WORKFORCE PLAN

Fiscal Years 2019 to 2023

Texas Department of Banking

June 2018

Texas Department of Banking
2601 N. Lamar Blvd.
Austin, Texas 78705
Toll Free 877-276-5554
www.dob.texas.gov

SCHEDULE F

WORKFORCE PLAN 2019-2023

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK.

I. DEPARTMENT OVERVIEW

The Department of Banking's (Department) mission is carried out 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 comply with state and federal laws. The ability to adequately supervise the entities under the Department's jurisdiction requires that sufficient support be provided to our financial examiners, as well as the regulated entities through professionalism, technology, legal services, communication, and administrative services.

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

The Department competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. The agency is authorized to have 190 full-time equivalent (FTE) employees and as of March 31, 2018, employs 174 individuals, the majority of which are financial examiners. The Bank and Trust Supervision Division is staffed with 95 field examiners and the Special Audits Division is staffed with 17 field examiners. There are currently 13 vacant financial examiner positions.

To reduce historical turnover in the financial examiner series, the Department, with the support of the Finance Commission, sought to receive approval to initiate examiner salary adjustments. Continuation of equity adjustments for financial examiner salaries to better align with federal counterparts has led to an overall decline in examiner turnover. Financial examiner turnover in FY 2016 was 11.11%. In FY 2017 financial examiner turnover was 9.23%. As of March 31, 2018, the financial examiner turnover for FY 2018 was 6.45%.

The Department has worked diligently to reduce turnover and must continue the same efforts to sustain a qualified workforce. Lessons learned from the past banking crisis highlight the need to retain a sufficient number of trained and tenured staff to stay abreast of economic and industry changes and be prepared to address adverse events that will occur in the next down cycle. The Department must be prepared for these contingencies rather than become complacent during times of prosperity. To remain competitive with federal banking regulators, the agency continues efforts to maintain examiner salaries up to 95% of the FDIC (Federal Deposit Insurance Corporation) salaries, with a goal of achieving parity. Further, efforts must be made to remain competitive with the Consumer Financial Protection Bureau's salaries. With the SDSI status, the agency can adjust salaries as needed to remain competitive.

Offering competitive incentives and career opportunities remains a priority. Although the burden cannot be fully eliminated, the Department continues to search for avenues to reduce the onus and necessity of travel. Examining personnel spend a significant amount of their time away from home to conduct on-site examinations. To reduce travel time, and provide a more family-friendly arrangement, all offices have implemented flexible 40- hour work week schedules that allow either every Friday or every other Friday off. The Pre-Examination Program (PREP) was also implemented to allow examiners to perform certain procedures prior to traveling on-site to the regulated entity. This program has also reduced the regulatory burden on the institutions being examined. Enhanced imaging methods used by licensees to provide documents in advance have also contributed in reducing travel. Improvements in infrastructure, such as increasing headquarters and regional offices online bandwidths, have been implemented to enhance the methods of information exchange. Select regional offices are also piloting programs that allow for additional work-at-home options as well as enhanced abilities to perform examination work without travel to the institution. These programs will be evaluated for effectiveness in Fiscal Year 2018 to determine the feasibility of the Department offering this program to all regional offices. To compensate for the burden of prolonged travel, the Department offers a stipend program to individuals who meet a minimum number of nights in "stay-out" travel status on an annual basis.

In 2012, the Department developed the Student Educational Employment Program (SEEP) which is a paid internship program in partnership with Texas A&M University and Sam Houston State University. Each has a dedicated banking program. The purpose of the SEEP is to introduce students to the career of a financial examiner. Interns who are successful in the SEEP program (as evaluated by the Regional Director) are offered employment as a Financial Examiner I upon graduation, contingent on their ability to meet the minimum qualifications for the position.

II. Workforce Plan Focus

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

The Texas unemployment rate as of February 2018 was 4.0%, down significantly from the peak in August 2009 of 9.7%, and relatively stable since December 2014. Similarly, the national unemployment rate was 4.1% as of February 2018. The latest unemployment rates for accounting and finance professionals are below the overall national rate according the U.S. Bureau of Labor Statistics. For instance, the national unemployment rate for financial analysts was 0.8% and accountants and auditors were 1.8% in the fourth quarter of 2017 [1]. Competition for qualified workers in Texas is a significant factor in staffing and recruiting.

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].

The Institute for Organizational Excellence at the University of Texas at Austin conducted a Survey of Employee Engagement for Department staff in November 2017 which indicated that Department employees have a higher level of engagement than the national average. Maintaining this level of engagement continues to be a priority.

