Schedule F: Agency Workforce Plan

Credit Union Department
Fiscal Year 2025-2026 Workforce Plan

I. <u>Agency Overview</u>

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, General Counsel, Director of Information Systems and Technology, Network Specialist and supporting staff in Austin (See Appendix B: CUD Organizational Chart).

The Department is currently authorized for 35.0 full time equivalents (FTEs). Further expansion of the workforce may be necessary in FY25 and FY26 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.

B. Strategic Goals and Objectives

The Texas Credit Union Department has three main goals, as follows:

Goal A	EFFECTIVE SUPERVISION AND REGULATION
Objective	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.
Strategies	• Examine all credit unions within 18 months of the previous examination. • Take appropriate enforcement action in problem credit unions. • Perform remedial examinations when necessary. • Respond promptly to member complaints. • Respond promptly to requests for interpretations or opinions. • Process applications in a timely manner.

Goal B	ENSURE SAFETY AND SOUNDNESS
Objective	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.
Strategies	• Promulgate new and amended rules. • Recommend statutory changes to the Legislature. • Provide oversight of departmental operations.

Goal C	PROCUREMENT USING HISTORICALLY UNDERUTILIZED BUSINESSES
Objective	To establish and carry out policies governing purchasing and public works contracting which foster meaningful and substantive inclusion of historically underutilized businesses.
Strategies	• Contact HUB contractors for bid proposals. • Purchase from state contracted HUB providers.

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. Through September 2023, assets of Texas chartered credit unions total $57.6 billion. In addition, growth in assets of state-chartered credit unions has slowed to a modest 3.18 percent during 2023, compared to rapid growth of 11.66 percent realized during calendar year 2022. The decline in asset growth is primarily a result of two factors, as follows: 1) a large Texas chartered credit union converting to a federal charter during late 2022; and 2) a reduced reliance in non-core funding to meet member withdrawal and loan demand needs. Furthermore, as the current interest rate environment normalizes as it pertains to frequency of rate changes, it is anticipated that deposit and asset growth trends will return to historical, pre-pandemic levels, which will provide Texas chartered credit unions the opportunity to further strengthen their net worth ratios.

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, 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 ended in August 2022, and was replaced with the Information Security Examination (ISE) Tool which is an automated questionnaire that is scalable based on the credit union asset size and services offered. The ISE examination tool is required to be completed for all federally insured credit unions and is currently in use during all Texas state-chartered credit union examinations. Moving forward, it is anticipated that the Department's role in performing these reviews will increase.

II. <u>Current Workforce Profile</u>

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). In addition, a minimum grade point average must be met. 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

The following profiles the agency's workforce as of August 31, 2023. The agency was authorized 33.0 FTEs for fiscal year 2023. The CUD workforce is comprised of 58.7 percent males and 41.3 percent females. Just under two-thirds, or 65 percent, of the employees are over the age of 40. The average tenure of an agency employee increased during the last two years, from 8.5 to 9.3 years; and the average tenure of the sixteen field examiners at FYE 2023 is 7.6 years, up slightly from the 7.4-year average from two years ago. Seven 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 for greater than five years.

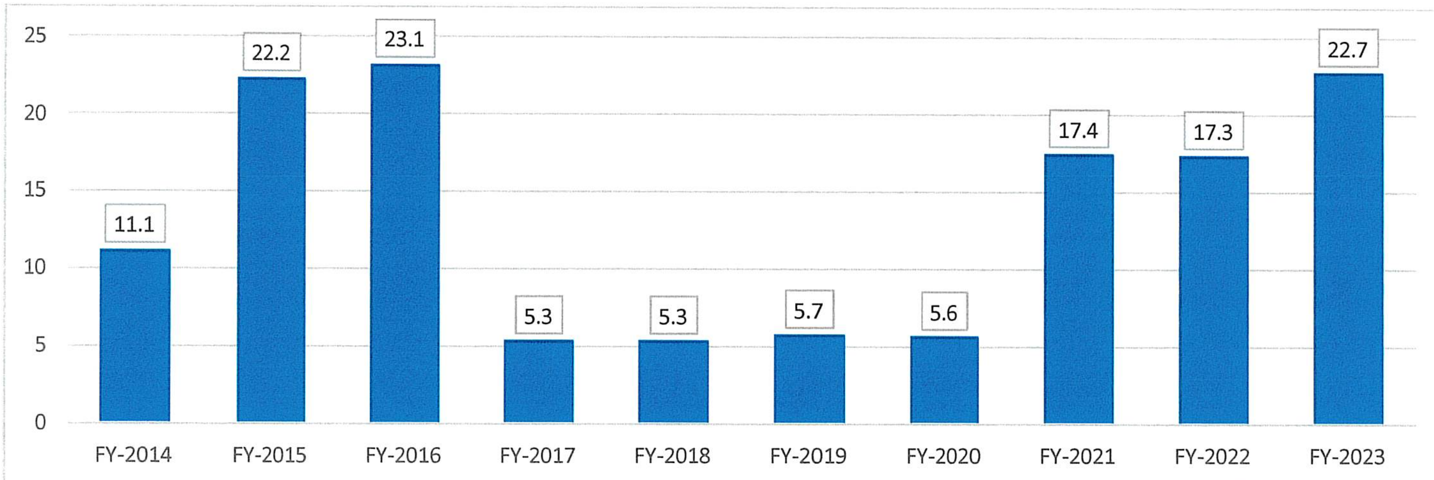
According to a recent U.S. Census Bureau American Community Survey the ethnic breakdown of the Texas workforce is 40 percent Anglo, 12 percent African American, 39 percent Hispanic and 9 percent Other. The 2020 U.S. Census showed a Texas population that was 39.8 percent Anglo, 39.3 percent Hispanic, 11.8 percent African American, and 9.1 percent Other. According to updated Census figures released in June 2023, the Hispanic population in the state of Texas surpassed the non-Hispanic white population during mid-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. In addition, examiners with experience of more than 2 to 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 attractive locality adjustments in pay, based on the metroplex area where the examiner is headquartered.

