



AGENCY STRATEGIC PLAN

For Fiscal Years 2015-2019

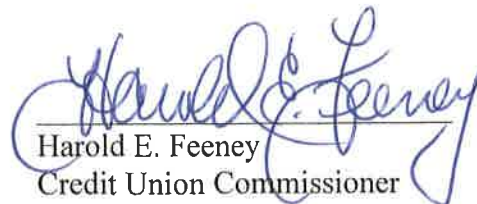
CREDIT UNION DEPARTMENT STATE OF TEXAS

Credit Union Commission of Texas

<u>Commission Member</u>	<u>End of Term</u>	<u>Hometown</u>
Manuel "Manny" Cavazos, Chair	February 15, 2017	Austin, Texas
Gary L. Janacek	February 15, 2015	Temple, Texas
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Approved February 21, 2014

Signed:


Harold E. Feeney
Credit Union Commissioner

Approved:

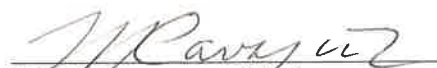

Manuel Cavazos, Chair
Credit Union Commission

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STRENGTHENING OUR PROSPERITY

VISION —

“Since the last round of strategic planning began in March 2012, our nation’s economic challenges have persisted, but Texas’ commitment to an efficient and limited government has kept us on the pathway to prosperity. Our flourishing economic climate and thriving jobs market continue to receive national attention and are not by accident. Texas has demonstrated the importance of fiscal discipline, setting priorities, and demanding accountability and efficiency in state government. We have built and prudently managed important reserves in our state’s “Rainy Day Fund,” cut taxes on small businesses, balanced the state budget without raising taxes, protected essential services, and prioritized a stable and predictable regulatory climate to help make the Lone Star State the best place to build a business and raise a family.

Over the last several years, families across this state and nation have tightened their belts to live within their means, and Texas followed suit. Unlike people in Washington, D.C., here in Texas we believe government should function no differently than the families and employers it serves. As we begin this next round in our strategic planning process, we must continue to critically examine the role of state government by identifying the core programs and activities necessary for the long-term economic health of our state, while eliminating outdated and inefficient functions. We must continue to adhere to the priorities that have made Texas a national economic leader:

- Ensuring the economic competitiveness of our state by adhering to principles of fiscal discipline, setting clear budget priorities, living within our means, and limiting the growth of government;
- Investing in critical water, energy, and transportation infrastructure needs to meet the demands of our rapidly growing state;
- Ensuring excellence and accountability in public schools and institutions of higher education as we invest in the future of this state and ensure Texans are prepared to compete in the global marketplace;
- Defending Texans by safeguarding our neighborhoods and protecting our international border; and
- Increasing transparency and efficiency at all levels of government to guard against waste, fraud, and abuse, ensuring that Texas taxpayers keep more of their hard-earned money to keep our economy and our families strong.

I am confident we can address the priorities of our citizens with the limited government principles and responsible governance they demand. I know you share my commitment to ensuring that this state continues to shine as a bright star for opportunity and prosperity for all Texans. I appreciate your dedication to excellence in public service and look forward to working with all of you as we continue charting a strong course for our great state.”

By Governor Rick Perry

STATE MISSION AND PHILOSOPHY

MISSION —

Texas State Government must be limited, efficient, and completely accountable. It should foster opportunity and economic prosperity, focus on critical priorities, and support the creation of strong family environments for our children. The stewards of the public trust must be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner.

Aim high...we are not here to achieve inconsequential things!

PHILOSOPHY —

The task before all state public servants is to govern in a manner worthy of this great state. We are a great enterprise, and as an enterprise, we will promote the following core principles:

- First and foremost, Texas matters most. This is the overarching, guiding principle by which we will make decisions. Our state, and its future, is more important than party, politics or individual recognition.
- Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
- Decisions affecting individual Texans, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
- Competition is the greatest incentive for achievement and excellence. It inspires ingenuity and requires individuals to set their sights high. Just as competition inspires excellence, a sense of personal responsibility drives individual citizens to do more for their future and the future of those they love.
- Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
- State government has responsibility to safeguard taxpayer dollars by eliminating waste and abuse and providing efficient and honest government.
- Finally, state government should be humble, recognizing that all its power and authority is granted to it by the people of Texas, and those who make decisions wielding the power of the state should exercise their authority cautiously and fairly.

STATE PRIORITY GOALS

PRIORITY GOALS –

The following statewide priority goal and related benchmark are particularly relevant and provide guidance to the Credit Union Department in establishing its goals and objectives:

GOAL: REGULATORY

"To ensure Texans are effectively and efficiently served by high-quality professionals and businesses by:

- Implementing clear standards;
- Ensuring compliance;
- Establishing market-based solutions; and,
- Reducing the regulatory burden on people and business."

BENCHMARK:

- Percent of state financial institutions and credit providers rated "safe and sound" and/or in compliance with state requirements.

AGENCY VISION, MISSION AND PHILOSOPHY

VISION –

To assure a credit union system in which credit unions soundly manage their risks, comply with applicable laws, compete effectively with other providers of financial services, and offer products and services that meet the needs of credit union members.

MISSION –

To safeguard the public interest, protect the financial interests of credit union members, and promote public confidence in the credit union industry.

PHILOSOPHY –

In fulfilling its mission, the Department will serve the public, credit unions and their members, exercising the highest standards of regulatory oversight, emphasizing professionalism and personal ethics. The Department will guide credit unions toward continuous improvement in financial strength and effectiveness in the provision of financial services to their members. Supervision and examination will be fairly and consistently administered as appropriate to ensure fiscal integrity of the industry. Preservation of public confidence in credit unions and the protection of members' interests, and shares and deposits of credit unions will remain a principal focal point of the agency. This will be accomplished through effective regulation and open communication with credit unions and the general public.

AGENCY OVERVIEW

DEPARTMENT OVERVIEW

The Credit Union Department (Department) is entrusted with assuring the safety and soundness of state-chartered credit unions in Texas. The Department's supervisory authority is exercised over 189 credit unions that control approximately \$30.5 billion in financial assets as of December 31, 2013. The agency also oversees branches of out-of-state credit unions operating in the state.

The Credit Union Commission (Commission), a nine member governing body, is responsible for overseeing the activities of the Department. The Department was granted Self-Directed, Semi-Independent (SDSI) status in the 81st Legislative Session. The Commission appoints the Commissioner, who is charged with carrying out the mission of the agency. An organizational chart is provided in Appendix B.

As a result of the SDSI status, the Department is not required to have its budget approved by the Legislature. The Commission is responsible for annually setting the spending authority or limits for the agency. Pursuant to *Texas Finance Code* Chapter 15.402, the Commissioner is authorized to impose and collect reasonable and necessary fees to cover the equitable cost of maintenance and operation of the Department. The entire agency's operating funds are generated from fees assessed on credit unions supervised by the Department and are used to fund both direct and indirect costs. No general revenue funds are used to support agency operations. The Department matches revenues with expenditures to ensure that credit unions are not charged more than is required to maintain the agency's operations and meet its statutory mandates.

The oversight of state-chartered credit unions in Texas 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. The Department accomplishes these tasks through examinations of each credit union to ensure compliance with applicable laws, rules, and sound business practices. The Department also monitors the operating performance of the credit unions through quarterly financial and statistical reports.

The Department operates and maintains its only office in Austin. Agency examiners work from their residences, located in Austin, Dallas/Fort Worth, and Houston. Because credit unions are spread throughout the state, including the Texas/Louisiana and the Texas/Mexico border regions, examiners are required to travel extensively in examining credit unions throughout Texas with overnight travel of 40-55 percent. Given the amount of travel required, stationing examiners in these cities minimizes travel costs.

The Department is accredited by the National Association of State Credit Union Supervisors (NASCUS). Patterned after university accreditation, the NASCUS accreditation program applies national standards of performance to all functional areas of a state's credit union regulatory program. Initially accredited in 1996, the Department must be re-accredited by NASCUS every five years. Most recently, it received re-accreditation in 2011. Accreditation provides the Department with national recognition among its peers and professional respect from the institutions it regulates.

SUNSET REVIEW

The Department was reviewed by the 81st Legislature in 2009 and its existence was continued until September 1, 2021.

MANAGEMENT OF STRATEGIC RESOURCES

The Department recognizes that it must effectively manage its critical resources to successfully carry out the annual performance goals and accomplish its mission. These resources must be aligned and deployed to the areas where they are most needed to enhance its operational effectiveness and minimize potential financial risk to credit union members and the share insurance funds.

The Department takes very seriously its fiduciary responsibilities to use these funds efficiently and cost-effectively to meet its mission responsibilities. To that end, the Department engages annually in a planning and budget formulation process to make sure that the budgeted resources are properly aligned with workload projections and Commission designated priorities. For FY2014 the Department's budget is \$3,024,386.

Human Resources Management

The Department's most important resource is talent that its staff members bring to bear on the accomplishment of its mission. For that reason, the Department strives to attract, develop, and retain a highly skilled, diverse, and results-oriented workforce. The Department currently operates with 25 FTEs. Fifteen examiners perform on-site examinations of the credit unions; 10 positions provide administrative support. A large percentage of the agency's budget supports the examination function. For the fiscal year ending August 31, 2013, 91.2 percent of the Department's expenses were for salaries, other employee benefits, and travel costs.

