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I. DEPARTMENT OVERVIEW

The Department is one of three agencies operating under oversight of the Texas Finance Commission. In September 2009, the Department became a Self-Directed, Semi-Independent (SDSI) agency. 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 agency's mission is carried out through chartering, licensing, examination and supervision, and customer assistance. Regulated entities receive examinations to ensure they are operating in a safe and sound manner and are in compliance 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 competes with financial service providers, other state agencies and the federal regulatory agencies for its professional examination staff. The agency is authorized to have 194 full-time equivalent (FTE) employees, but currently only employs 177.3 FTEs. This includes 14 additional FTEs granted in fiscal 2010 to provide adequate staff to oversee problem state-chartered banks. Authorized financial examiner staffing for the Bank and Trust Supervision Division is 111 and 14 for the Special Audits Division. However, actual staffing as of March 31, 2010, was 112, leaving 13 vacant financial examiner positions.

In 2005, the Department experienced a high turnover rate among the financial examiner series. Beginning in February 2007, with the support of the Finance Commission, the agency sought to receive examiner salary adjustments. On January 1, 2008, the agency issued equity adjustments for the examiner and related director series. Subsequently, examiner turnover decreased during fiscal 2009. To better align financial examiners VII and related directors with federal counterparts, approval for additional equity adjustments was given in September 2009, becoming effective for fiscal year 2010. It appears that a decline in examiner turnover will continue for fiscal year 2010. As of April 30, 2010, the financial examiner turnover for fiscal 2010 was 2.6%.

The Department has worked diligently to reduce and abate turnover, and must continue the same efforts to sustain a qualified workforce. Problems in the banking system coupled with expanded specialty examination areas in Bank Secrecy Act/Anti-Money Laundering, bank holding company and related organizations, and Information Technology continue to increase the demand to attract and retain experienced and knowledgeable staff. In an effort to ensure the agency remains competitive with federal banking regulators, it is the goal of the agency to have the average salary of each financial examiner group be 90% of the comparable FDIC title. With the SDSI status, the agency now has the ability to adjust salaries as needed to remain competitive.

Seeking to offer better incentives and opportunities for staff continues to be a priority. For example, although this burden cannot be fully eliminated, the Department continues to search for other avenues to reduce travel for examiners. Examining personnel spend the majority of their time in travel status due to the volume of examinations to be conducted each year, the necessity to conduct these examinations on-site, and the length of time needed to perform the on-site work. Two regional offices have implemented a four day ten-hour work week to reduce travel time, and provide a more family friendly environment.

II. WORKFORCE PLAN FOCUS

Key economic and environmental factors affecting the Department's workforce over the next five years include: turnover, retention of financial examiners, and an aging workforce. Over the next two to three years, the economic conditions and high unemployment rate will likely keep the Department turnover numbers down. As each year passes and the Department moves toward 2015, it is predicted that the economy will slowly recover including the unemployment factors. A possible resurgence of the banks seeking to hire examiners at a higher rate of compensation may affect the Department's ability to retain experienced examiners. The agency's challenge will be to maintain the lower turnover numbers and prepare for the impact of the departure of significant numbers of retiring workers and experienced examiners. If the economic recovery involves a significant inflationary impact, many retirement eligible employees may need to postpone retirement. The Department needs to plan for an array of possibilities for future retention and or adjustment initiatives.

A. TRENDS AND FACTORS AFFECTING THE RETENTION OF FINANCIAL EXAMINERS

Financial Examiner Turnover by Fiscal Year									
FY 2000	**FY 2001**	**FY 2002**	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
14.1%	21.7%	11.6%	10.2%	13.5%	23%	15.8%	7.8%	11.4%	8.8%

In 2001, a competitive salary plan was implemented and as a result, the turnover rate dropped from 21.7% to 10.2% in FY 2003. In 2004, salaries appeared to be losing the competitive edge and as predicted, turnover increased from 10.2% in FY 2003 to 23% in FY 2005. Turnover rates slowed to a record low of 7.8% in FY 2007 after the Department began the process to seek competitive salary adjustments for financial examiners and related directors and updated the commissioning process and promotion ladder. Salary adjustments approved and implemented in January 2008 reduced the turnover rate to 8.8% in fiscal 2009. As mentioned previously, adjustments made in September 2009, appear to have lowered the turnover rate further through April 2010.