During the ten-year period from FY 2014 to FY 2023, <u>eight</u> examiners (average tenure of 59 months) were hired by credit unions and <u>three</u> examiners (average tenure of 39 months) were hired by NCUA. Another <u>fifteen</u> examiners left employment with an average tenure of 71 months. Two of the fifteen 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.

Examiner Turnover for 10 Years



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, nineteen 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 78th 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 eleven employees having retired. Two retired in FY2016, one in FY2017, one in FY2018, one more in FY2019, three in FY2020, two in FY2021, and one in FY2023.

As of the beginning of FY2024, seven employees (6 office and 1 field) are currently eligible for retirement, three more office employees are eligible within one year, one more office employee within two years, and an additional three field examiners are eligible within five years. In total, approximately one-third percent of all budgeted Department positions, including over 70 percent of all office staff, are eligible to retire within two years. Furthermore, 40 percent of all Department staff (office and field) are eligible within five years. Thus, immediate succession planning is critical to ensure the identification, hiring and development of successors for key positions. The inability to staff office positions over the next several years, could create critical deficiencies with Department operations and its ability to provide effective oversight of the Texas Chartered system. To summarize the urgent need of succession planning for the fourteen budgeted office positions, six (43 percent) of the office employees are currently eligible to retire, four (29 percent) more are eligible within two years and one position has not been filled. In addition, of the fourteen allocated office positions, two of the individuals are headquartered remotely in Dallas. The four positions (one vacant) filled by employees who are not eligible for retirement within the next two years, are non-management positions. All office management positions with the Department are currently eligible, or will be eligible, for retirement within two years.

and requires less travel. For example, while base salaries for Department examiners are competitive with the levels offered by our federal counterpart (NCUA), the Department is not competitive with the total compensation package they offer. In addition to the base compensation the NCUA pays their field staff, examiners are also provided with a locality pay adjustment based on the metroplex area where they are headquartered. In some instances, this adjustment can exceed 40 percent of their regular pay.

Agency wide, the turnover rate is anticipated to be 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.
- Remote examination work is expected to permanently remain at a level between 40 percent and 60 percent.

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

The FTE count is anticipated to increase by two to three team members over the next two years to ensure continuity of service and provide adequate staffing for:

- The third zone located in the Central Texas region, which was implemented in November 2023,
- To achieve succession planning needs,
- The increasing complexity of credit union examinations,
- The hiring of an examiner trainer to relieve some of the burden of training from the Field Supervisor positions, and
- Expanding the Department's reviews of consumer complaints and implementing a program geared specifically toward comprehensive reviews of consumer compliance,

Increasingly complex information technology and cybersecurity needs of the Department.

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. Although no immediate new skill requirements are anticipated at this time, financial technology analysis skills are rapidly becoming more important. As employees gain more tenure and experience, 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 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 jobs at the Department

- Competing for business majors with at least 6 to 9 hours of accounting,
- Younger employees are not staying with the agency,
- Developing a comprehensive succession plan focused on the identification and development of staff for key positions at the Department, and
- Assuring experienced, well-performing team members of regular salary increases, a competitive compensation and benefit package compared to peers, and an environment focused on a good work/life balance.

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	• Continue regular pay increases for high performance. • Consistently survey the market for similar positions to ensure the compensation being offered to our staff is competitive. • Allow employees who are seeking new challenges to work on special projects or assign development projects.

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 very high concentration of existing Department employees in key positions who are either eligible for retirement, or will become so, during the next 2 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	• Continue regular pay increases for high performance. • Allow employees who are seeking new challenges to work on special projects or assign development projects. • Identify above average performers and put them on a fast-track approach for their career path. • Implement a training approach for high potential staff which focuses on accelerating their development and advancement with the agency.

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 35.0 authorized FTEs (as of FY 2024), of which 22.0 FTEs are currently allocated for field examiner positions. Furthermore, possible retirements soon could adversely affect the organization, particularly in the office. Within the next 2 years a total of eleven (11) employees, or approximately 31 percent of all Department staff (when fully staffed), will be eligible for retirement. Of these eleven, ten are office team members, meaning that over 70 percent of office staff will be eligible for retirement. Immediate succession planning is critical to ensure the identification of staff for key positions as significant turnover due to retirements appears imminent within the next few years. In addition, the Department needs to devote adequate resources (i.e., trainer) 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.