EXTERNAL FACTORS

EXTERNAL FACTORS AFFECTING THE DEPARTMENT

During the next five years, several external factors may impact the ability of the Department to meet its goals. Among those factors are the continuing struggles in the local and national economies, usurpation of state regulation by federal agencies, and structural changes within the financial services industry.

The past six years have been unsettled for the financial services sector after the United States experienced the worst economic downturn since the Great Depression. This recession, which began in December 2007 and officially ended in June 2009, continues to dampen the emerging recovery.

The strength of the economy directly affects credit union performance. While economic news is generally positive for the Texas economy, credit unions continue to work through the years of reduced loan demand, increased loan losses, slowdown in consumer spending and dampened consumer demand for loans and mortgages. This came at a time when we also saw an increasingly large burden and cost of complying with anti-terrorism and privacy laws, largely dictated by the federal government. We continue to fear that a number of smaller credit unions will close simply because they cannot afford to comply or they will be forced to operate with reduced staff. Poor economic times also tend to bring out fraudulent schemes preying on those most vulnerable. As a result, enforcement and member education should be higher priority areas for the Department.

In addition, preemption of state laws by the federal government increasingly hampers the Department's ability to protect Texas citizens. The Consumer Financial Protection Bureau (CFPB) created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 has authority to supervise certain activities of credit unions, if the CFPB has reasonable cause to determine they are "engaging, or have engaged, in conduct that poses risks to consumers with regard to the offering or providing consumer financial products or services." This extensive authority appears to extend to all credit unions overseen by the Department.

Whether the economy is booming or sagging, it is essential that the Department focus its efforts toward those areas and institutions that present the greatest risks to both the credit union and its members. Department staff will increasingly emphasize the identification and management of these risks.

Economic Conditions

Shifts in the economy have affected the risk profile of credit unions, with implications for the direction of the Department's supervisory strategy. The severe recession that began in 2007 left credit unions with a sharp reduction of income, continuing credit problems, and sluggish loan demand. These problems may not be resolved quickly, and this calls for watchfulness and flexibility by the Department.

Credit unions are slowly recovering from this economic turmoil. Aggregate industry net income is once again positive, though still below pre-recession levels, credit problems have slowly abated,

EXTERNAL FACTORS (Continued)

and charge-offs and delinquency rates have fallen for most loan categories. The drop in real estate property prices and continued sluggish growth in the labor market suggest that the operating environment for credit unions is likely to remain challenging for some time. In addition, federal regulatory changes are also expected to impact revenue growth over the next several years.

Without clear sources of revenue growth, net income at credit unions may remain lackluster for some time. A less “profitable” credit union industry could be less resilient if confronted by stressful conditions in the future.

Financial Crimes

Financial crimes consist of several broad categories such as fraud, money laundering, and corruptions with many subcategories such as terrorist financing, identity theft, kickbacks, and bribery. The United States government has powerful tools to pursue financial criminals and the framework to force credit unions into compliance with a wide range of laws, such as the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and USA Patriot Act. Financial crimes are a threat for credit unions and the Department alike. Having a knowledgeable and trained staff that understands the risks and how they can be managed is essential.

Traditional examination scope is not focused on identifying fraud and as a result it may go undetected for a number of examination periods. The Department is assessing the need to implement specific training for examiners to assist in the identification of fraud. Automated tools will be utilized to seek out financial fraud indicators, but the real work rests with the examiner reviewing records and transactions.

INTERNAL FACTORS

INTERNAL FACTORS AFFECTING THE DEPARTMENT

The most pressing workforce issues facing the Department are our ability to recruit and retain a knowledgeable professional staff and maintain IT capabilities.

Human Resources

There is no one factor more critical to the Department's overall success or its ability to accomplish its mission than its people. Acquiring, developing, and retaining a competent workforce will continue to be one of the Department's top priorities and is one of its four strategic goals. At the same time, and similar to the rest of state government, significant internal and external factors affect the Department's current and future workforce, challenging the Department's ability to ensure that its examination staff is well trained, skilled, and capable of meeting the needs of the rapidly changing and growing complex industry.

The highest human resources priority for 2015 and beyond will continue to be the hiring and development of staff with the skills needed to assess risks posed by credit unions. A new recruiting strategy to bring talent into the Department will be the College Student Program (CSP). Beginning in 2015 on a pilot basis, this is student work program that exposes talented students to the Department's supervisory and regulatory business lines. More specifically, it provides high-quality students majoring in economics, business administration, finance, accounting, or a related field with an opportunity for hands-on experience evaluating credit union operations, business planning, risk management strategies, and consumer protection practices. At the end of the program, the most talented of the CSP participants may be offered full-time positions with the Department following graduation.

The Department is also facing an aging workforce and with it the potential loss of institutional knowledge and key leadership. As a state agency, the Department faces a competitive market for talent. This presents both challenges and opportunities. Continued emphasis on the development of a more flexible workforce that is cross-trained in the Department's key mission functions and could be redeployed rapidly to address workload priorities in response to unexpected external events or changing conditions in the credit union industry and the broader economy, is critical fundamental strategy for the Department.

The Department recognizes that meeting future staffing needs requires concerted measures for staff retention. Failure to retain valuable human resources deprives the Department of expertise and represents a substantial loss of investment in recruitment, training, and development.

To promote higher retention rates among all staff members, the Department offers competitive compensation and benefits. Additionally, the Department needs to devote more resources to mentoring and supporting newly hired examiners to ensure that they gain the skills and experiences necessary to carry out the Department's supervisory responsibilities. That process typically takes about five years so capturing and making available the wealth of experience and expertise of the Department's field managers through knowledge management and knowledge transfer is a business

INTERNAL FACTORS (Continued)

imperative. This initiative will require field managers to spend more time supervising and training subordinate staff and less time actually conducting examinations.

As noted, the economy impacts credit unions and their business models. Changes that affect the stability or organizational structure of credit unions can cause an increase in Departmental staff workload. Problem credit unions require experienced examiners and staff to spend a significant amount of time performing examinations and handling enforcement actions. Currently, the Department's staffing plan allows for 15 examiner positions. To improve the Department's productivity, continue emphasize on training, work on special assignments, and handle growth in the system, three additional examination staff members are needed. Funding for the additional staff may not require an increase in the fee structure, as the anticipated revenue increases from the growth in credit union assets will mitigate the increased in spending on personnel. Hiring and training an examiner takes about 2 years before they attain a relatively full productive status. In addition, as complexity increases in our credit unions, the Department is faced with increased training costs to ensure examination staff possesses the skills needed to successfully perform their duties. Wherever possible the Department intends to complement full time staff with external resources if the need is temporary or of limited scope.

Staffing will also likely be affect by conversions from larger and more complex federal credit unions choosing a state charter. A 10-15 percent increase in assets would require additional staffing to keep pace with the growth. As the need for more examination staffing arises, the Department will present its needs and justification for these positions to the Commission. Adding examination staff will require coordination to ensure productivity is not disrupted, and training and funding are available.

Information Technology Resources

Maintaining its information technology capabilities is a critical internal factor for the Department. Much of the work performed by the Department is dependent upon communication with credit unions, the public, and other regulators. The use of electronic examination tools and databases is key to properly performing the Department's functions. The IT systems, which handle highly sensitive information, must be reliable and secure. As well, the IT staff must be responsive and knowledgeable so regulatory processes are compatible with those with whom we collaborate.

The Department's examiner computers and examination database and programs are leased from the National Credit Union Administration (NCUA). The Department through written agreement utilizes the same examination platform as NCUA uses in carrying out its regulatory role. The maintenance and upkeep of both the computer hardware and software are done by NCUA. Outside the Department's examination and supervision activities are the administrative activities related to operating the Department and supporting the public interest. In fulfilling this role the Department maintains an IT infrastructure supported by internal and external resources.

INTERNAL FACTORS (Continued)

The Department continues to rely on paper documents and the processing of paper documents for a majority of its business capabilities. Managing paper and unstructured content at the Department is largely manual and is inefficient. The Department needs to continue to focus on improving the efficiency and reliability for electronic document processing and workflow automation. In Fiscal Year 2014, the Department began to implement a foundation for enterprise document management capabilities.

Business Continuity and Leadership Succession

The Department's mission will be carried out by leaders who focus on results, collaborate with credit unions, other regulators and other stakeholders, cooperate internally, and continually strive for excellence. To create a solid foundation for capable leadership in the future, the Department will begin focusing more attention on building successive levels of management rather than simply developing individuals. This will be done consistent with the Department's evolving needs and strategic goals. The result should be a stable, capable management culture: one that provides opportunities for movement, development, and challenging assignments, in which an individual can demonstrate high levels of performance and ability and can make productive contributions to the Department's goals.

Each member of the Department is familiar with the strategic goals of the Department as well as the steps necessary to achieve these goals. A specific business continuity plan exists which sets forth the details of carrying on day-to-day operations should an emergency occur. All management and staff are required to be familiar with this plan.

