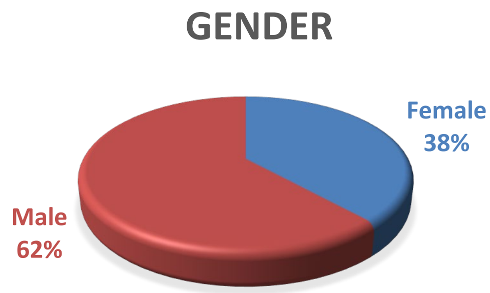
Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business and regulatory functions. The skills are:

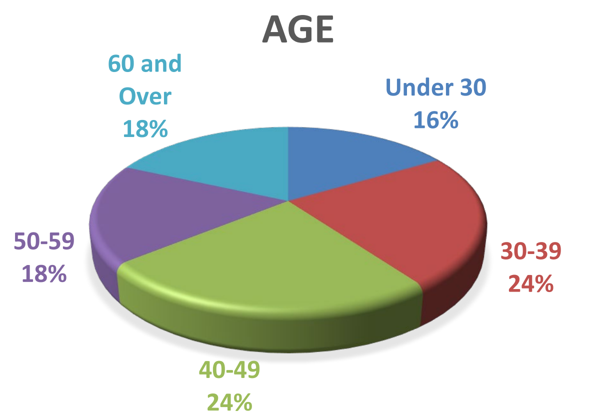
- Financial examination and regulatory experience;
- Specific regulatory expertise in capital markets, model risk management, trust operations, BSA/AML compliance, MSB activities, investigations, and corporate governance;
- Customer service expertise;
- Information technology and cybersecurity expertise;
- 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.

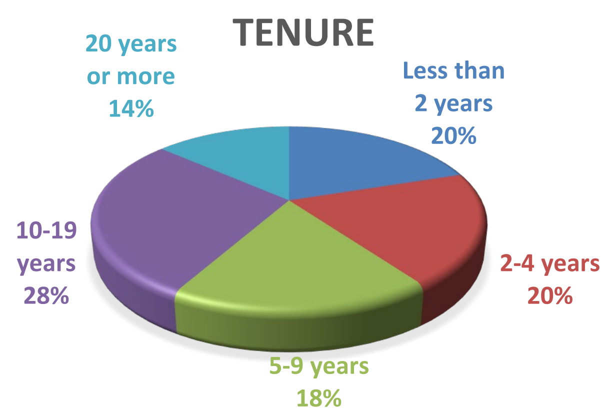
B. WORKFORCE DEMOGRAPHICS

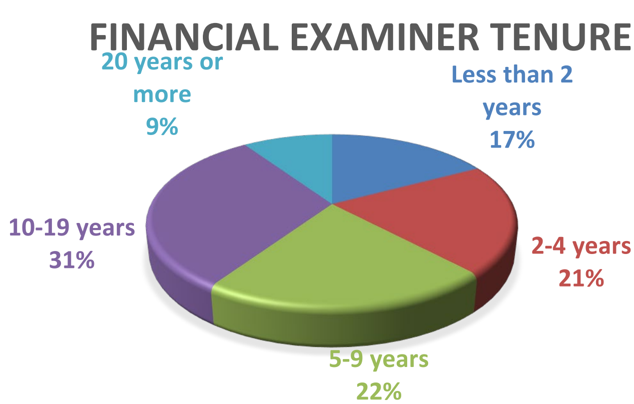
Workforce Breakdown: The following chart profiles the Department's workforce (March 31, 2022) of 170 individuals, which includes both full and part-time employees. The workforce is comprised of 62% males and 38% females. Approximately 60% of employees are over the age of 40 and approximately 40% have five years or less of Department service. Approximately 38% of financial examiners have less than five years of Department experience.

Workforce Breakdown as of March 31, 2022









Department Workforce by Job Category: The following table compares African-American, Hispanic, and Female employees as of March 31, 2022, 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 and African-Americans in the Professional 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, 2022

Job Category Employee Count	African-American		Hispanic		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 14	0%	8.1%	14.3%	22.4%	28.6%	38.8%
Professional 139	7.9%	10.9%	28.8%	20.3%	37.4%	54.5%
Technical 8	12.5%	14.4%	50.0%	29.2%	0%	55.2%
Admin. Support 9	11.1%	14.3%	11.1%	36.4%	88.9%	71.6%

Statewide Civilian Workforce Composition, 2016 1-year PUMS file from the American Community Survey (ACS), U.S. 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 9%. Excluding retirements, the turnover rate for FY 2020 is 8.9% and FY 2021 is 9.3%. 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 2021	10.6%	23.3%
FY 2020	13.2%	20.3%
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%

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

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FISCAL YEAR 2021

Years of Service	# of Financial Examiners	% of Financial Examiners	% of Financial Examiner Turnover FY 2021
Less than 2 years	19	15%	0%
2 – 5 years	19	15%	5%
5 – 10 years	30	24%	13%
10 – 15 years	24	19%	9%
15 – 20 years	19	15%	0%
20 years and over	15	12%	15%
TOTAL	126	100%	NA

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

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS

Years of Service	% of Financial Examiner Turnover FY 2020	% of Financial Examiner Turnover FY 2021	% of Financial Examiner Turnover FY 2022*
Less Than 2 years	15%	0%	12%
2 – 5 years	12%	5%	10%
5 – 10 years	13%	13%	4%
10 – 15 years	13%	9%	10%
15 – 20 years	0%	0%	10%
20 years and over	0%	15%	0%

** FY 2022 data as of March 31, 2022*
Information obtained from the State Auditor's Office E-Class System including interagency transfers.

