



## **Texas Credit Union Department**

### **Fiscal Year 2012-2013 Workforce Plan**

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

The Texas Credit Union Department was established as a separate agency in 1969 to supervise and regulate state chartered unions. This function encompasses safeguarding the public interest, promoting public confidence in Texas credit unions, protecting savings of members, and providing rulemaking and discretionary authority for flexibility in operations, maintaining sound growth and integrity of the industry, fiscal responsibility, and management independence. These tasks are accomplished through annual examinations of each credit union and the supervision of these credit unions 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 and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a Chief Examiner, an administrative technician and the Deputy Commissioner. The remaining positions include the Commissioner, Assistant Commissioner/General Counsel, Network Specialist and supporting staff in Austin (See Attachment A: TCUD Organizational Chart).

The Department currently is authorized 26 FTEs and does not anticipate expanding the workforce unless the number and assets of regulated credit unions increased significantly. Operating fees paid by the credit unions and deposited into the General Fund cover both the direct appropriations to the agency for the biennium, and the indirect payroll expenses such as insurance premiums, FICA tax, and retirement contributions by the agency.

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

*The mission of the Texas Credit Union Department is to supervise, regulate and examine Texas state-chartered credit unions in order to safeguard the public interest, protect the financial interests of credit union members and promote public confidence in the credit union industry.*

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

The Texas Credit Union Department has three main goals

Goal A	effectively supervise and regulate state-chartered credit unions
Objective 1	Ensure that state-chartered credit unions operate in a safe and sound manner, in compliance with all applicable state and federal laws
Strategies	<ul style="list-style-type: none"> <li>• Examine all credit unions within 15 months of previous examination</li> <li>• Take appropriate enforcement action in problem credit unions</li> <li>• Perform remedial examinations when necessary</li> <li>• Respond promptly to consumer complaints</li> <li>• Respond promptly to requests for interpretations or opinions</li> </ul>
Objective 2	Ensure timely and efficient processing of applications
Strategies	<ul style="list-style-type: none"> <li>• Process, investigate and evaluate applications for amendments to the bylaws, articles of incorporation, new charters, and mergers/consolidations</li> <li>• Refer contested cases to State Office of Administrative Hearings</li> </ul>
Goal B	Insure safety and soundness
Objective	Conduct regular and special meetings of the Commission
Strategies	<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>
Goal C	Procure goods and services using Historically Underutilized Businesses
Objective	Include HUBs in at least 20% of purchases and contracts annually
Strategies	<ul style="list-style-type: none"> <li>• Contact HUB contractors for bid proposals</li> <li>• Purchase from state contracted HUB providers</li> </ul>

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

There are no specific changes anticipated that will significantly impact the agency's business and workforce. The number of credit unions continues to decline, primarily as smaller credit unions choose to merge with larger credit unions so that the level and quality of financial services offered to members is improved. However, the total assets of state chartered credit unions have continued to increase annually. The current growth in assets of state chartered credit unions has come primarily from expansion of field of membership and services offered by existing credit unions.

In August 2002, the examination process was revised to be more risk focused, based on an assessment done at the beginning of the examination. In the past, all areas of operations were reviewed routinely, even if the credit union was not experiencing any deficiencies in a particular area. With a risk-based examination, those areas of the operation which are identified in the risk assessment will receive additional attention during the on-site analysis. Because of the disparity in the size and complexity of credit unions, examiners will remain generalists in terms of their expertise. However, examiners exhibiting an interest in or special abilities in a particular discipline (lending, investments, internal controls, etc.) will be provided with more specific training in that 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 Department anticipates increasing the scope of the information technology examination of credit unions each year. This will be accomplished by providing additional training to examiners.

## **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 the majority of employees, must have degrees in accounting, finance, or economics with a minimum of nine (9) hours of accounting. Other skills that are important to the agency's ability to perform our business function include:

- Financial statement analysis
- Investment analysis
- 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

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

The following charts profile the agency's workforce as of February 29, 2008. The agency is authorized 26 FTEs; currently it has 23 FTEs. The TCUD workforce is comprised of 61 percent males and 39 percent females. Only 42 percent of the employees are over the age of 40; the average age of a TCUD employee is 40 years. The average age of the examination staff is 36 years. Due to entry-level salaries for examiners, recruitment is generally focused on those persons just out of college, and those with limited work experience. The average tenure of an agency employee is 9.7 years; the average tenure of the examiners is only 7.8 years. Three examiners have been with the Department less than two years. There are currently three examination positions vacant.