Increased Demand for Consumer Assistance

By statute, credit unions are required to disclose how a member may file a grievance against the credit union. Commission Rule 91.121 provides model disclosures for credit unions to use when providing the agency's contact information to members.

Pursuant to statute, the Department accepts complaints against credit unions and reviews them for potential violations of applicable laws or rules. When the Department receives complaints, credit unions are contacted and given an opportunity to respond to a member's concern or inquiry.

Consumers' complaints often result from a lack of knowledge or understanding about their credit union accounts and applicable laws. The Department will consider taking a more active role in the education of members to reduce complaints caused by consumer misunderstanding.

Even when there is no fault in the conduct of the credit union, complaint responses regularly offer a good faith resolution to satisfy the member's concerns. To fulfill our mission to protect the public interest, the Department should expand its efforts to determine the merits of each complaint and intervene where appropriate. The Department may also serve to mediate a satisfactory resolution between credit union and member whenever possible.

INTERNAL FACTORS (Continued)

Self-Directed, Semi-Independent (SDSI)

The Department was designated “self-directed and semi-independent” during the 81st Legislative Session. SDSI agencies are not required to have their Appropriations Request approved by the Legislature. Instead, the agency’s oversight board sets the spending authority or limits.

The Department continues to be self-funding, self-leveling. All revenues for operations are derived from assessments paid by credit unions. The assessments are placed in a separate account at the Texas Treasury Safekeeping Trust Company and not in General Revenue. Biennial reporting to the Legislature and Governor regarding agency activities, financials, and audits are mandated. Annual reporting to the Governor’s Office, the House Appropriations Committee, the Senate Finance Committee, and the Legislative Budget Board on salaries, travel expenses for employees and Commission members, the agency operating plan and annual budget, and a detailed report on revenue are required.

Although the agency is no longer subject to certain state requirements, the agency opted to continue operating as normal with minimal changes. A sample of continued compliance and reporting include:

- Following the State Payroll, Travel, Purchasing and Procurement rules and standards for all agency expenditures;
- Submitting quarterly agency financial statements, including budget variance analysis, to the Commission for review and approval;
- Calculating and maintaining data for performance measures, which is submitted quarterly to the Commission; and,
- Contracting with the Texas Facilities Commission for maintenance and other functions.

The agency remains focused on emphasizing transparency and accountability. The budgeting process for fiscal year 2015 will begin in the spring of 2014. The final budget will be presented to the Commission at its June 2014 meeting. It is anticipated that the budget request will include additional expenditures that are needed to adequately supervise credit unions. At the same time, the assessment structure will be reviewed to ensure revenues are sufficient to meet expected expenditures.

Department Purchases/Capital Improvement Needs

The majority of Department purchases are for office supplies and services, information technology equipment and software, and on rare occasions, the agency buys office equipment and furniture. Most purchases are made through the Comptroller’s office using approved vendors. Service contracts are negotiated using either state-approved or interagency contracts.

The Department consistently contacts Historically Underutilized Businesses for bids on spot purchases and small dollar amount procurements. Due to budget constraints, products and services are obtained from the lowest bidder. In addition to its HUB policy, the Department has a HUB

INTERNAL FACTORS (Continued)

Diversity Plan to ensure that our HUB purchases represent as many different minority and women-owned businesses as possible.

As an SDSI agency, the Department is responsible for the upkeep of its building. Each year during the budgeting process, the Commission reviews and approves major repairs and long-term improvements.

Third Party Specialty Skills

The Department continuously assesses the expertise it needs to effectively supervise credit unions of all sizes and complexity; assessing gaps; and delivering the specialized expertise to properly evaluate every institution. As a result, the Department has identified critical credit union supervision competencies as credit risk, risk management, commercial lending, capital markets, technology, real estate lending, bank secrecy act, fraud, and money laundering. While training programs are contributing to the development of these competencies in the Department's examination staff, the Department needs to periodically supplement its knowledge and skill sets to maintain the integrity of its examination program. In keeping with the Commission's guidance to set credit union supervision priorities that maximize efficiency in using and allocating resources, the Department expects to rely more on third parties contractors to fill any perceived gaps in competencies.

AGENCY GOALS AND OBJECTIVES

The Commission has established four strategic goals to guide the operations of the Department and to contribute to the achievement of its mission and performance goals. The strategic goals are:

1. To ensure a safe and sound credit union industry;
2. To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. To safeguard the interest of credit union members; and
4. To develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

Objectives and strategies are established for each strategic goal. Objectives further define the intended outcomes of each goal. Strategies are the means to align the Department's operational processes, skills, technologies, and resources to achieve strategic goals and objectives.

Strategic Goal 1: A SAFE AND SOUND CREDIT UNION INDUSTRY

Strategic Objective 1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. Establishing the appropriate regulatory framework.
2. Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions.
3. Identifying emerging risk areas related to industry and individual credit unions.
4. Complying with the examination requirements of 7 TAC Section 97.105.
5. Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider.
6. Taking prompt and effective enforcement actions when warranted.

Strategic Objective 2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues.
2. Implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

1. Utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy.

AGENCY GOALS AND OBJECTIVES (Continued)

2. Deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information.

Strategic Goal 2: A FLEXIBLE REGULATORY FRAMEWORK

Strategic Objective 1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process. The Department seeks to fulfill this objective by:

1. Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
2. Conducting the mandatory rule review in accordance with Commission's approved plan.
3. Implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. Supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules.
2. Developing and modernizing attributes of the credit union charter and the role and status of the industry.
3. Enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions.
4. Communicating attributes of the state charter within and outside the Department.

Strategic Objective 3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. Providing a standardized application package.
2. Establishing policies and procedures that provide clear and comprehensive guidance.
3. Implementing and maintaining processes for prompt screening of applications
4. Enhancing existing technology solutions that support effective application operations.

Strategic Goal 3: PROTECT CREDIT UNION MEMBER INTERESTS

Strategic Objective 1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.
2. Expanding the agency's role in resolving and/or mediating member complaints handled by the Department.
3. Strengthening role in addressing member privacy, information security, and identity theft.

AGENCY GOALS AND OBJECTIVES (Continued)

4. Enhancing the Department's consumer compliance examination program.

Strategic Objective 2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. Supporting the efforts of credit unions to expand their fields of membership to include underserved and low income communities.
2. Facilitating the process for credit unions to obtain a low-income designation from NCUA.
3. Participating in financial literacy efforts by the industry and other agencies.

Strategic Goal 4: A SKILLED AND MOTIVATED STAFF

Strategic Objective 1: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

1. Maintaining a comprehensive Equal Employment and Workforce Diversity Plan.
2. Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
3. Developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs.
4. Creating a leadership development program to support and enhance management succession.
5. Implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
2. Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
3. Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
4. Leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

Strategic Objective 3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. Implementing security controls to mitigate risk and to protect confidential information.

AGENCY GOALS AND OBJECTIVES (Continued)

2. Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
3. Achieving reliable, accurate and timely financial resources management information.

AGENCY USAGE OF HISTORICALLY UNDERUTILIZED BUSINESSES (HUBS)

Although the Department has limited opportunities to award contracts, it makes every effort to foster meaningful and substantive inclusion of HUBS in the Department's procurement processes. In addition, the Department makes every effort to ensure that it makes its purchases from a diverse group within the HUBs.

The Department has adopted a policy to achieve the proportional HUB expenditure targets established by the Texas Comptroller of Public Accounts and monitors its progress toward achieving these goals. Over the last several years, the Department has always met or exceeded its HUB targets in the various categories.

PERFORMANCE MEASURES

See Appendix D for Outcome Measures, and Strategic and Output, Efficiency and Explanatory Measures.

FACTORS AFFECTING ACHIEVEMENT OF GOALS

KEY FACTORS AFFECTING THE ACHIEVEMENT OF STRATEGIC GOALS

Economic

Economy changes affect the risk profile of the credit union industry, with implications for the direction of Department supervisory strategy. The severe recession that began in late 2007 left in its wake sharp reductions in credit union income, continuing credit problems, and declining loan demand. The recovery has been slow, and watchfulness and flexibility by the Department is still required.

Credit unions will be facing a challenging economic environment for some time. The slow pace of economic growth can depress both credit quality and revenue growth. At the same time new laws and regulations may reduce income from fees and other noninterest sources. The extended period of low interest rates continues to squeeze household incomes, affecting demand for consumer loans and margins at many credit unions.

Human Resources

There is no one factor more critical to the Department's overall success or its ability to accomplish its mission than its staff. Acquiring, developing, and retaining a competent, motivated, and diverse workforce continues to be one of the Department's top priorities and is one of its four strategic goals. At the same time, and similar to the rest of state government, significant internal and external factors affect the Department's current and future workforce, challenging the agency's ability to ensure that the right employees are in the right positions at the right time. Human capital will remain a critically important issue for the Department over the next five years.

Succession planning, especially for key leadership positions, will be more important than ever, given the growing number of employees eligible to retire. Capturing and making available the wealth of experience and expertise of the Department's current workforce through knowledge management and knowledge transfer is a business imperative. Ensuring that the Department's workforce, especially its mission-critical examiners are well trained, skilled, and capable of meeting the needs of the rapidly changing and increasingly complex industry is essential. Advance planning and preparatory staffing may be required to avoid deficiencies and maintain the resources necessary to the continuity of service.