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, 2021, 54% of financial examiners had tenure of less than 10 years. This group constitutes 18% of the financial examiner turnover for FY 2021. As of March 31, 2022, turnover is occurring at a higher rate than the previous year in the less than 10-year tenure category at 26% of total financial examiner turnover.

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FISCAL YEAR 2021

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	% of Non-Examiner Turnover FY 2021
Less than 2 years	3	5%	73%
2 – 5 years	6	10%	36%
5 – 10 years	7	10%	62%
10 – 15 years	8	14%	26%
15 – 20 years	7	12%	0%
20 years and over	29	49%	17%
TOTAL	59	100%	NA

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

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

Years of Service	% of Non- Examiner Turnover FY 2020	% of Non- Examiner Turnover FY 2021	% of Non- Examiner Turnover FY 2022*
Less than 2 years	52%	73%	0%
2 – 5 years	0%	36%	0%
5 – 10 years	27%	62%	0%
10 – 15 years	13%	26%	11%
15 – 20 years	0%	0%	7%
20 years and over	4%	17%	6%

** FY 2022 data as of March 31, 2022*
Information obtained from the State Auditor's Office E-Class System including interagency transfers.

Non-Financial Examiner Turnover

Non-examiner turnover in FY 2021 significantly increased since FY 2020, with five non-examiner retirements. For FY 2022, through March 31, 2022, there has been no turnover for employees with less than ten years of service. The majority of non-examiner staff have more than ten years of service and we continue to see turnover in this group. It is expected that non-examiner turnover will increase with time due to retirement eligibility.

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE
FISCAL YEAR 2021

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees	% of Department Turnover FY 2021	% of State Turnover FY 2021
Less than 2 years	22	12%	21%	9%	52%
2 – 5 years	25	13%	19%	12%	23%
5 – 10 years	37	20%	21%	22%	13%
10 – 15 years	32	17%	14%	13%	11%
15 – 20 years	26	14%	9%	0%	11%
20 years and over	45	24%	16%	16%	18%
TOTAL	187	100%	NA	NA	NA

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

All Employee Turnover

Department turnover in FY 2021 is lower than State turnover in all categories except for the 5–10 year and 10–15-year categories. 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
FISCAL YEAR 2021

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	% of Department Turnover FY 2021	% of State Turnover FY 2021
Less than 30	34	18%	15%	6%	51%
30 – 39	42	23%	24%	17%	22%
40 – 49	42	22%	25%	12%	15%
50 – 59	34	18%	24%	15%	16%
60 and over	35	19%	12%	16%	18%
TOTAL	187	100%	100%	NA	NA

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

Workforce by Age: Employees over the age of 40 comprised 59% of the Department's workforce and 61% of the statewide workforce in FY 2021. Employees under the age of 30 comprised 18% of the Department's workforce and 15% of the statewide workforce.

D. RETIREMENT ELIGIBILITY

Thirty-five or 20% of employees are eligible to retire in FY 2022. In the next five years, 46% of Headquarters staff and 29% of all field examination staff will be eligible to retire.

Recently, retirement from the Department has accounted for more separations than previously. Seven individuals retired in FY 2021 and in FY 2022, through March 31, 2022, four staff members 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, 2022, the Department has 60 employees, including 32 field examination staff that could potentially retire within the next five years. Furthermore, 58% of this group is eligible to retire today. In the next five years 80% 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 need for personnel familiar with digital assets.
- 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

FIVE-YEAR VACANCY HISTORY

Vacancies	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022*
All Staff	16	16	14	31	32
Financial Examiner	9	10	10	17	23

**As of March 31, 2022*

A. RECRUITING EFFORTS

To address the need to fill an increasing number of vacancies contemporaneous with reduced applicant pools, the Department has augmented recruiting efforts that include: hiring a dedicated Human Resources Staffing Specialist; engaging in active recruiting through LinkedIn and other online and application-based recruiting platforms; reducing timeline from posting to employment offer; increasing attendance at career fairs; enhancing "Jobs" page on the Department website; and creating employment marketing materials.

B. 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 63% commissioned and 37% non-commissioned. Over the last ten years the number of commissioned examiners has been stable and has fluctuated within that period.
- An increase in assets or large institutions under supervision 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 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.
- Digital asset technology is expected to continue evolving over the next five years could warrant additional staffing as regulated entities expand into this product line.

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, 2022															
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	1	1	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	1	1	0	6	6	0
Human Resources	0	0	0	4	4	0	0	0	0	0	0	0	4	4	0
IT Division	0	0	0	1	1	0	10	10	0	0	0	0	11	11	0
Division of Strategic Support	0	0	0	4	4	0	0	0	0	4	6	2	8	10	2
Corporate Activities	0	0	0	5	5	0	0	0	0	3	3	0	8	8	0
Bank Supervision	0	0	0	95	95	0	0	0	0	6	6	0	101	101	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	15	15	0	0	0	0	0	0	0	15	15	0
PFC/PCC	0	0	0	9	9	0	0	0	0	2	2	0	11	11	0
MSB	0	0	0	10	11	1	0	0	0	1	1	0	11	12	1
Total Department of Banking	**4**	**4**	**0**	**167**	**168**	**1**	**10**	**10**	**0**	**21**	**23**	**2**	**202**	**205**	**3**

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 and to maintain the business operations of the Department.
Action Steps	• Continue efforts to maintain examiner salaries comparable to the FDIC salaries. • 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. • Develop strategies to attract qualified individuals to professional positions (attorneys, accountants, consumer assistance) in the Department headquarters office.

Gap	Leadership Development
Goal	Through our annual performance appraisal process, identify potential employees for succession to Director positions.
Rationale	80% 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.

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