The Department's examiner positions require employees who are highly skilled and educated. The competition to hire and retain these workers is an on-going challenge. The Department has revised its training efforts and now offers in-house schools that better fit the training needs of the examiners. The Department has also implemented a Financial Examiner III-B category to provide upward mobility while an examiner works to pass the commissioning process and become a commissioned examiner. Providing rewards and incentives has also helped the agency's retention of qualified staff. Examples of the agency's effort that have been implemented include:

- Noncompetitive financial examiner VI positions.
- Development of career paths into specialty areas – IT, Trust, Bank Secrecy, Capital Markets, and Large Bank Supervision.
- Frequent overnight stay-out travel stipend program, if funds are available.
- Paid leave award for outstanding performance.
- Flexible work schedules to accommodate employees and their families.
- One-time merits, if funds are available.

In the fall of 2006, the Department began using a work style profile in the hiring process to try 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.

The Department must curb turnover in the lower and mid financial examiner levels. These examiners must be cultivated, trained, and retained to replace departing and retiring employees. It takes approximately four to five years to complete the core training curriculum and pass an internal test to become a qualified “commissioned” examiner. Without continued competitive salaries, the Department will have difficulty retaining trained personnel and competing for qualified candidates. Although turnover is currently at a low level, the Department can expect the competition for employees to rebound with improvements in the economy. 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.

B. TRENDS AND FACTORS RELATED TO THE AGING WORKFORCE

Within the next five years, 36% of the Department’s workforce will be eligible to retire, with 16% of this group eligible to retire today. The loss of these employees represents a combined 704 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 number of aspects. The aging workforce and issues related to succession planning will become crucial where 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 retirees back into the workforce. Retired financial examiners may be recruited to work as trainers for assistant examiners; thus we fill the gap between many new examiners and the long-tenured experienced examiners. This facilitates and expedites the education process of new examiners and relieves experienced examiners of some training duties and allows them to focus on other examination assignments.

Due to the aging workforce there is a need to develop nontraditional workplace and employment relationships, such as short term assignments and consulting agreements with retired employees.

The Department is proactively moving forward with its management succession plan to ensure that existing staff is ready to fill higher level positions left vacant by retirees. It is the agency’s position that it is critical to identify the skills, knowledge, and abilities needed to maintain our organizational excellence and to strengthen those skills for up and coming staff. For instance, several mid-level personnel have attended courses sponsored by the Governor’s Center for Management Development. In addition to providing educational opportunities to expand their management skills, select staff is also receiving exposure in professionally representing the Department at speaking engagements. It is the agency’s practice to use senior employees as mentors for less tenured staff. A Delegation of Authority policy is in place to ensure all critical areas are covered in the absence of senior management. The policy highlights the areas where less tenured managers need to concentrate their efforts to become more knowledgeable and better equipped to handle the duties of their supervisors. Our financial examiner mentoring program and efforts to retain mid-level examiners also aid in our succession planning. Retaining these mid-level examiners is critical to the agency in order to have competent, well trained staff to replace our retiring examiners.

C. Increasing Diversity

The Department continues to emphasize the need for workplace diversity and to strive for a workforce that is reflective of the racial composition of the population. The Census Bureau has announced that Hispanics are now the nation's largest minority group and account for the majority of births in some states. 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 all jobs postings.

III. Agency Mission

To ensure Texas has a safe, sound and competitive financial services system.