Ensuring that the Department's workforce, especially its mission-critical examiners are well trained, skilled, and capable of meeting the needs of the rapidly changing and increasingly complex industry is essential. This will require identifying critical skills and competencies, assessing gaps, and delivering training and development programs to build or to improve those critical skills and competencies. The agency will explore the options of providing specialized training to members of the examination staff and supplement the skills of existing staff with contracted experts in specific areas to meet the demands of examining increasingly complex credit unions.

FACTORS AFFECTING ACHIEVEMENT OF GOALS (Continued)

Legislative

The Dodd-Frank Act resulted in sweeping changes in laws governing the financial services industry. The legislation requires a myriad of rulemaking projects and supervisory initiatives by federal agencies to implement and adjust to those changes. The legislation will alter the ways in which credit unions do business in multiple respects: whether credit unions can conduct certain business activities; how the business will be accomplished under changed circumstances; and, in some cases, how much they can charge for the products and services they are allowed to provide. The Department will look for opportunities to work with other regulators, industry leaders, consumer advocates, and policymakers to advance appropriate legislative initiatives and reduce regulatory burden.

TECHNOLOGY RESOURCE PLANNING

Technology Initiative Assessment and Alignment

Initiative 1: Electronic Document Conversion

In order to more efficiently produce, store, and manage its files, the agency will be converting its use of paper documents to a format that is primarily electronic. The Department is working with the Department of Information Resources to develop and implement a plan to create and manage electronic documents. The plan will include the conversion of the agency's current paper documents to electronic format, as well as delineate procedures for creating, distributing, and archiving electronic documents in the course of the agency's business. We anticipate incremental operational efficiencies as the project progresses.

Initiative 2: Secure email.

As part of the agency's emphasis on security and privacy, the agency has begun to implement procedures that provide encrypted email to allow staff and credit unions to exchange confidential information quickly and securely. This project is nearly completed. Over time, this should allow better use of examiner time by reducing time spent on-site at credit unions to obtain the same information. Customer (credit union) satisfaction should increase as examiners minimize on-site time and more effectively use the time they do spend on-site.

STRATEGIC PLANNING PROCESS

The Credit Union Department is committed to the principles of establishing clearly defined objectives, goals, and strategies. This strategic plan, which helps to communicate these important ideas to credit unions, staff, Commission Members, the Governor, and other state leadership, could only be made possible with the insightful contributions of the Strategic Planning Taskforce and the Credit Union Working Group. Care was taken to ensure that Taskforce and Working Group members were given the opportunity to voice their opinions about the future direction of the organization, its goals and priorities. Feedback was solicited through both Groups. Special thanks go to the following members of the Strategic Planning Taskforce and Credit Union Working Groups for their invaluable assistance:

Strategic Planning Taskforce

Stacey McLarty	General Counsel and Assistant Commissioner
Cary Cabe	Field Manager (South)
Mark Buie	Field Manager (North)
Robert Etheridge	Examiner
Kerry Strickland	Examiner
Jesse Tarin	Examiner

Credit Union Working Group

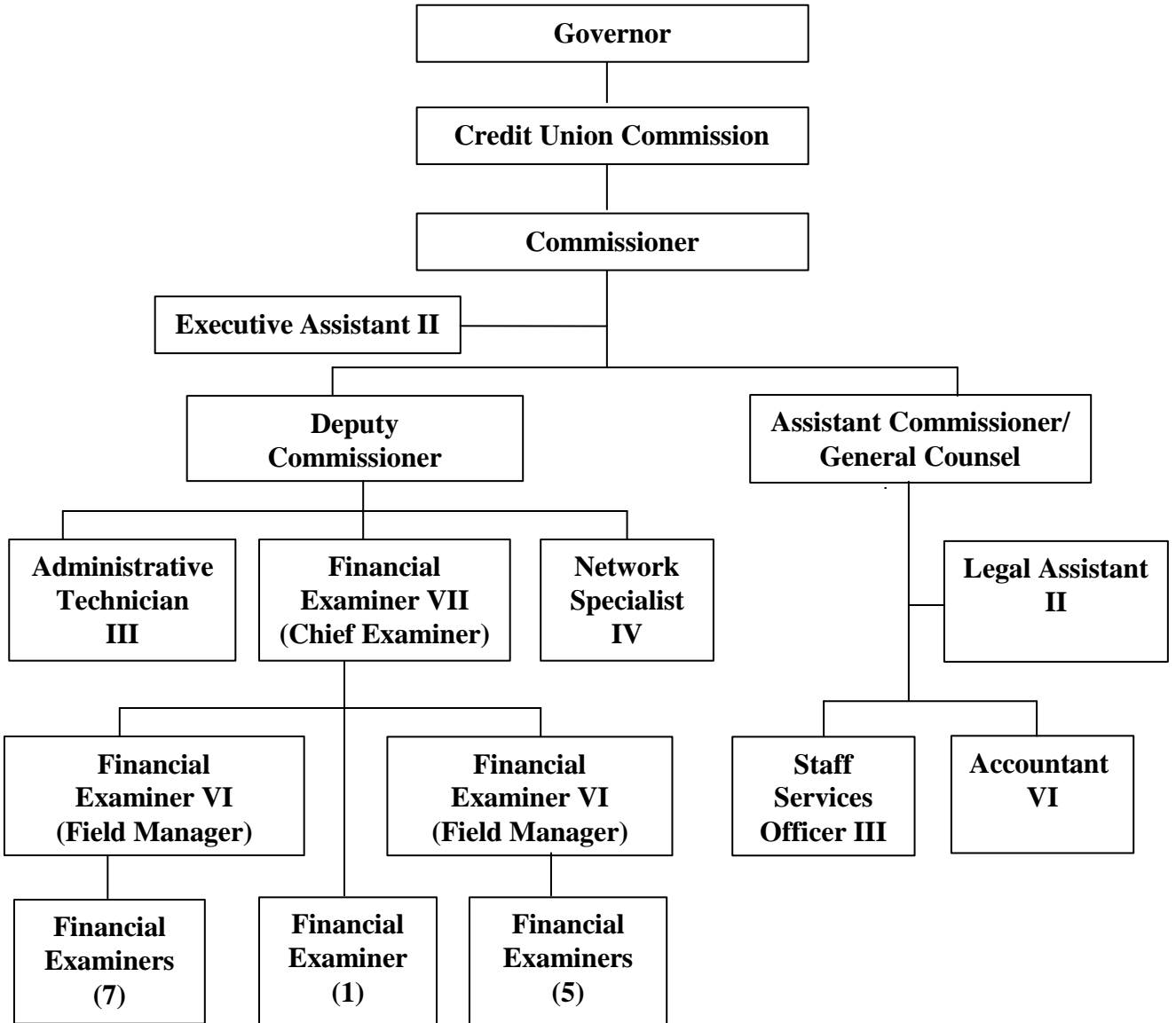
J. David Bleazard, President/CEO	First Service Credit Union
Anne Boatright, President	Capitol Credit Union
Mary Beth Borroni, President/CEO	FedStar Credit Union
Leon Ewing, President/CEO	Firstmark Credit Union
David Frazier, President/CEO	Community Resource Credit Union
Mark Massey, President	My Credit Union
Gary Parker, President/CEO	1 st University Credit Union
Buddy Schroeder, President/CEO	United Heritage Credit Union
Nancy Croix-Stroud, President/CEO	First Class American Credit Union

APPENDIX A
Planning Process (Continued)

Strategic Planning Process Timeline

Date	Action
June 14, 2013	The Department sent information to all staff members describing the strategic planning process. Staff was requested to review the strategic plan, discuss it with coworkers, and be prepared to provide input about it during the Examiners' Conference.
July 26, 2013	Volunteers for the Strategic Planning Task Force were identified.
August 20, 2013	Held meeting with Industry Representatives to discuss and seek feedback about the agency's strategic plan (Working Group).
September 2013	Strategic Planning Task Force discussed the recommendations received from the staff and Industry Representatives. Staff began drafting revisions to strategic plan.
November 1, 2013	Preliminary draft of the revised strategic plan submitted to task force and Working Group for review.
December 16, 2013	Deadline for first draft of Information Resources, Workforce Plans, and Customer Satisfaction Sections
December 30, 2013	Second Draft of strategic plan submitted to task force and industry representatives
January 6, 2014	Deadline for comments about revised strategic plan.
February 21, 2014	Strategic Plan is submitted to Commission for approval at their meeting.
May 30, 2014	Submission of final plan to state leadership

**APPENDIX B
Organization Chart**



CREDIT UNION DEPARTMENT STATE OF TEXAS

APPENDIX C
Outcome Measures

FOR THE FIVE-YEAR PLANNING HORIZON

Outcome Measures	2015	2016	2017	2018	2019
<u>Effective Supervision/Regulation</u>					
Percentage of Credit Unions Receiving Regular Examinations Annually	92%	92%	92%	92%	92%
Percentage of Complaints Investigated and Responded to Within 30 Days of Receipt	95%	95%	95%	95%	95%
Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt	100%	100%	100%	100%	100%
Percentage of Credit Unions Indicating Quality Service Received on Annual Survey	90%	90%	90%	90%	90%
Percentage of Complete Charter/Bylaw Applications Approved or Denied Within 60 Days	100%	100%	100%	100%	100%
<u>Insure Safety and Soundness</u>					
Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption	100%	100%	100%	100%	100%
Percentage of Reports to Credit Unions within 20 Days	98%	98%	98%	98%	98%
<u>Procurement Using HUBs</u>					
Percentage of Total Dollar Value of Purchasing and Public Works Contracts and Subcontracts Awarded to HUBs	20%	20%	20%	20%	20%

CREDIT UNION DEPARTMENT PERFORMANCE MEASURES

DEFINITIONS, CALCULATION AND DATA VERIFICATION

Performance measures indicate a level of performance that the Department has achieved or planned, or that is required by Commission directive. Performance Measures are an integral part of the Strategic Plan and the Budget Request and relate to the Department's supervision activity. Targeted success rates are determined after analyzing mission priorities, budget constraints, past success rates, and external factors.

