

## PART 2. SUPPLEMENTAL ELEMENTS

### SCHEDULES F. AGENCY WORKFORCE PLAN AND THE TEXAS WORKFORCE SYSTEM STRATEGIC PLAN



#### **Credit Union Department Fiscal Year 2023-2024 Workforce Plan**

##### **I. Agency Overview**

The Department was established as a separate agency in 1969 to supervise and regulate state-chartered unions. This is accomplished through annual examinations of each credit union to ensure enforcement of laws, rules, bylaws, and sound business practices, imposing appropriate administrative sanctions, diligent monitoring between examinations, and aggressive remedial efforts when needed.

The administrative office of the agency is domiciled in Austin, but field examiners are based in Dallas/Fort Worth, Austin and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a Director of Examination Support Activities, an executive assistant and the Deputy Commissioner. The remaining positions include the Commissioner, Director of Information Systems and Technology, Network Specialist and supporting staff in Austin (See Appendix B: CUD Organizational Chart).

The Department currently is authorized for 31.0 full time equivalents (FTEs) and is considering expanding the workforce due to increases in the complexity and assets of regulated credit unions. Operating fees paid by the credit unions cover all agency expenses, including payments to other state agencies, such as the Office of Attorney General, for services performed.

##### ***A. Agency Mission***

*The mission of the Credit Union Department is to safeguard the public interest, protect the interests of credit union members and promote public confidence in credit unions industry in accordance with TEX. FIN. CODE §15.102.*

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#### ***B. Strategic Goals and Objectives***

The Texas Credit Union Department has three main goals

<b>Goal A</b>	<b>EFFECTIVE SUPERVISION AND REGULATION</b>
<b>Objective</b>	To effectively supervise and regulate state-chartered credit unions through enforcement of safety and soundness standards and compliance with the Texas Finance Code, and in a manner that balances the interest of the membership and the need for public confidence in the credit union system.
<b>Strategies</b>	<ul style="list-style-type: none"><li>• Examine all credit unions within 18 months of the previous examination</li><li>• Take appropriate enforcement action in problem credit unions</li><li>• Perform remedial examinations when necessary</li><li>• Respond promptly to member complaints</li><li>• Respond promptly to requests for interpretations or opinions</li><li>• Process applications in a timely manner</li></ul>

<b>Goal B</b>	<b>ENSURE SAFETY AND SOUNDNESS</b>
<b>Objective</b>	Through interaction with the Credit Union Commission and the Legislature, recommend statutory and rule changes to ensure that credit unions operate in a safe and sound manner in a competitive and ever-changing financial services industry.
<b>Strategies</b>	<ul style="list-style-type: none"><li>• Promulgate new and amended rules</li><li>• Recommend statutory changes to the Legislature</li><li>• Provide oversight of departmental operations</li></ul>

<b>Goal C</b>	<b>PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES</b>
<b>Objective</b>	To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.
<b>Strategies</b>	<ul style="list-style-type: none"><li>• Contact HUB contractors for bid proposals</li><li>• Purchase from state contracted HUB providers</li></ul>

#### ***C. Anticipated Changes in Strategies***

The agency does not anticipate major changes to its business or workforce strategies. Offsetting the decline in the number of state-chartered credit unions is the increase in total assets of credit unions. The current growth in assets of state-chartered credit unions has come primarily from pandemic stimulus deposits, and expansion of field of membership and services offered by existing credit unions.

Using a risk-focused examination process, examiners give additional attention to the areas of operation that have been identified in a risk assessment. Because of the disparity in the size and complexity of credit unions,

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examiners remain generalists in terms of their expertise. However, each examiner is assigned a discipline (lending, investments, internal controls, compliance, information technology, etc.) of the examination process during their first year of employment. Subsequently, they are provided with more specific training in their discipline. The area of discipline for each examiner is assigned based on each examiner's preference and the availability of a discipline.

Due to the increased use of information technology in credit union operations and the critical need for adequate back up and security for these systems, the scope of the reviews for the information technology portion of examinations continues to expand. Most credit unions perform third-party information technology audits which the examiners review, and/or are hiring qualified third parties to perform specific information technology functions.

Between 2018 and 2020, the NCUA utilized the Automated Cybersecurity Examination Tool (ACET) to conduct cybersecurity maturity assessments of all federally insured credit unions to determine their cybersecurity preparedness. Over the three-year period, the tool was used on all state-chartered credit unions with over \$100 million in assets. Beginning in 2020, the NCUA began transitioning its priority from performing the ACET assessments to evaluating critical security controls. They also initiated a pilot called Information Technology Risk Examination solution for Credit Unions (InTREx-CU). InTREx harmonizes the IT and Cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System and many state regulators. The In-TREx-CU pilot will end no later than August 2022, at which time the results from InTREx-CU exams will be utilized to improve the overall effectiveness of the existing examination program. Moving forward, it is anticipated that the Department's role in performing these reviews will increase.