IV. STRATEGIC GOALS AND OBJECTIVES

Goal 1: Effective Regulation	To ensure timely, fair, and effective supervision and regulation of the financial institutions and other licensees under our jurisdiction in order to promote a stable banking and financial services environment and provide the public with convenient, safe, and competitive services.
Objective	To provide quality regulation and maintain the credibility of the Department with federal banking regulators, other government agencies, the public, and the industries it regulates.
Strategies	• Conduct examinations in conformance with the examination priority schedule. • Maintain national accreditation. • Maintain contact with, and monitor the condition of, regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on new regulatory responses to changing industry and economic conditions. • Provide the industry with electronic access to regulatory and supervisory information through the website or secure mail server. • Maintain a contingency plan that allows additional regulatory resources to address changing situations. • Monitor industry status and activities through an offsite monitoring system and engage in regular communications with federal regulators. • Active detection and pursuit to stop unauthorized activities and prohibit officers and employees that engage in fraudulent activities from returning to the industry.
Objective	To provide quality regulation of non-bank licensees.
Strategies	• Conduct examinations in conformance with the examination priority schedule. • Maintain contact with, and monitor the condition of regulated entities between examinations. • Optimize efficiencies in the examination process, including automating examination procedures and reference materials. • Research and report on changing industry and economic conditions. • Ensure proper enforcement actions are taken against unlicensed entities.
Objective	To guarantee convenient and competitive financial services and protect the public.
Strategies	• Enhance current systems through the automation of applications and request processing by efficient unitization of computer resources and programs. • Process applications and information requests in a timely manner.
Goal 2: Communication (Unfunded)	To improve communication with and responsiveness to the needs of the general public, the Legislature, the Governor's Office, the Finance Commission and other oversight bodies, other state and federal governmental agencies, consumer groups, and the banks and other entities the Department regulates.
Objective	Communicate effectively by responding to consumer complaints and inquiries, and conducting an annual satisfaction survey of regulated entities.

Strategies	• Provide Ombudsman services to coordinate communication with the public, regulated entities, oversight bodies, and other governmental organizations. • Administer a tracking system for complaints and inquiries received.
Goal 3: Promoting the Dual Banking System (Unfunded)	Promote the state banking system and economic development by pursuing all opportunities consistent with safety, soundness, and prudent regulatory principles; to assist and enable the Texas banking industry to enhance its individual and collective franchise values.
Objective	To focus on economic development by promoting the state banking charter in Texas as a superior vehicle for conducting banking activities, and promoting greater accessibility and responsiveness than that provided by federal regulatory agencies.
Strategies	• Prepare written and oral testimony as requested or needed. • Constantly review the Department's rules with respect to safety and soundness, new bank powers, and other regulatory matters.
Goal 4: HUB Usage (Unfunded)	Contract with historically underutilized businesses (HUBs) to the greatest extent possible.
Objective	Award contracts to HUBs with home offices in Texas in sufficient quantities to meet or exceed HUB participation targets by category of contract.
Strategies	• Continue to seek bids from at least two certified HUB vendors for all competitive purchases. • Follow the Department's policy of contracting for services in such a way as to give HUB vendors preference where the goods or services and bids are otherwise comparable. • Update and maintain directories of certified HUB vendors to facilitate bidding processes.

V. ANTICIPATED CHANGES IN STRATEGIES

The Department's strategies are proactive to indicators in the financial industry. The number of problem banks is increasing and for the first time in many years, bank charter activity has come to a standstill. No new banks opened in the last half of 2009. Given the persistence of the current recession, short term predictions are difficult. The Department reacts to a decline in a regulated entity's condition with more frequent on-site examinations and off-site monitoring. Supervisory agreements and periodic reports assist in monitoring the condition and progression of problem entities. If the number of problem banks continues to increase, the Department will be further challenged to complete additional examinations and perform the necessary problem bank monitoring while meeting examination priorities.

The emphasis on Bank Secrecy Act/Anti–Money Laundering monitoring continues, requiring additional staffing resources in order to comply with this mandate. Technology and the electronic payment systems are rapidly evolving changing not only banking but the money service business industry. As new forms of payments or exchange arise, the Department must devote additional resources to evaluating licensing and regulation issues, monitoring risks associated with emerging technologies, and education and training of staff to keep up with industry changes.