Performance Measure calculations are largely derived from the Department's database. The following reports are used to calculate the numbers for the performance measures.

- Charter Activity Summary
- Bylaw Amendments Acted On
- Consumer Complaints
- Master List
- Problem Credit Unions
- Reconciliation of Examinations Received
- Administrative Sanctions
- Reports Received
- Examination Activity Analysis
- Reports Elapsed

The following additional information is monitored by the Executive Assistant.

- # of Public Forums in which Department Participated
- # of Rules Adopted, Amended, or Readopted by Commission
- # of Requests for Interpretations/Opinions of Act and Rules
- # of Open Records Requests Processed
- # of Total Low Income Credit Unions
- Customer Service Satisfaction Percentage
- Credit Union Assets

The Staff Services Officer provides the employee list and monitors contracts with HUB vendors.

The Accountant prepares the performance measure reports.

The Assistant Commissioner/General Counsel maintains and provides the information related to the number of contested cases and checks all calculations before the reports are finalized.

APPENDIX D

Measure Definitions (Continued)

The Deputy Commissioner and Assistant Commissioner/General Counsel confirm database entries each month by reviewing the Management Report, which is prepared from the database entries. This review occurs before any performance measures are calculated.

Strategic Goal 1

1. Number of State-Chartered Credit Unions

Definition: The number of active Texas state-chartered credit unions under the Department's jurisdiction during the reporting period, less the number of credit unions in the process of being liquidated. NOTE: For the quarterly measure, use the number of credit unions on the last day of the quarter. It is not necessary to calculate an annual measure.

Data Limitations: The Department has little control over the number of new charter requests, mergers or conversions processed.

Data Source: The Department maintains a database which tracks all active, liquidating, and cancelled state credit union charters.

Method of Calculation: Count the total number of active state-chartered credit unions under the supervision of the Department from the database, less any being liquidated. NOTE: For the quarterly measure, use the number of credit unions on the last day of the quarter. Do not calculate an annual measure.

Purpose/Importance: This explanatory measure is an indicator of the extent of the Department's responsibility over the safe and sound regulation of state-chartered credit unions.

Related Measures: Percentage of Credit Unions Receiving Regular Examinations, Percentage of Credit Unions with composite CAMEL ratings 1 or 2.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measures

Desired Performance: Neutral

2. Number of Regular Examinations Performed

Definition: The number of regular examinations the Department performs during the reporting period.

APPENDIX D

Measure Definitions (Continued)

Data Limitation: The number of examinations that can be conducted during the year depends on the number of trained examiners on staff to conduct the examinations. High turnover has a negative impact on this measure. The number of follow-up contacts performed will also impact this measure.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Count the regular, full-scope or limited-scope examinations, in which the report of examination was received for processing during the period being measured. Follow-up contacts (remedial exams) are not included.

Purpose/Importance: The measure indicates whether the Department is meeting the frequency of examination requirements of 7 TAC §97.105.

Related Measure: Percentage of Credit Unions Receiving Regular Examinations

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

3. Number of Follow-up Contacts Made (Remedial Exams)

Definition: The number of follow-up contacts the Department makes during the reporting period.

Data Limitation: The number of remedial examinations that can be conducted during the year depends on the number of trained examiners on staff to conduct this type of examination. High turnover has a negative impact on this measure. This measure also impacts the number of regular examinations the Department can accomplish.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Count the remedial examinations received for processing during the reporting period.

Purpose/Importance: This information measure is an indicator of the extent of the Department's responsibility over the safe and sound regulation of state-chartered credit unions.

APPENDIX D
Measure Definitions (Continued)

Related Measure: Percentage of credit unions with composite CAMEL ratings of 1 or 2

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

4. Number of Enforcement Actions Issued

Definition: The number of enforcement or other administrative actions issued against credit unions during the reporting period for safety/soundness concerns and/or material noncompliance with applicable statutory and/or regulatory requirements.

Data Limitation: Enforcement actions are used when credit unions are experiencing financial, operational, or management difficulties. Poor management decisions or economic downturns – events that are out of the Department's control – can result in the issuance of an enforcement action.

Data Source: Administrative and enforcement actions are tracked in the Department's internal database.

Methodology: Total the number of enforcement actions issued against credit unions in the reporting period. Enforcement actions include Letters of Understanding and Agreement voluntarily entered into by credit union officials, Determination Letters, Orders to Cease and Desist, Suspension Orders, Conservatorship Orders, Involuntary Liquidation Orders and Dividend Restriction Orders.

Purpose/Importance: This measure helps identify the number of credit unions that would not be considered safe and sound.

Related Measure: Percentage of credit unions with composite CAMEL ratings of 1 or 2

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

APPENDIX D
Measure Definitions (Continued)

5. Percentage of Credit Unions with Composite CAMEL Ratings of 1 or 2

Definition: The number of credit unions with composite CAMEL rating of 1 or 2 during the applicable period based upon a rating system, expressed as a percentage of the total number of credit unions regulated for the same period.

Data Limitation: The agency has limited control over the events that could lead to a credit union receiving a composite CAMEL rating other than a 1 or 2, as in, for example, embezzlement. Once a problem is identified, however, the Department will act quickly to find a resolution and work with the credit union to increase its rating.

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of credit unions assigned a composite CAMEL rating of 1 or 2 by the total number of credit unions for the same reporting period.

Purpose/Importance: Measures the financial health of the Texas state-chartered credit unions. Ties directly to a statewide regulatory benchmark.

Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

6. Percentage of Assets Held in Credit Unions with Composite CAMEL Ratings of 1 or 2

Definition: The consolidated total assets of credit unions with composite CAMEL rating of 1 or 2 as reported in the designated quarterly call report based upon a rating system, expressed as a percentage of the consolidated total assets of all credit unions regulated for the same period. For September through November, use the call report for the preceding June 30th; for December through February, use the call report for the preceding September 30th; for March through May, use the call report for the preceding December 31st; for June through August, use the call report for the preceding March 31st.

APPENDIX D

Measure Definitions (Continued)

Data Limitation: The agency has limited control over the events that could lead to a credit union receiving a composite CAMEL rating other than a 1 or 2, as in, for example, embezzlement. Once a problem is identified, however, the Department will act quickly to find a resolution and work with the credit union to increase its rating.

Data Source: Quarterly financial and statistical Call Report data filed with the Department by each credit union.

Methodology: Divide the consolidated total assets of credit unions assigned a composite CAMEL rating of 1 or 2 by the consolidated total assets of all credit unions for the same reporting period.

Purpose/Importance: This informational measure indicates the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued; Percentage of Credit Unions with Composite CAMEL Ratings of 1 or 2.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

7. Percentage of Credit Unions that are Well Capitalized as Defined by Federal Statute

Definition: A credit union is *well capitalized* if it has a net worth ratio of seven percent (7%) or greater and also meets any applicable risk-based net worth requirements.

Data Limitation: The agency has limited control over the events that could lead to a credit union's net worth to decline. As problems are identified, however, the Department will act quickly to find a resolution and work with the credit union to reduce its losses.

Data Source: Quarterly Call Report data filed with the Department by each credit union.

Methodology: Divide the number of credit unions with a net worth ratio of 7% or more by the total number of credit unions for the reporting period.

Purpose/Importance: Measures the financial health of the Texas chartered credit union industry. Ties directly to a statewide regulatory benchmark.

APPENDIX D
Measure Definitions (Continued)

Related Measure: Number of State Chartered Credit Unions; Number of Enforcement Actions Issued.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

8. Percentage of Credit Unions Receiving Regular Examination Annually

Definition: The number of credit unions examined within an examination cycle of no more than 18 months during the fiscal year, expressed as a ratio of the total number of state-chartered credit unions for same period. For year-to-date calculations, average the quarter-to-date numbers.

Data Limitation: None

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of credit unions examined during the reporting period by the total number of credit unions for the same period. To be considered "examined", the report of examination must be received for processing during the period being measured. Calculate year-to-date by averaging the quarter-to-date numbers.