Level of Engagement	Highly Engaged	Moderately Engaged	Disengaged
Department Results	67%	29%	4%
Nationwide Polling Results	30%	50%	20%

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

[1] Robert Half, Hiring Report: Low Unemployment Rates for Financial Professionals, (January 24, 2018).
[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).

Institutions seeking to hire Department trained examiners at higher salary and benefits has and will likely continue to affect the Department's ability to retain experienced examiners. Since FY 2016, the Department lost 12 examiners (35% of examiner turnover), to employment with a bank. The agency's challenge over the next five years will be to maintain a reasonable turnover rate while preparing for the impact of the departure of a significant number of retiring workers. If the economic recovery involves a significant inflationary impact, many retirement eligible employees may need to postpone retirement. Alternatively, if the Texas legislature makes significant changes to the retirement system or retirement eligibility requirements, this could hasten the retirement of approximately 22% of the current workforce eligible to retire today. The Department continues to plan for an array of possibilities for future retention and adjustment initiatives.

Financial Examiner Turnover by Fiscal Year										
FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018*
11.3%	8.8%	6.2%	11.4%	17.0%	8.2%	9.0%	12.5%	11.1%	9.23%	6.45%

**As of March 31, 2018*

In fiscal year 2016, financial examiner turnover totaled 14 employees. This included one retirement, two involuntary separations, and eleven resignations. Of the eleven resignations, four employees left for employment with banks, and seven cited personal reasons for leaving.

Fiscal year 2017 financial examiner turnover totaled 12 employees. This included one death, two involuntary separations, and nine resignations. Of the nine resignations, six individuals left for employment with banks, one for a federal regulatory agency, one for private industry, and one cited personal reasons for leaving.

During current fiscal year 2018, there have been eight financial examiners who have either voluntarily or involuntarily left the Department. Financial examiner turnover between September 1, 2017 and March 31, 2018 includes two involuntary separations, two retirements, two employees who left to work for a bank, and two who left for personal 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 examiners. The Department has also implemented a Financial Examiner III-B level within the classification of the financial examiner series which allows for a salary increase after passing Phase I of the Bank Examination Testing System (BETS). Providing rewards and incentives has also helped the agency's retention of qualified staff. Examples of the agency's efforts that have been implemented include:

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

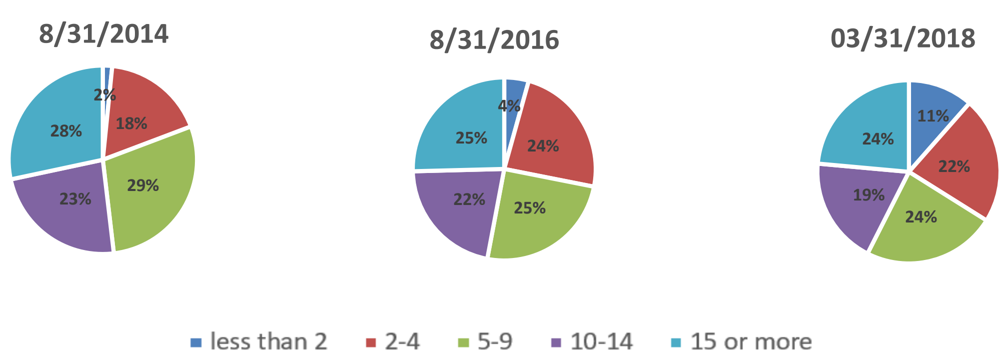
The Department continues to use a work style profile in the hiring process. The profile helps to identify candidates that have inherent work style characteristics conducive to our supervisory responsibilities, a propensity for the rigors of frequent travel and desire to establish a long-term career with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

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

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

The Department's overall score for <u>all</u> constructs in the Survey of Employee Engagement is 411, indicating that overall employee engagement is high.

B. Department of Banking Tenure



The short-term goal of the Department is to achieve a two to one ratio of commissioned examiners to non-commissioned assistant examiners with a longer-range goal of a four to one ratio. The long-term goal of the Department is to retain the large group of commissioned examiners with five to twelve years of experience which helps the agency move to the staffing plan goal of 88% commissioned examiners in Bank and Trust Supervision. Special Audits aims to have 71% senior examiners. The charts above show that in the past four years the Department has balanced the tenure ratio so that there is not only a high ratio of tenured personnel but also a significant number of staff to be trained, increasing the ability to transfer institutional knowledge.