Changes in the federal regulatory structure are on the horizon, and will likely impact the agency and the manner in which it carries out its mission. Congress is set to debate regulatory reform this summer with no indication of the end results. Should there be a shift in federal examination resources away from the alternate examination program, Departmental resources will be affected as will examination priorities.

VI. SUPPLY ANALYSIS - CURRENT WORKFORCE PROFILE

A. CRITICAL WORKFORCE SKILLS

As mentioned in the Departmental Overview, current FTEs are 177.3. Although the Department now has many capable, qualified employees, there are several critical skills that are vital to maintaining the Department's ability to operate effectively and efficiently. Without these skills, the Department could not provide basic business functions. The skills are:

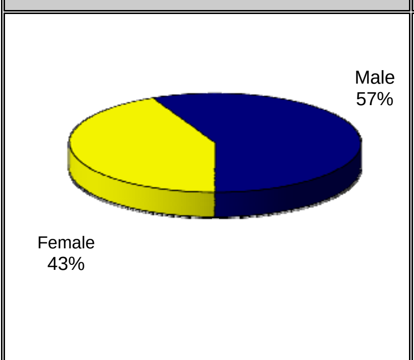
- Financial examination experience and expertise
- Customer service expertise
- Information technology expertise
- Financially related legal knowledge
- Database development and maintenance expertise
- Regulatory and accounting experience and expertise
- Financial regulatory legal expertise

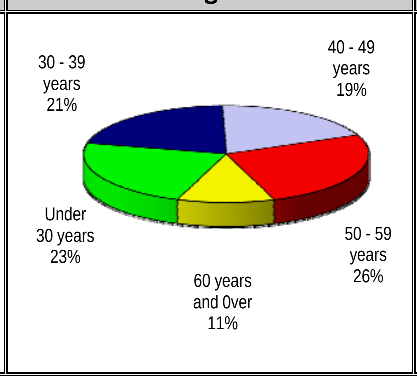
B. WORKFORCE DEMOGRAPHICS (AS OF MARCH 16, 2010)

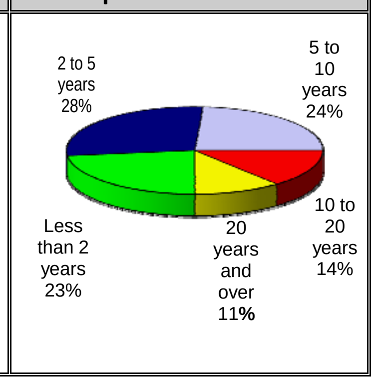
Workforce Breakdown: The following chart profiles the Department's current workforce that includes both full and part-time employees. The Department's workforce is comprised of 57% males and 43% females. Approximately 56% of our workforce is over the age of 40 and approximately 51% have less than five years Department service. Over 78% of these less-tenured employees represent financial examiners. This percentage is high enough to warrant strong programs to ensure examiner retention.

Workforce Breakdown at March 16, 2010

Gender	Age	Department Tenure







Department Workforce by Job Category: The following table compares African American, Hispanic American, and female Department staffing as of March 16, 2010, to the statewide civilian workforce as reported by the Texas Workforce Commission Civil Rights Division. The Department strives to meet various diversity targets. The Department's percentages of African American employees in the job categories of Official/Administrative, Technical, and Administrative Support are representative of the state civilian workforce. However, we lag in the professional category. Hispanic Americans are under-represented in all job categories except Administrative Support as compared to the state civilian workforce. Females are under-represented in all categories except Administrative Support. Females are under-represented in the Official/Administration category by one person and in the Professional category by 28. The Technology category is under-represented by one female. The Department is vigilant in its effort to continue to monitor, address, recruit, and improve the minority representation in each category.