Purpose/Importance: Section 97.105 of TAC Title 7 requires the examination of each credit union at least once each year. Intervals between examination effective dates cannot exceed 18 months unless a longer interval is authorized in writing by the Commission. This measure monitors the Department's performance in meeting the Commission's mandate.

Related Measure: Number of State Chartered Credit Unions; Number of Examinations Performed

Calculation Type: Noncumulative

New Measure: No

Target: **90%** (annual)

Desired Performance: Higher than target

APPENDIX D
Measure Definitions (Continued)

9. Percentage of Complete Applications Approved or Denied Within 60 Days

Definition: The number of complete applications approved or denied within 60 days of receipt, expressed as a percentage of all applications approved or denied for the same period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

Data Limitation: If a credit union application is protested, and either additional information must be obtained from the protestant or the applicant is slow in responding to the protest, the number of days between when the application is published and a decision is rendered may exceed 60 days.

Data Source: Supporting information regarding each application is tracked in the Department's internal database.

Methodology: Divide the number of complete applications approved or denied within 60 days of the date published or received, whichever is later, by the total number of applications approved or denied during the same reporting period.

Purpose/Importance: Finance Code §122.005 requires the Commissioner to approve or disapprove applications not later than the 60th day after the date notice of the application is published, or after the date the application is received if the notice is not required to be published.

Related Measures: Number of Applications Processed

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target

10. Percentage of Reports to Credit Unions Within 20 Days

Definition: The number of regular examination reports mailed to credit union management within 20 days of the last day on-site at the credit union, expressed as a percentage of the total number of examination reports mailed during the reporting period.

Data Limitations: None.

APPENDIX D

Measure Definitions (Continued)

Data Source: Supporting information regarding each examination is tracked in the Department's internal database.

Methodology: Divide the number of reports of examination processed and mailed to credit unions within 20 days after the last day the examiners are on-site by the total number of reports of examination processed for the same period.

Purpose/Importance: This measure is an indication of the agency's efficiency in reporting examination findings back to a credit union's board of directors and key management, which becomes more important when a credit union begins to show signs of financial or operating weaknesses.

Calculation Type: Noncumulative

New Measure: No

Target: **98%**

Desired Performance: Higher than target

Strategic Goal 2

1. Number of New Rules Adopted

Definition: Number of new rules adopted by the Commission during the reporting period.

Data Limitations: Often the adoption of new rules is the result of innovations or other changes in the financial services market place, which the Department has no control over.

Data Source: When a new rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the new rule becomes effective.

Methodology: Count the number of new rules adopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to safety and soundness issues, as well as to innovations and changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

APPENDIX D
Measure Definitions (Continued)

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

2. Number of Rules Amended

Definition: Number of rules amended by the Commission during the reporting period.

Data Limitations: Often the adoption of amendments to existing rules is the result of innovations or other changes in the financial services market place, which the Department has no control over.

Data Source: When an amendment to an existing rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the amendment becomes effective.

Methodology: Count the number of amended rules adopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to safety and soundness issues, as well as to innovations and changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

3. Number of Rules Re-Adopted without change

Definition: Number of rules readopted by the Commission during the reporting period.

APPENDIX D

Measure Definitions (Continued)

Data Limitations: The Department has no control over whether the reasons for adopting a rule continue to exist. Assuming the language of the rule was initially written clearly, modification is not warranted.

Data Source: When a readopted rule is proposed, it is entered into a database and published in the *Texas Register*. Subsequent action taken on the rule is also recorded in the database, including the date the readopted rule becomes effective.

Methodology: Count the number of rules readopted by the Commission during the reporting period.

Purpose/Importance: This measure is one method of tracking the Commission's responsiveness to changes in the financial services market that affect credit unions.

Related Measure: Percentage of Rule Changes Provided to Credit Unions within 60 Days of Adoption.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

4. Number of Applications Processed

Definition: The number of complete applications approved or denied during the reporting period. Applications include applications for mergers, for charter conversions (federal to state, state to federal, state credit union to mutual savings associations, and mutual savings associations to state credit unions), for insurance conversions, and for amendments to bylaws and articles of incorporation. If an application is protested, it is not considered complete until responses from all parties have been received.

Data Limitation: The Department has no control over the number of applications received.

Data Source: When an application is received, the following data is entered into the database: name of credit union, date the application is received, and the nature of the application. When the application has been reviewed and deemed complete, the date the Department acknowledges the application is complete and, if applicable, the dates notice will be published in the *Texas Register* and the Department Newsletter are also entered. An application is considered to be complete when the commissioner or his designee has determined that the application has been properly filed and includes all the information deemed necessary to make a decision. At the appropriate time, the decision date is entered into the database, and an elapse time is calculated.

APPENDIX D
Measure Definitions (Continued)

Methodology: Total the number of applications processed for the reporting period. Do not include withdrawn applications.

Purpose/Importance: This measure is used as the denominator to calculate the outcome measure percentage of complete applications approved or denied within 60 days.

Related Measure: Percentage of Complete Applications Approved or Denied within 60 days.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

5. Number of Requests for Interpretations/Opinions Relating to the Act & Rules Processed

Definition: The number of written requests for statutory or rule related interpretations or opinions responded to by the Department during the reporting period.

Data Limitation: The Department has no control over the number of requests received.

Data Source: Department staff maintains a correspondence database that flags requests for interpretations or opinions. The database tracks the date correspondence is received, the name of the party from whom it was received, subject of the correspondence, whether it is a request for an interpretation or opinion, the date the Department's response was sent, and the number of days elapsed between the receipt and response dates. The database is updated daily.

Methodology: Count the total number of requests responded to during the applicable reporting period. A request for an interpretation or opinion must be a formal request received in writing, must concern an existing statute or commission rule, and must be responded to by the commissioner or his designee.

Purpose/Importance: The measure represents the denominator of the outcome percentage relating to the percentage of requests for interpretations/opinion responded to within 30 days of receipt.

Related Measure: Percentage of Interpretations and Opinions Issued within 30 days.

Calculation Type: Cumulative

New Measure: No

APPENDIX D
Measure Definitions (Continued)

Target: Informational Measure

Desired Performance: Neutral

6. Number of Contested Cases Referred to State Office of Administrative Hearings

Definition: The number of decisions issued by the Commissioner for which a hearing is requested during the reporting period.

Data Limitation: The Department has very little control over which decisions will be contested.

Data Source: The General Counsel keeps a file of all contested cases referred to SOAH. When a case is referred to SOAH it is added to the file.

Methodology: Count the number of contested decisions that were referred for a hearing before an Administrative Law Judge with the SOAH for the reporting period.

Purpose/Importance: This measure tracks the number of decisions in which a party objects to the findings or conclusions of law set forth by the Commissioner.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

7. Number of Public Information Act Requests Processed

Definition: The number of requests for information received under the Texas Public Information Act during the reporting period.

Data Limitations: The Department has no control over the number of requests received.

Data Source: When the Department receives a request under the Public Information Act, the following information is entered into a database: the name of the party making the request, the date the request is received, the date the information is provided, and the nature of the request. Cost information is also maintained in this log.

Method of Calculation: Count the number of open record requests the Department received during the applicable reporting period.

APPENDIX D
Measure Definitions (Continued)

Purpose/Importance: This measure is one indicator of the level of Department interaction with the general public. It also aids us in determining what information should be made available on the agency's web site.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

8. Number of Public Forums in Which the Department Participated

Definition: The number of public forums attended by the senior Department management.

Data Limitation: Travel budget limits may restrict the number of such events that can be attended.

Data Source: Senior management employees are asked each month to itemize which, if any, of the following they have attended: Credit Union League chapter meetings, meeting with credit union officials for non-examination related purposes, participating in public forums, speaking at credit union functions such as annual meetings, serving as facilitators or instructors at seminars or specialized conferences, or attending conferences with other regulators. The information is entered into a database.

Methodology: Count the number of public forums attended by the senior Department management. Database query is run for the reporting period and the number is given in the report. No calculation necessary.

Purpose/Importance: This measure is one of the tools used to track the Department's interaction with credit unions and the general public in order to disseminate information about the credit union industry and the mission of the Department.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

APPENDIX D
Measure Definitions (Continued)

9. Total Assets (Dollars) in State-Chartered Credit Unions

Definition: Consolidated total assets of Texas state chartered credit unions as reported in quarterly call reports.

Data Limitations: Asset growth of safe and sound credit unions is outside of the Department's control.

Data Source: Quarterly Call Report data filed with the Department by each credit union. For September through November, use the call report for the preceding June 30th; for December through February, use the call report for the preceding September 30th; for March through May, use the call report for the preceding December 31st; for June through August, use the call report for the preceding March 31st.

Methodology: Report the total assets of Texas state chartered credit unions, as reported on the quarterly Call Reports, expressed in billions.

Purpose/Importance: This explanatory measure indicates the extent of the Department's responsibility in seeing that the shares and deposits of Texas citizens are protected through the regulation of state credit unions.

Related Measure: Average Regulated Assets Per Examiner.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

10. Percentage Increase in Total Aggregate Credit Union Assets

Definition: The increase in consolidated total assets of credit unions as reported in quarterly call reports divided by consolidated total assets of credit unions.

Data Limitations: Asset growth of safe and sound credit unions is outside of the Department's control.