## **II. Current Workforce Profile**

### ***A. Critical Workforce Skills***

The agency has a core group of qualified employees at the present time. The examiners, which represent most of the Department's employees, must have major course work in accounting, finance, economics, business administration or a job-related field with a minimum of six hours, nine preferred, in accounting (including basic and intermediate accounting). Other skills that are important to the agency's ability to perform our business function include:

- Financial statement analysis
- Investment analysis
- Proficient oral and written communication
- Investigative
- Loan analysis
- Internal control analysis
- Information technology analysis

The support staff must also possess skills that are critical to the operation of the agency. These skills include:

- Database development and maintenance
- Customer service
- Document processing
- Accounting/Payroll

### ***B. Workforce Demographics***

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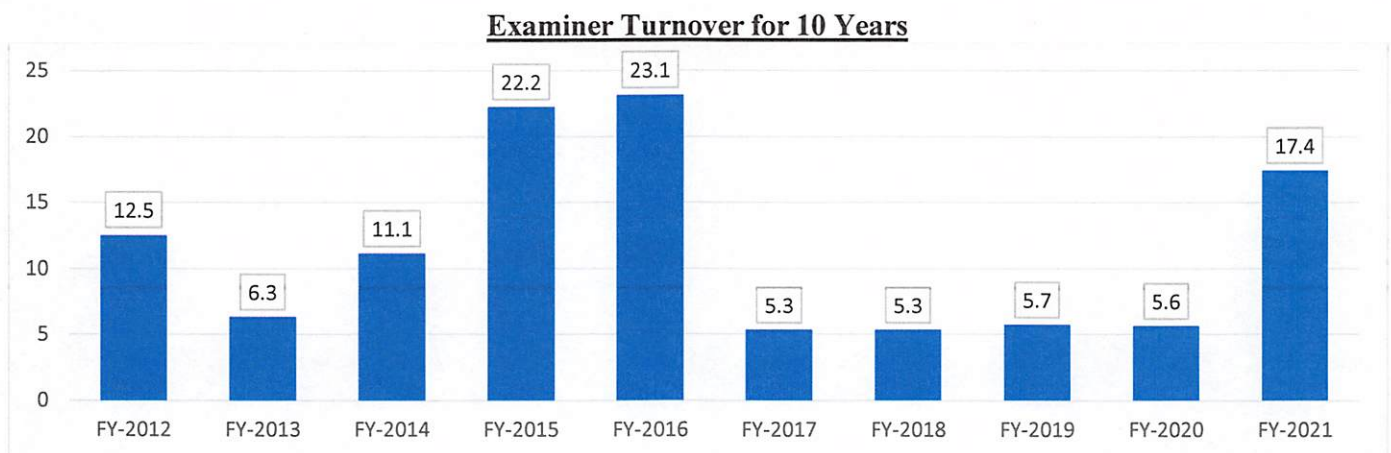
The following profiles the agency's workforce as of August 31, 2021. The agency was authorized 30.0 FTEs for fiscal year 2021. The CUD workforce is comprised of 53.8 percent males and 46.2 percent females. Just over two-thirds, or 69 percent, of the employees are over the age of 40. The average tenure of an agency employee declined during the last two years, from 11.6 to 8.5 years; and the average tenure of the sixteen field examiners at FYE 2021 is 7.4 years, down from the 9.6-year average from two years ago. Four examiners have been with the Department less than two years; while two examiners have been with the agency between two and less than five years. The remaining ten examiners have been on staff or greater than five years.

The ethnic breakdown of the workforce is 35 percent Anglo, 27 percent African American, 23 percent Hispanic and 15 percent Other. The 2010 Census showed a Texas population that was 39.8 percent Anglo, 11.8 percent African American, 39.3 percent Hispanic, and 9.1 percent Other. The Hispanic population in the state of Texas is on pace to surpass the white population during 2022.

#### *C. Employee Turnover*

Employee turnover is experienced by every business entity or governmental agency. It is costly to continually train new employees, diminishes efficiency of the staff, and adversely affects employee morale. Historically, the Credit Union Department has experienced high examiner turnover rates, attributable to non-competitive salaries, extensive travel requirements, and the nature of the work as a regulatory agency. Management and support staff positions remained constant during the same period. Examiners with experience in excess of 2-3 years become attractive to credit unions due to their wide diversity of experiences, and familiarity with credit union laws and regulations. Experienced examiners were also attracted to the National Credit Union Administration (NCUA), the federal regulator, by higher salaries, less travel, and, in some cases, a recruitment bonus.

During the ten-year period from FY 2012 to FY 2021, seven examiners (average tenure of 55 months) were hired by credit unions and three examiners (average tenure of 29 months) were hired by NCUA. Another twelve examiners left employment with an average tenure of 80 months. Two of the twelve examiners were Field Supervisors who retired after approximately 26 years each with the Department. Excluding those individuals, the average tenure of the other ten examiners who left employment was 34 months.