Department Workforce by Job Category as of March 16, 2010

Job Category Employee Count	African American		Hispanic American		Females	
	Department %	Civilian Workforce	Department %	Civilian Workforce	Department %	Civilian Workforce
Official/Administration 13	8%	9%	8%	24%	31%	39%
Professional 135	8%	12%	13%	20%	33%	55%
Technical 4	50%	17%	0%	27%	25%	56%
Admin. Support 30	13%	13%	40%	32%	93%	66%

C. EMPLOYEE TURNOVER

The turnover rate for FY 2009 was 7.2%, a twelve year low, as reflected in the next chart. However, improvements have historically been short lived and economic indicators suggest competition for financial examiner job skills will continue. The Department must be vigilant in researching and refining retention methods. During FY 2000, turnover in the Department was 23.8%. After changes effective for FY 2001 to the state classification system along with additional targeted appropriations provided for substantial examiner pay increases, turnover actually decreased to 10.2% by FY 2003. This compared favorably to the statewide 2003 rate of 17.9%. During FY 2005, the Department's turnover increased to 20.9% as compared to the statewide turnover of 19.1%.

In FY 2007 the Department's losses dropped to eight financial examiners. However, half of these moved, for higher pay, to banks and private employers. In FY 2008, the agency lost twelve examiners, two of which retired. Ten examiners left in FY 2009, with three of these retiring. Turnover issues consistently affect the financial examination series, the major component of the Department's workforce.

Twelve Year Turnover: The following chart compares the Department turnover to that of the State over the last twelve years.

Twelve Year Turnover		
Fiscal Year	**Department Turnover Rate**	**State Turnover Rate***
FY 2009	7.2%	15.6%
FY 2008	13.6%	19.3%
FY 2007	10.8%	19.2%
FY 2006	15.8%	17.9%
FY 2005	20.9%	19.1%
FY 2004	14.4%	41.8%**
FY 2003	10.2%	17.9%
FY 2002	14.1%	15.3%
FY 2001	22.0%	18.5%
FY 2000	23.8%	18.9%
FY 1999	18.9%	17.6%
FY 1998	25.9%	17.4%

* Information obtained from the State Auditor's Office E-Class System including interagency transfers.
** The exceptionally high statewide turnover in FY 2004 is due to the reorganization of the health and human services agencies.

Financial Examiner Turnover: The financial examiner group is the largest component of the Department's workforce at 70% when fully staffed. Turnover in this group is most costly to the Department because examiners receive extensive professional training and direct supervision in the first two to four years of employment, which requires substantial monetary commitment by the Department.

During FY 2005, the Department experienced a 42% turnover rate for examiners employed less than two years. This turnover rate decreased to 14% in 2007 and again to 4% in 2009. The statistic representing 2007 is reflective of the Department's salary adjustment efforts and recruitment and retention strategies. The decrease to 4% in 2009 is due to the weakened economy and the agency's efforts to adjust financial examiner salaries to within 90% of the comparable FDIC title. While the turnover rate for examiners with less than two years of experience was significantly less in FY 09, the turnover rate for examiners in the 2-5 year group, 5-10 year group, and 20 plus years increased.

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2009
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Financial Examiners	% of Financial Examiners	Financial Examiner Turnover Rate FY 2009
Less than 2 years	27	24%	4%
2 – 5 years	35	31%	13%
5 – 10 years	23	20%	10%
10 – 15 years	10	9%	0%
15 – 20 years	5	4%	0%
20 years and over	14	12%	18%
TOTAL	**114**	**100%**	

FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Financial Examiner Turnover Rate FY 2001	Financial Examiner Turnover Rate FY 2003	Financial Examiner Turnover Rate FY 2005	Financial Examiner Turnover Rate FY 2007	Financial Examiner Turnover Rate FY 2009
Less Than 2 yrs	39%	19%	42%	14%	4%
2 – 5 years	44%	7%	27%	10%	13%
5 – 10 years	6%	0%	14%	0%	10%
10 – 15 years	11%	8%	0%	11%	0%
15 – 20 years	0%	0%	11%	0%	0%
20 yrs and over	0%	67%	17%	0%	18%

Non-Financial Examiner Turnover: In FY 2007, the Department experienced significant turnover within the non-financial examiner employee group. Turnover for employees in this group with less than two years of service increased from 28% in 2005 to 45% in 2007. The agency also lost two of the five employees with 20 plus years experience. By fiscal year 2009, turnover in the less than two year group was down to 13%. The lower turnover rate across the board is likely a reflection of the economic situation and the Department's retention efforts. The Department has implemented additional flex schedules and a work at home policy to encourage retention of this employee group.