Data Source: Quarterly Call Report data filed with the Department by each credit union.

Methodology: Calculate the increase in consolidated total assets of credit unions over the prior reporting period and divide by the consolidated total assets of credit unions for the same period.

APPENDIX D
Measure Definitions (Continued)

Purpose/Importance: This explanatory measure indicates the extent of the Department's responsibility in seeing that the shares and deposits of Texas citizens are protected through the regulation of state credit unions.

Related Measure: Average Regulated Assets Per Examiner; Total Assets (Dollars) in State-Chartered Credit Unions.

Calculation Type: Noncumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

11. Percentage of Rule Changes provided to Credit Unions Within 60 Days After Adoption

Definition: The number of new, amended, and readopted rules that are mailed out within 60 days of their final adoption by the Commission, expressed as a percentage of the total number of rules adopted during the same reporting period.

Data Limitation: None

Data Source: The date a new, amended, or readopted rule is adopted, as well as the date the new pages for the Texas Laws and Regulations for Credit Unions are sent out to credit unions, is entered into a database and tracked accordingly.

Methodology: Divide the number of rule changes provided to credit unions within 60 days of the effective date of their adoption by the number of rule changes adopted during the same reporting period.

Purpose/Importance: The measure indicates how quickly credit unions are informed of changes affecting their operations or Department operations.

Related Measure: Number of Rules Adopted

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target

APPENDIX D
Measure Definitions (Continued)

12. Percentage of Interpretations and Opinions Issued Within 30 Days of Receipt

Definition: The number of written requests for interpretations and opinions responded to within 30 days of receipt, expressed as a ratio of all requests for interpretations and opinions responded to within the applicable time period. A request for an interpretation or opinion must be in writing, must concern an existing statute or Commission rule, and must be responded to by the Commissioner or his designee.

Data Limitation: If the nature of the request is such that the matter must be referred to the Attorney General's Office, the Department would be unable to respond within the 30 days.

Data Source: Department staff maintains a correspondence database that flags requests for interpretations or opinions. The database tracks the date correspondence is received, the name of the party from whom it was received, subject of the correspondence, whether it is a request for an interpretation or opinion, the date the Department's response was sent, and the number of days elapsed between the receipt and response dates. The database is updated daily.

Methodology: Divide the number of interpretations and opinions issued within 30 days of receipt by the number of requests for interpretations and opinions responded to for the applicable period.

Purpose/Importance: This measure provides an indication of the responsiveness of the Department in handling requests for interpretations and applicability of statutes and rules pertaining to credit unions.

Related measure: Number of Requests for Interpretations/Opinions Processed

Calculation Type: Noncumulative

New Measure: No

Target: **100%**

Desired Performance: Target

Strategic Goal 3

1. Number of Complaints Processed

Definition: The number of written complaints received from credit union members or members of the public relating to actions or inactions of a state-chartered credit union which are investigated and responded to in writing during the reporting period.

APPENDIX D

Measure Definitions (Continued)

Data Limitation: The Department has no control over the number of complaints received.

Data Source: When a complaint is received, the following information is entered into a database: the date received, name of the complainant, the name of the credit union, the nature of the complaint, and the date the complaint is acknowledged and forwarded to the credit union. When the credit union responds, the Department responds to the complainant. The dates of the credit union response and the Department response, as well as the cost of handling the complaint, are entered into the database. The complaint is closed when the Department sends its reply to the complainant.

Methodology: Total the number of complaints closed during the reporting for this measure. Do not count any complaints that were withdrawn.

Purpose/Importance: This measure represents the denominator of the outcome percentage relating to the percentage of complaints investigated and resolved within 30 days of receipt.

Related Measures: Percentage of Complaints Investigated and Responded to within 30 Days.

Calculation Type: Cumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

2. Percentage of Credit Unions Providing Services to Low Income or Underserved Populations

Definition: Number of credit unions with official low income designations as a percentage of the number of state chartered credit unions for the same reporting period.

Data Limitations: While credit unions that are located in low income or underserved areas are encouraged to apply for the designation, the Department has no control over how many credit unions will apply for the low income designation.

Data Source: Low-income approval letters are retained in a file. The Department also maintains an excel spreadsheet of the credit unions that have received an official low-income designation.

Methodology: Divide the number of state-chartered credit unions that are approved for a low-income designation pursuant to Part 705.3(a) of the National Credit Union Administration's Rules and Regulation by the total number of state-chartered credit unions for the same reporting period.

APPENDIX D

Measure Definitions (Continued)

Purpose/Importance: This measure indicates the number of credit unions that primarily serve Texas citizens that are close to the national poverty level, as well as citizens that live in areas with limited access to financial institutions.

Related Measure: Number of State Chartered Credit Unions.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

3. Percentage of Complaints Investigated and Responded to Within 30 Days of Receipt

Definition: The number of written complaints from credit union members or members of the public, relating to actions or inactions of a state chartered credit union, which are investigated and responded to in writing within 30 days of receipt of the complaint, expressed as a percentage of all complaints responded to for the applicable time period.

Data Limitation: The Department typically sends the affected credit union a copy of the complaint within two business days from the date the Department receives it. The Department asks the credit union to respond to the Department in writing within 15 days of the date our letter is sent. If the credit union does not provide us with a timely response, it is more likely that the Department cannot arrive at a determination within the allotted 30-day time period.

Data Source: When the Department receives a written complaint, the following information is entered into a database: the date the complaint is received, name of the complainant, the name of the credit union, and the nature of the complaint. When resolved, the date closed and the cost of handling the complaint is entered into the database. The elapse time is then generated by the program.

Methodology: Divide the number of written consumer complaints received and responded to within 30 days of their receipt by the number of consumer complaints responded to during the applicable period. A complaint is considered received once the complainant has provided sufficient information regarding the nature of the complaint for the Department to begin an investigation. The investigation includes obtaining a response from the subject credit union. A complaint is considered closed when the Department has sent a response to the complainant.

Purpose/Importance: This measure provides an indication of the responsiveness of the Department in handling consumer complaints.

Related measures: Number of Complaints Processed

APPENDIX D

Measure Definitions (Continued)

Calculation Type: Noncumulative

New Measure: No

Target: 95%

Desired Performance: Higher than target

Strategic Goal 4

1. Annual Examiner Turnover Rate

Definition: Number of examiner resignations¹ as a percentage of the number of examiner positions.

Data Limitations: The Department's ability to control turnover is very limited. Most examiners resign because of less than competitive salaries and/or excessive travel. Salaries are limited by the minimum and maximum salary levels of the state classification plan, as well as by budgetary constraints. To the extent possible, examinations are scheduled to reduce the number of consecutive weeks out of town.

Data Source: New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet.

Method of Calculation: Divide the number of examiner resignations received during a reporting period by the total number of examiner FTEs for the same period.

Purpose/Importance: Because turnover results in a less experienced examination staff, this measure is one indicator of the Department's ability to meet the examination completion-related goals.

Calculation Type: Noncumulative

New Measure: No

Target: Information Measure

Desired Performance: Neutral

2. Average Regulated Assets per Examiner

Definition: Total amount of credit union assets regulated per examiner.

¹ For purposes of this measurement, resignations include any voluntary or involuntary termination as well as any promotions to a classification outside the financial examiner services.

APPENDIX D

Measure Definitions (Continued)

Data Limitations: Asset growth of the credit union industry is outside of the Department's control.

Data Source: Each credit union must file a quarterly report that contains a balance sheet, income statement, and other financial reporting schedules. The number of examiners on staff is maintained on an Excel spreadsheet, as well as on the USPS system. The Uniform Statewide Payroll System (USPS) report 21 can be used to verify staff paid for each month of the reporting period and averaged to determine number of examiners.

Methodology: Divide the total assets of state-chartered credit unions by the average number of examiners on staff during the reporting period. Average number of examiners is the cumulative number of examiners on staff at the end of each month, divided by the number of months in the reporting period.

Purpose/Importance: This measure is an indicator of the workload placed on the agency's examination staff.

Related Measures: Total Assets of Credit Unions.

Calculation Type: Noncumulative

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

3. Number of Days of Employee Training

Definition: Number of days of formal training attended by staff members.

Data Limitations: None

Data Source: This measure tracks the amount of time spent attending training or educational course related to job performance or enhancing job skills.

Method of Calculation: Calculate total number of work days attending training for the reporting period. The Executive Assistant reviews work reports for the applicable period and verifies the number of training days for the applicable period.

Purpose/Importance: This measure indicates the Commission's willingness to invest in its most valuable resources.

Calculation Type: Cumulative

APPENDIX D
Measure Definitions (Continued)

New Measure: No

Target: Informational Measure

Desired Performance: Neutral

4. Number of Purchases Made From HUB Vendors

Definition: The number of purchases made from vendors who are designated as a historically underutilized business by the State of Texas during the reporting period. This does not include travel or transactions between agencies. It does include TIBH.

Data Limitation: The Department has no control over vendors who may be interested in providing services at the lowest cost to the agency.

Data Source: Comptroller of Public Accounts maintains the list of HUB vendors. The Department's Staff Services Officer maintains the list of contracts awarded to HUBs.