C. Trends and Factors Related to the Aging Workforce

Within the next five years, 34% of the Department's workforce will be eligible to retire. Of this group, 64% are eligible to retire today. The loss of these employees combined represents approximately 900 years of experience.

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

Efforts to even out the percentage of assistant examiners to senior examiners has resulted in a more balanced financial examiner workforce.

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

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

Succession planning is a priority as retirement and other turnover factors continue to rise. In the next five years, 67% of senior management is eligible to retire. Preparing qualified staff to carry on these roles will require training programs such as sponsoring eligible employees for the Governor's Center for Management Development schools and other educational opportunities to develop management skills. In Fiscal Year 2017 and 2018, the Department sponsored a formal internal Leadership Program. Current directors and selected financial examiner VII's are candidates for this program. Pertinent to the success of this transition is retaining mid-level examiners to then replace high level examiners who move into these leadership roles. Current efforts to aid in succession planning also include a cross-training program where senior financial examiners volunteer to rotate through different work roles at the Department headquarters. These roles include review examiner duties, corporate functions and other administrative functions of headquarters staff.

D. Increasing Diversity

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

E. Meet Veterans Workforce Goals

The 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 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 2018 second quarter Veterans Workforce Summary indicates that veterans represent 5.4% of Department employees.

III. Department of Banking Mission

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

IV. Agency Goals and Action Plans

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

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

AGENCY GOAL AND ACTION PLAN
Goal: Effective Bank and Trust Regulation
Ensure timely, fair, and effective supervision and regulation of the financial institutions under our jurisdiction. The regulatory process promotes a stable banking and financial services environment and provides the public with convenient, safe, and competitive financial services. Provide quality regulation and maintain the credibility of the Department with the public, industries we regulate, federal banking regulators and other government agencies.
Actions Required to Achieve Goal

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

AGENCY GOAL AND ACTION PLAN
Goal: Effective Regulation of Special Audit Licensees
Ensure timely, fair, and effective supervision and regulation of the non-bank 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 cooperation with federal and other state regulatory entities, in conformance with the Department's examination priority schedule and in a thorough, accurate, and timely manner. • Maintain contact with, and monitor the condition of, regulated entities between examinations. • Promote cybersecurity awareness among regulated entities. • Actively participate in the Money Transmitter Regulators Association (MTRA) and its various committees which work to promote uniform regulatory oversight of the MSB industry. Maintain examination efficiencies through cooperation and coordination of states by developing uniform examination procedures and practices. • Optimize efficiencies in the examination process, including automating the data exchange of examination documents through a secure portal, and utilizing electronic examination procedures and reference materials. • Research and report on changing industry, statutory, and economic conditions and develop appropriate supervisory strategies to adapt to these changes. • Monitor industry status and engage in regular communication with federal and state regulators. • Provide the industry with electronic access to regulatory and supervisory information through the agency's website. • Conduct outreach efforts to regulated entities regarding changes in regulations or compliance. • Identify and investigate non-licensed entities and fraudulent activities. • Ensure proper enforcement actions are taken against unlicensed entities in an effort to bring such entities into compliance with rules and regulations. • Ensure proper enforcement actions will be taken against regulated entities that demonstrate noncompliance with rules and regulations. • Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Promote a culture of state service as a career.

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, in order to improve the quality and speed of information exchanged internally and between the Department, its stakeholders, applicants, and the various federal and state agencies that we partner with to process applications. • Perform thorough background checks as appropriate to determine if the individuals proposed have the experience, personal and financial integrity, and financial ability to direct and/or lead a financial institution's or MSB's affairs in a safe, sound, and legal manner. • Attract and retain qualified employees through a competitive salary program, specialized training, and career advancement opportunities. Promote a culture of state service as a career.

AGENCY GOAL AND ACTION PLAN
Goal: Effective and Efficient Operations Compliant with State Laws
Ensure that Texans and stakeholders are effectively and efficiently served by high-quality professionals entrusted to implement regulatory requirements and industry standards, utilize advanced technologies, safeguard confidential information, provide educational opportunities to support and strengthen the financial services industry, and assist consumers in resolving complaints with the financial service providers regulated and licensed by the Department.
Actions Required to Achieve Goal
• Investigate, process, and respond to consumer complaints about Department supervised entities in a professional, appropriate and timely manner. • Develop comprehensive annual budget and staffing plan. • Adhere to the agency's annual budget. • Update and test the Continuity of Operations Plan (COOP) annually. • Utilize technology to streamline processes throughout the agency. • Promote financial education. • Migrate to the Centralized Accounting & Payroll/Personnel Systems (CAPPS) by 2022. • Promote information security and cybersecurity awareness within the agency through training and processes designed to protect sensitive data. • Engage in regular communication and reporting with the Finance Commission. • Prepare and deliver Self-Directed, Semi-Independent (SDSI) agency reports to the Governor and Legislature in an accurate and timely manner. • Attract and retain qualified staff and maintain professional service. Promote a culture of state service as a career.