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#### ***D. Retirement Eligibility***

The agency was created in 1969, but through the years, very few employees have remained with the agency until retirement. Three employees retired in the early 1970s soon after the agency became independent from the Banking Department. Based on available information since 1996, eighteen additional employees have retired from the agency. Four employees retired between 1996-2002, one medically; two employees retired at the end of FY 2003, prompted by the retirement incentive package authorized by the 78<sup>th</sup> Legislature; and two employees retired in fiscal year 2013. Additionally, since the beginning of FY2015 the pace of retirements within the Department has increased rapidly with ten employees having retired. Two retired in FY2016, one in FY2017, one in FY2018, one more in FY2019, three in FY2020 and two in FY2021. Furthermore, as of the beginning of FY2022, two employees are currently eligible for retirement, two more employees are eligible within the next 2 years, four more within 5 years and an additional three employees are eligible within 8 years. With approximately 15 percent of existing staff being eligible to retire within 2 years, approximately 31 percent within 5 years, and 42 percent eligible within 8 years, proper succession planning is critical to ensure the identification and development of potential successors for key positions. The ability to staff the office positions over the next 5 years could be a critical challenge, with six of the eleven (55%) office staff members eligible for retirement during that time. Of those six; one is currently eligible to retire; two are eligible within 2 years; and the remaining three are eligible within 4 years.

#### ***E. Other Considerations***

While there is now an improved beginning salary for examiners, retention of experienced examiners will still be a problem as financial institutions and federal agencies continue to pay higher salaries and require less travel. Agency wide, the turnover rate is expected to stay between 5 to 15 percent annually. The Department continues to assess pay levels, other benefits and work condition enhancements to improve examiner retention.

### **III. Future Workforce Profile**

#### ***A. Critical Functions***

- Risk based examination program
- Electronic delivery of examinations
- Offsite monitoring
- E-commerce security

#### ***B. Expected Workforce Changes***

- Increased use of technology to revise and streamline work processes

#### ***C. Anticipated Increase/Decrease in Number of Employees Needed to Do the Work***

- The FTE count is anticipated to increase by up to three over the next two years to ensure continuity of service and address the increasing complexity of credit union examinations.

#### ***D. Future Skills Needed***

To effectively perform and process examinations, the agency relies upon a competent and knowledgeable staff. The skills mentioned previously under *Critical Workforce Skills* should be constant for the future; no immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience,

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their skills should become more refined; employees whose skills do not significantly improve or expand may not be retained.

#### **IV. Gap Analysis**

##### ***A. Anticipated Surplus or Shortage of Workers or Skills***

After analyzing the workforce information, the Credit Union Department believes that there is only one main gap between the agency's workforce supply and demand that needs to be addressed.

##### ***1. Attracting and retaining the right employees for the job***

- Competing for business majors with at least 6 hours of accounting
- Younger employees are not staying with the agency
- Assuring experienced, well-performing employees of regular salary increases and competitive salaries

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#### V. Strategy Development

Gap	Attracting and Retaining the Right Employees
Goal	Become an employer of choice and offer career opportunities
Rationale	There is a competitive job market for qualified individuals with the skills required to perform the duties of an examiner. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, and provide career opportunities, and support innovation and excellence.
Action Steps	<ul style="list-style-type: none"><li>• Continue regular pay increases for high performance</li><li>• Consistently survey the market for similar positions to ensure the salaries being offered to our staff are competitive.</li><li>• Allow employees who are seeking new challenges to work on special projects, or assign development projects</li></ul>

Gap	Train and Mentor Employees
Goal	Develop staff where they can progress to key positions, as those key opportunities become available.
Rationale	There is a high concentration of existing Department employees in key positions who are either eligible for retirement, or will become so, during the next 5 years. The agency must identify high potential staff and provide them with the tools and training necessary to fill key positions which are vacated due to retirement. Those identified as high potential employees must be placed on a fast track approach for development and know that they have strong career prospects with the Department. The agency will continue to reward exceptional performance within statutory limitations, provide staff development through training opportunities, and provide career opportunities, and support innovation and excellence.
Action Steps	<ul style="list-style-type: none"><li>• Continue regular pay increases for high performance.</li><li>• Allow employees who are seeking new challenges to work on special projects or assign development projects.</li><li>• Identify above average performers and put them on a fast track approach for their career path.</li><li>• Implement a training approach for high potential staff which focuses on accelerating their development and advancement with the agency.</li></ul>

Given the increasing size and complexity of the credit unions we regulate, the Credit Union Department is anticipating some significant changes regarding examiner staffing and the examination processes during the next 2-3 years. Currently, the agency has only 31.0 authorized FTEs (as of FY 2022), of which 19.0 FTEs are currently allocated for field examiner positions. Furthermore, possible retirements soon could adversely affect the organization, both in the field and in the office. Within the next 4 years a total of eight (8) employees, or approximately 26 percent of all Department staff (when fully staffed), will be eligible for retirement. Proper

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succession planning will be critical to ensure the identification of staff for key positions if significant turnover occurs due to retirements, whenever that may be. The Department will need to devote adequate resources to mentoring and supporting less tenured examiners to ensure they gain the skills and experience to carry out the responsibilities which are needed to progress rapidly with the Department.