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2009
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of Non-Examiner Employees	% of Non-Examiner Employees	Non-Examiner Turnover Rate FY 2009
Less than 2 years	10	18%	13%
2 – 5 years	9	16	6%
5 – 10 years	20	36%	0%
10 – 15 years	4	7%	0%
15 – 20 years	7	12%	0%
20 years and over	6	11%	0%
TOTAL	**56**	**100%**	

NON-FINANCIAL EXAMINER TURNOVER BY LENGTH OF SERVICE
FOR CERTAIN FISCAL YEARS
(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	Non-Examiner Turnover Rate FY 2001	Non-Examiner Turnover Rate FY 2003	Non-Examiner Turnover Rate FY 2005	Non-Examiner Turnover Rate FY 2007	Non-Examiner Turnover Rate FY 2009
Less than 2 yrs	64%	12%	28%	45%	13%
2 – 5 years	9%	18%	13%	7%	6%
5 – 10 years	18%	10%	0%	0%	0%
10 – 15 years	9%	13%	0%	13%	0%
15 – 20 years	0%	0%	25%	0%	0%
20 yrs and over	0%	0%	0%	40%	0%

All Employee Turnover: Although overall turnover has decreased, the greatest area of turnover continues to be with employees who have between two and five years of service with the Department. In FY 2007, 21% of the employees who entered the Department workforce did not make it past the two-year benchmark. During FY 2009, 6% of the employees resigning their positions had been with the Department for less than two years, a significant decrease for this group. The Department has experienced a steady improvement since FY 2001 when the turnover rate for this group was at 49%. This statistic indicates an overall improvement in retention. However, the Department must continue to provide incentives for the less tenured employees to make employment with the Department an attractive long-term career choice.

ALL EMPLOYEE TURNOVER BY LENGTH OF SERVICE
AS OF AUGUST 31, 2009

(The denominator for the turnover percentages is the beginning balance for the period.)

Years of Service	# of All Department Employees	% of All Department Employees	% of State Employees	Department Turnover Rate FY 2009	State Turnover Rate FY 2009*
Less than 2 years	37	22%	21%	6%	34%
2 – 5 years	44	26%	16%	10%	16%
5 – 10 years	43	25%	18%	6%	10%
10 – 15 years	14	8%	16%	0%	8%
15 – 20 years	12	7%	13%	0%	7%
20 years and over	20	12%	16%	13%	11%
TOTAL	**170**	**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 53% of the Department's workforce as of August 31, 2009. Employees under the age of 30 comprised 25% of the workforce.

WORKFORCE BY AGE AS OF AUGUST 31, 2009

(The denominator for the turnover percentages is the beginning balance for the period.)

Age Groups	# of All Department Employees	% of All Department Employees	% of All State Employees	Department Turnover Rate FY 2009	State Turnover Rate FY 2009*
Less than 30	42	25%	16%	11%	34%
30 – 39	38	22%	21%	3%	15%
40 – 49	32	19%	28%	8%	9%
50 – 59	43	25%	26%	5%	11%
60 and over	15	9%	9%	9%	18%

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

D. Retirement Eligibility

Twenty-two employees were qualified to retire in FY 2009. As of August 31, 2009, two of the qualifying employees retired. Since August 31, 2009, one more has retired.

Retirement from the Department does not account for the majority of separations; however, over the next five years it will become critical as our pool of retirement eligible employees increases. With these retirements, we will lose substantial institutional knowledge and expertise. As of March 31, 2010, the Department potently has 66 employees including 32 financial examiners that could retire within the next five years. Furthermore, 16% of this group is eligible to retire today. Approximately 26% of the financial examiner workforce is eligible to retire within the next five years.

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 of 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 conditions.