V. Anticipated Changes in Strategies

- Specialized staff and training are necessary in order to assess licensees' procedures and preparedness to prevent cybersecurity attacks.
- Technology and electronic payment systems continue to change as new forms of payment systems arise. Therefore, the Department must devote additional resources to evaluate emerging technologies and provide education and training to staff to keep up with these new products and technologies.
- Large bank examinations are requiring a higher level of expertise in the areas of target industry credit analysis, model risk management, capital planning and stress/shock testing.

VI. Supply Analysis - Current Workforce Profile

A. Critical Workforce Skills

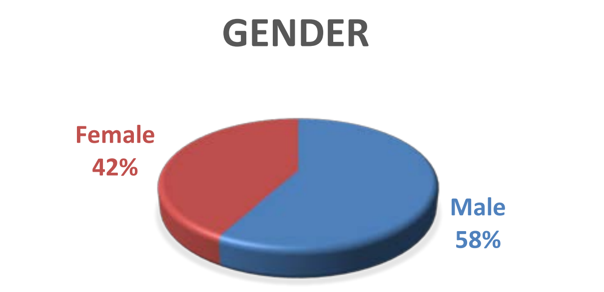
Several critical skills are vital to maintaining the Department's ability to operate effectively and efficiently. Without these, the Department could not provide basic business functions. The skills are:

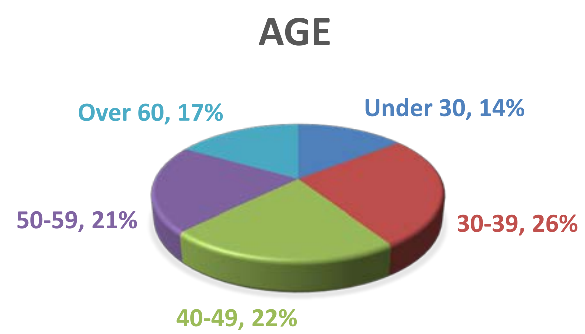
- Financial examination and regulatory experience;
- Specific regulatory expertise in capital markets, model risk management, trust operations, BSA/AML compliance, investigations and corporate governance;
- Customer service expertise;
- Information technology and cybersecurity expertise;
- Trust activities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

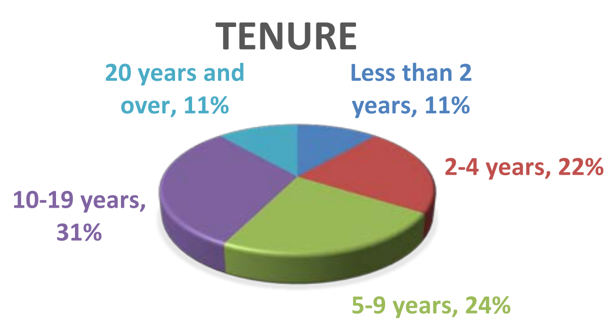
B. Workforce Demographics

Workforce Breakdown: The following chart profiles the Department's current workforce (March 31, 2018) of 174 individuals that includes both full and part-time employees. The Department's workforce is comprised of 58% males and 42% females. Approximately 60% of employees are over the age of 40 and approximately 33% have five years or less of Department service. Over 35% of financial examiners have less than five years of Department experience. This percentage is high enough to warrant strong programs to ensure examiner retention.

Workforce Breakdown as of March 31, 2018







Department Workforce by Job Category: The following table compares African-American, Hispanic American, and Female Department employees as of March 31, 2018 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 in the Hispanic-Official/Administration, Female-Professional, and Female-Technical categories. The Department strives to meet these diversity targets. The Department is vigilant in its effort to continue to monitor, address, recruit, and improve the minority representation within the agency.