The ethnic breakdown of the workforce is 65.2% Anglo, 26% African-American, 4.4% Hispanic and 4.4% Other. The 2000 Census showed a Texas population that was 53.1% Anglo, 11.6% African-American, 32.0% Hispanic, and 3.3% Other. Most census projections predict a rising Hispanic population in the state of Texas over the next 40 years.

#### ***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. The Credit Union Department experienced very high examiner turnover rates during the late 1990's, attributable to non-competitive salaries, 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, exposure to many different situations, 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 a recruitment bonus of \$5,000.

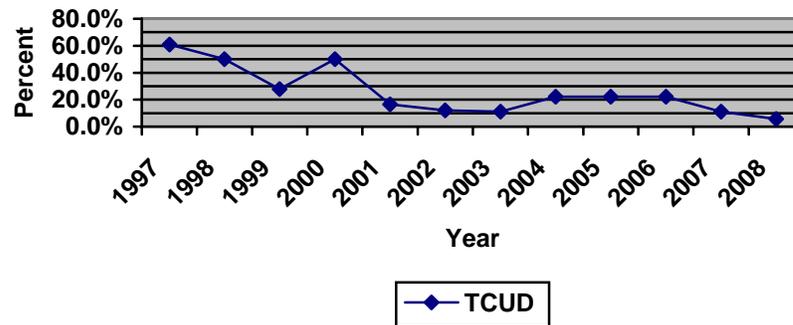
During the period from FY 1997 to FY 2002, six examiners (average tenure of 48 months) were hired by credit unions, four examiners (average tenure of 21.5 months) were hired by NCUA, and one examiner retired (tenure of 169 months). Of the remaining examiners who left the agency, the average tenure was only 17 months. Between FY 2002 and FY 2003, only one examiner was hired by a credit union (tenure of 51 months), and two retired (average tenure of 250 months). Of the remaining two examiners who left, the average tenure was 15 months.

The reason the turnover rates have remained lower over the past several years is a combination of the higher salary scales and targeted pay raises authorized by the Legislature beginning in FY 2002 and the tighter job market due to the downturn in the economy. The job market is improving again and between September 2004 and March 2006, seven examiners were hired for more pay by financial institutions, federal agencies or another state agency.

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**Employee Turnover**



***D. Retirement Eligibility***

The agency was created in 1969, but through the years very few employees have remained with the agency until retirement. Based on available information, only nine employees have retired from the agency. Three retired in the early 1970's soon after the agency became independent from the Banking Department; four employees have retired from 1996-2002, one medically. At the end of FY2003, two employees retired, prompted by the retirement incentive package authorized by the 78<sup>th</sup> Legislature. At the current time, no employees are eligible for retirement. Approximately four or five employees will be eligible for retirement within five years.

***E. Other Considerations***

While there is now an improved beginning salary for examiners and recent salary increases for existing staff, retention of experienced examiners will still be a problem as the economy is improving and financial institutions and federal agencies still pay a higher salary. Agency-wide, the turnover rate is expected to stay between 12% - 16% annually for at least the next few years. The Department is looking at other benefits and work condition enhancements to help with examiner retention. There are 9 employees with seven or more year's tenure, who most likely will remain with the agency long term. The turnover historically has been concentrated in employees with less than three years on staff.

**III. Future Workforce Profile**

***A. Critical Functions***

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

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***B. Expected Workforce Changes***

- Increased use of technology to revise and streamline work processes
- Examiners having specialized areas of expertise

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

- No immediate increase or decrease expected in FTE count

***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* are considered to remain constant for the future, and no immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience, the expectation is that their skills will 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 9 hours of accounting
- Younger employees are not staying with agency
- Assuring experienced, well-performing employees of regular salary increases and competitive salaries

**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, provide career opportunities, and support innovation and excellence.

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Action Steps	<ul style="list-style-type: none"><li>• Continue regular pay increases for performance</li><li>• Allow employees who are seeking new challenges to work on special projects, or assign development projects</li><li>• Provide training in specialized areas related to the examination process</li></ul>
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With the exception of increasing the scope of the information technology examination, the Credit Union Department is not anticipating changes in the examination process during the next 2-3 years. While the agency has only 26 FTEs, retirements are not expected to adversely impact the organization, and other employee turnover is expected to stabilize with the salary increases and other incentives aimed at retention. Major organization changes are also not anticipated.