- Increased examination activity in supervision of problem banks.
- Increased trust examination activity as the population ages and the state's wealth increases.
- Increased examination activity in the money services business area.
- Increased demand for Bank Secrecy Act/Anti-Money Laundering Specialists.
- Increased need for Fraud Specialists.

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 activity.

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

- Problem bank institutions will likely fluctuate over the next five years. Staffing will vary depending on the number of problem institutions.
- Number of unlicensed money services businesses continues to increase.

Projected Staffing Needs

# of Problem Institutions	# Commercial Examiners	# Review Examiners	# Administrative Staff	Total Staff Needed
40	92	4	2	98
50	96	5	2.5	103.5
60	99	6	3	108
70	105	7	3.5	115.5

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.
- Project management.
- Process analysis.
- Change management.

VIII. GAP Analysis

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

1. Recruiting experienced examiners remains a significant challenge.

2. An imbalance of experience exists between bank and trust assistant examiners and commissioned examiners.

    - Assistant examiners make up 47% of the bank and trust examiner workforce while the staffing level of commissioned examiners is 53% of the examiner workforce. The Department's staffing plan calls for 21% assistant examiners and 79% commissioned examiners. Closing this gap requires the Department to effectively retain assistant examiners and transition them to commissioned examiners.

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 April 30, 2010

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
Admin Law Judge	0	0	0	.5	.5	0	0	0	0	1	1	0	1.5	1.5	0
Legal	0	0	0	6	6	0	0	0	0	3	3	0	9	9	0
Admin Services	0	0	0	4	4	0	0	0	0	5.5	5.5	0	9.5	9.5	0
IT Division	0	0	0	1	1	0	5	5	0	0	0	0	6	6	0
Division of Strategic Support	0	0	0	3	3	0	0	0	0	6	6	0	9	9	0
Corporate Activities	0	0	0	4	4	0	0	0	0	3	3	0	7	7	0
Bank Supervision	1	1	0	107	107	0	0	0	0	6	6	0	114	114	0
Foreign Bank Supervision	0	0	0	1	1	0	0	0	0	0	0	0	1	1	0
Trust Company/ Dept Supervision	0	0	0	6	6	0	0	0	0	0	0	0	6	6	0
IT Examinations	0	0	0	7	7	0	0	0	0	0	0	0	7	7	0
PFC/PCC	0	0	0	10	10	0	0	0	0	4	4	0	14	14	0
Fraud Investigator	0	0	0	0	3	(3)	0	0	0	0	0	0	0	3	(3)
MSB	0	0	0	5	5	0	0	0	0	0	0	0	5	5	0
Total Department of Banking	**4**	**4**	**0**	**154.5**	**157.5**	**(3)**	**5**	**5**	**0**	**30.5**	**30.5**	**0**	**194**	**197**	**(3)**

IX. Strategy Development

Gap	Current staffing levels contain an experience imbalance.
Goal	Reduce the experience gap existing within the Department.
Rationale	Closing the existing experience gap will reduce the impact of retirements or other loss of the most experienced personnel on the knowledge base and skill sets and preserve the Department's ability to act on and react to deterioration that might occur in regulated entities as a result of economic weakness or other factors not directly related to the economy.
Action Steps	• Continue a program that allows retirees to return to work in a part time status to train less tenured employees. • Continue a program that allows time for senior personnel to mentor less tenured employees to insure knowledge and lessons learned from the past are appropriately considered in present day evaluations. • Require mid-level managers to be in-charge of problem or more complex situations and confer with senior staff on findings. • Create a "spilled milk" notebook to record and memorialize historical approaches to problem and complex situations. • More aggressively recruit mid-level managers from outside the Department. • Continue to refine and improve our succession plan.

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 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 our succession plan.

Gap	Attracting and retaining the right employees.
Goal	Become an employer of choice.
Rationale	There is competitive job market for qualified individuals with the skills required to perform the duties of an examiner.
Action Steps	• Continue efforts to keep examiners salaries between 90% and 95% of the FDIC. • Provide training in specialized areas related to the examination process.

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