Department Workforce by Job Category as of March 31, 2018

Job Category Employee Count	African-American		Hispanic American		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 13	7.7%	7.1%	7.7%	20.9%	23.1%	37.5%
Professional 139	9.4%	11%	21.6%	18.6%	39.6%	54.9%
Technical 5	20.0%	13.8%	20.0%	28.8%	20.0%	51.3%
Admin. Support 17	5.9%	13.6%	35.3%	33.0%	88.2%	72.8%

Statewide Civilian Workforce Composition, Texas Labor Code 21.0035, 2013-2014

C. Employee Turnover

Overall turnover has remained relatively static and lower than the State Turnover Rate over the past seven fiscal years. The Department's goal is to attain a turnover rate for non-retirement separations of less than 8%. Excluding retirements, the turnover rate for FY 2016 is 9.13% and FY 2017 is 11.10%. Economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods.

Twelve Year Turnover: The following 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 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	6.2%	15.9%
FY 2009	7.1%	15.6%
FY 2008	13.6%	19.3%
FY 2007	10.8%	19.2%
FY 2006	15.8%	17.9%

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

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE AS OF AUGUST 31, 2017

Years of Service	# of Financial Examiners	% of Financial Examiners	% of Financial Examiner Turnover FY 2017
Less than 2 years	10	8%	33%
2 – 5 years	31	25%	25%
5 – 10 years	34	27%	17%
10 – 15 years	22	18%	8%
15 – 20 years	16	13%	8%
20 years and over	11	9%	8%
TOTAL	124	100%	100%

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE FOR CERTAIN FISCAL YEARS

Years of Service	% of Financial Examiner Turnover FY 2016	% of Financial Examiner Turnover FY 2017	% of Financial Examiner Turnover FY 2018*
Less Than 2 years	14%	33%	13%
2 – 5 years	29%	25%	0%
5 – 10 years	43%	17%	25%
10 – 15 years	7%	8%	38%
15 – 20 years	7%	8%	13%
20 years and over	0%	8%	13%

** FY 2018 data as of March 31, 2018*

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, 2017, 60% of financial examiners had tenure of less than 10 years. This group constitutes 75% of the financial examiner turnover for FY 2017, a decrease from the 86% turnover in the same category in fiscal year 2016. As of March 31, 2018, turnover is occurring higher in the over 10-year tenure category at 64% of total financial examiner turnover.

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2017

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	% of Non-Examiner Turnover FY 2017
Less than 2 years	5	9%	44%
2 – 5 years	11	20%	11%
5 – 10 years	8	14%	11%
10 – 15 years	15	27%	22%
15 – 20 years	7	13%	0%
20 years and over	10	18%	11%
TOTAL	56	100%	100%

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

Years of Service	% of Non- Examiner Turnover FY 2016	% of Non- Examiner Turnover FY 2017	% of Non- Examiner Turnover FY 2018*
Less than 2 years	80%	44%	33%
2 – 5 years	0%	11%	33%
5 – 10 years	0%	11%	0%
10 – 15 years	20%	22%	17%
15 – 20 years	0%	0%	17%
20 years and over	0%	11%	0%

** FY 2018 data as of March 31, 2018*

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

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2017

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees*	% of Department Turnover FY 2017	% of State Turnover FY 2017*
Less than 2 years	15	8%	21%	38%	36%
2 – 5 years	42	23%	20%	19%	20%
5 – 10 years	42	23%	19%	14%	16%
10 – 15 years	37	21%	12%	14%	8%
15 – 20 years	23	13%	11%	5%	7%
20 years and over	21	12%	18%	10%	13%
TOTAL	180	100%	100%	100%	100%

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

All Employee Turnover: The highest rates of Department turnover in FY 2017 occurred for employees with less than five years, similar to the statewide rate. The Department must continue to provide incentives for employees to make employment with the Department an attractive long-term career choice.

WORKFORCE BY AGE AS OF AUGUST 31, 2017

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	% of Department Turnover FY 2017	% of State Turnover FY 2017*
Less than 30	22	12%	18%	29%	27%
30 – 39	46	26%	23%	29%	22%
40 – 49	44	24%	25%	19%	18%
50 – 59	37	21%	23%	10%	20%
60 and over	31	17%	11%	13%	13%
TOTAL	180	100%	100%	100%	100%

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

Workforce by Age: Employees over the age of 40 comprised 62% of the Department's workforce and similarly 59% of the statewide workforce as of August 31, 2017. Employees under the age of 30 comprised 12% of the Department's workforce and 18% of the statewide workforce.

D. Retirement Eligibility

Thirty-eight or 22% of employees are eligible to retire in FY 2018. In the next five years, 44% of Headquarters staff and 29% of all field examination staff will be eligible to retire.

Historically, retirement from the Department does not account for the majority of separations. For this fiscal year through March 31, 2018, two staff members have retired. Over the next five years, however, the pool of retirement eligible employees increases. With these retirements, the Department will lose substantial institutional knowledge and expertise. As of March 31, 2018, the Department has 59 employees, including 33 field examination staff that could potentially retire within the next five years. Furthermore, 64% of this group is eligible to retire today. In the next five years 67% of senior management is eligible to retire.

VII. Demand Analysis - Future Workforce Profile

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

A. Critical Functions

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

B. Expected Workplace Dynamics

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

C. Anticipated Increase in Number of Employees Needed

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

D. Future Workforce Skills Needed

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

- Comprehensive understanding of IT risk in a constantly changing environment;
- Changing technology and diversity of products offered;
- Knowledge of financial crimes and risks;
- Project management;
- Investigations and fraud detection;
- Process analysis;
- Change management;
- Management and supervision of staff;
- Cybersecurity; and

- Changing financial industry needing to focus on risk management, capital planning, and compliance with federal regulations.

VIII. GAP ANALYSIS

A. ANTICIPATED SHORTAGE OF WORKERS OR SKILLS

- Recruiting experienced examiners remains a significant challenge.
- The optimal balance in 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. This ratio has significantly improved over the last eight years but remains the same over the last two years.
- An increase in assets or large institutions under the Department supervision would call for additional experienced staffing.
- A significant downturn in the state's economy will require more field examinations and time reviewing an institution's books and records.
- An increase in fraud investigations or enforcement actions would call for additional staffing or contracted investigators.
- An increase in technology and cybersecurity needs will require additional Information Technology staff.
- An increase in the number of money service business opinion requests, new applications, and examinations require expanded legal, corporate, and financial examiner resources.
- An increase in BSA/AML specialists is needed to review and regulate industry compliance.

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

Gap Analysis
As of March 31, 2018

Division	Executive			Professional			Technical			Administrative			Total		
	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap	Authorized	Need	Gap
Executive / Admin	3	3	0	0	0	0	0	0	0	2	2	0	5	5	0
Legal	0	0	0	7	7	0`	0	0	0	3	3	0	10	10	0
Admin Services	0	0	0	5	5	0	0	0	0	1	1	0	6	6	0
Human Resources	0	0	0	2	2	0	0	0	0	1	1	0	3	3	0
IT Division	0	0	0	1	1	0	6	6	0	0	0	0	7	7	0
Division of Strategic Support	0	0	0	4	4	0	0	0	0	5	5	0	9	9	0
Corporate Activities	0	0	0	4	4	0	0	0	0	3	3	0	7	7	0
Bank Supervision	2	2	0	92	92	0	0	0	0	6	6	0	100	103	3*
Foreign Bank Supervision	0	0	0	1	1	0	0	0	0	0	0	0	1	1	0
Trust Company/ Department Supervision	0	0	0	10	10	0	0	0	0	0	0	0	10	11	1
IT Examinations	0	0	0	11	11	0	0	0	0	0	0	0	11	12	1
PFC/PCC	0	0	0	10	10	0	0	0	0	2	2	0	12	12	0
MSB	0	0	0	8	8	0	0	0	0	1	1	0	9	9	0
Total Department of Banking	**5**	**5**	**0**	**155**	**155**	**0**	**6**	**6**	**0**	**24**	**24**	**0**	**190**	**195**	**5**

**2 BSA Specialists, 1 Investigator*

IX. Strategy Development

Gap	Current employees lack critical skills.
Goal	Develop a competent, well-trained workforce.
Rationale	The presence of a well-trained workforce is absolutely critical not only to the success of the Department, but also to the credibility of the agency and condition of the industry. The success of the Department is not only measured by whether and how well it meets its goals and objectives, but the level of credibility it maintains with its federal counterparts. The level of credibility maintained by the Department has a direct correlation on the cost of supervision and regulation to regulated entities. A loss of credibility could result in a higher volume and more frequent supervision by federal regulators and therefore increase regulatory burden upon the supervised businesses operating in Texas.
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 may include: documenting processes, steps, dates, relationships, players, contacts, forms and files. • Institute checklists, flowcharts, reference guides and job pairing to provide easy to access resources.

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

Gap	Leadership Development
Goal	Through our annual performance appraisal process, identify potential employees for succession to Director positions.
Rationale	67% 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 in to headquarters for exposure to the supervisory duties not obtained in the field. Provide opportunities for mid-level managers to attend management training programs.