Methodology: Report total number of purchases made from HUBs for the reporting period, including TIBH, and excluding travel and transactions between agencies.

Purpose/Importance: This measure tracks the Department's compliance with Chapter 2161 of the Government Code.

Calculation Type: Cumulative

New Measure: Yes

Target: Informational Measure

Desired Performance: Neutral

5. Percentage of Purchases Made From HUB Vendors

Definition: The number of purchases made from vendors who are designated as a historically underutilized business divided by the number of purchases made for the reporting period. This does not include travel or transactions between agencies. It does include TIBH.

Data Limitation: The Department has no control over vendors who may be interested in providing services at the lowest cost to the agency.

Data Source: The Department's Staff Services Officer maintains the list of contracts awarded and which are designated as a HUB.

APPENDIX D
Measure Definitions (Continued)

6. Annual Staff Turnover Rate

Definition: Number of staff resignations² as a percentage of the number of staff positions.

Data Limitations: The Department's ability to control turnover is very limited. Salaries are limited by the minimum and maximum salary levels of the state classification plan, as well as by budgetary constraints.

Data Source: New hires, resignations, and the reasons given for resignations are tracked in a spreadsheet.

Method of Calculation: Divide the number of staff resignations received during a reporting period by the total number of staff FTEs for the same period.

Purpose/Importance: Because turnover results in a less experienced staff, this measure is one indicator of the Department's ability to meet its goals.

Calculation Type: Noncumulative

New Measure: No

Target: Information Measure

Desired Performance: Neutral

² For purposes of this measurement, resignations include any voluntary or involuntary terminations.



Texas Credit Union Department **Fiscal Year 2015-2016 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 is accomplished through annual examinations of each credit union to ensure enforcement of laws, rules, bylaws, and sound business practices, imposing appropriate administrative sanctions, diligent monitoring between examinations, and aggressive remedial efforts when needed.

The administrative office of the agency is domiciled in Austin, but field examiners are based in Dallas/Fort Worth, Austin, and Houston. The largest percentage of employees are directly associated with the examination process including field examiners, a 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 for 25 FTEs and will consider expanding the workforce as the complexity and assets of regulated credit unions increases. Operating fees paid by the credit unions cover all agency expenses, including payments to other state agencies, such as the Office of Attorney General, for services performed.

A. Agency Mission

The mission of the 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.

B. Strategic Goals and Objectives

The Department has four strategic goals:

1. To ensure a safe and sound credit union industry;
2. To provide a flexible regulatory framework that enables credit unions to provide a full competitive array of financial services;
3. To safeguard the interest of credit union members; and
4. To develop a professional and motivated staff that provides quality service to the citizens of Texas and supports achievement of the Department's statutory mission.

Objectives and strategies are established for each strategic goal. Objectives further define the intended outcomes of each goal. Strategies are the means to align the Department's operational processes, skills, technologies, and resources to achieve strategic goals and objectives.

Strategic Goal 1: A SAFE AND SOUND CREDIT UNION INDUSTRY

Strategic Objective 1: The Department anticipates, understands, addresses, and communicates risk to credit unions. The Department seeks to fulfill this objective by:

1. Establishing the appropriate regulatory framework.
2. Ensuring risk-based supervision is properly implemented and focused on material risks to the industry and individual credit unions.
3. Identifying emerging risk areas related to industry and individual credit unions.
4. Complying with the examination requirements of 7 TAC Section 97.105.
5. Resolving problem credit unions in a timely fashion, effectively, and when possible, without loss to the share insurance provider.
6. Taking prompt and effective enforcement actions when warranted.

Strategic Objective 2: The Department cooperates with other regulatory authorities on common interests. The Department seeks to fulfill this objective by:

1. Working effectively with the NCUA, private share insurance providers, and other state regulators to identify and address risks and emerging issues.
2. Implementing and developing new coordination and collaboration agreements with NCUA, private share insurance providers, and other applicable state regulators regarding supervisory activities performed in credit unions and information exchange.

Strategic Objective 3: Supervisory methods and analytical tools keep pace with industry changes and appropriately support the broader mission of the Department. The Department seeks to fulfill this objective by:

APPENDIX E
Workforce Plan 2015-2016 (Continued)

1. Utilizing analytical tools and reports to effectively use the data collected from credit unions to foster informed decision making for supervisory operations and policy.
2. Deploying supervisory technology solutions to enhance data quality and provide user-friendly examiner access to key credit union and industry information.

Strategic Goal 2: A FLEXIBLE REGULATORY FRAMEWORK

Strategic Objective 1: Each Commission rule is current, clearly written, and necessary for an effective supervisory process. The Department seeks to fulfill this objective by:

1. Drafting, amending, and implementing rules to fulfill Legislative directives and to ensure relevance to current conditions.
2. Conducting the mandatory rule review in accordance with Commission's approved plan.
3. Implementing rulemaking through successful collaboration and consultation with interested parties.

Strategic Objective 2: The Department supports credit union efforts to remain competitive, consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. Supporting the continued recognition of the attributes of the state credit union charter through appropriate opinions and rules.
2. Developing and modernizing attributes of the credit union charter and the role and status of the industry.
3. Enhancing communication with NCUA and other state regulators to facilitate better coordination on issues affecting credit unions.
4. Communicating attributes of the state charter within and outside the Department.

Strategic Objective 3: Application procedures are efficient and consistent with safety and soundness. The Department seeks to fulfill this objective by:

1. Providing a standardized application package.
2. Establishing policies and procedures that provide clear and comprehensive guidance.
3. Implementing and maintaining processes for prompt screening of applications
4. Enhancing existing technology solutions that support effective application operations.

Strategic Goal 3: PROTECT CREDIT UNION MEMBER INTERESTS

Strategic Objective 1: All credit union members have reasonable access to credit union services and are treated fairly and lawfully. The Department seeks to fulfill this objective by:

1. Reinforcing the importance of fair and honest treatment of credit union members through appropriate supervisory and enforcement action.

APPENDIX E
Workforce Plan 2015-2016 (Continued)

2. Expanding the agency's role in resolving and/or mediating member complaints handled by the Department.
3. Strengthening role in addressing member privacy, information security, and identity theft.
4. Enhancing the Department's consumer compliance examination program.

Strategic Objective 2: Credit unions are involved in providing financial services in underserved communities within this State. The Department seeks to fulfill this objective by:

1. Supporting the efforts of credit unions to expand their fields of membership to included underserved and low income communities.
2. Facilitating the process for credit unions to obtain a low-income designation from NCUA.
3. Participating in financial literacy efforts by the industry and other agencies.

Strategic Goal 4: A SKILLED AND MOTIVATED STAFF

Strategic Objective 1: The Department maintains a competent, highly motivated, and diverse workforce in a fair and inclusive work environment. The Department seeks to fulfill this objective by:

1. Maintaining a comprehensive Equal Employment and Workforce Diversity Plan.
2. Executing an aggressive recruiting and comprehensive training strategy for new entry-level examiners.
3. Developing proactive initiatives focused on the retention of employees, including mentoring, employee feedback, incentives, and recognition programs.
4. Creating a leadership development program to support and enhance management succession.
5. Implementing an external hiring strategy to augment specialized skills to enhance the Department's supervision of complex credit unions.

Strategic Objective 2: The Department is an efficient, effective, and ethical organization. The Department seeks to fulfill this objective by:

1. Ensuring compliance with laws, rules, and stewardship of its resources through program evaluations and a quality management framework.
2. Ensuring compliance with the rules, policies and procedures for ethical conduct by its employees.
3. Ensuring reliable, secure, modern information technology systems are in place in support of an environment that meets the Department's mission, goals, and objectives.
4. Leveraging technology, with particular focus on information management initiatives, such as records and knowledge management.

APPENDIX E
Workforce Plan 2015-2016 (Continued)

Strategic Objective 3: The Department's resource decisions and operations reflect sound financial, security, and risk management principles. The Department seeks to fulfill this objective by:

1. Implementing security controls to mitigate risk and to protect confidential information.
2. Improving contingency planning for business continuity, including information technology recovery, compliance with Homeland Security requirements, and crisis management strategies.
3. Achieving reliable, accurate and timely financial resources management information.

C. *Anticipated Changes in Strategies*

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

Using a risk-focused examination process, examiners give additional attention to areas of operation which have been identified in a risk assessment. Because of the disparity in the size and complexity of credit unions, examiners remain generalists in terms of their expertise. However, 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 and may include contracting with third party experts when appropriate.

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, business, economics, or directly related business field, with a minimum of six 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
- Loan analysis
- Internal control analysis
- Information technology analysis

APPENDIX E
Workforce Plan 2015-2016 (Continued)

- Investigative

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

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

B. Workforce Demographics

The following charts profile the agency's workforce as of December 31, 2013. The agency is authorized 25 FTEs; currently it has 24 FTEs. The TCUD workforce is comprised of 67 percent males and 33 percent females. 67 percent of the employees are over the age of 40; the average age of a Department employee is 45 years. The average age of the examination staff is 38 years. The average tenure of an agency employee is 11 years; the average tenure of the examiners is 10 years. Three examiners have been with the Department less than two years. There is one vacant examination position.

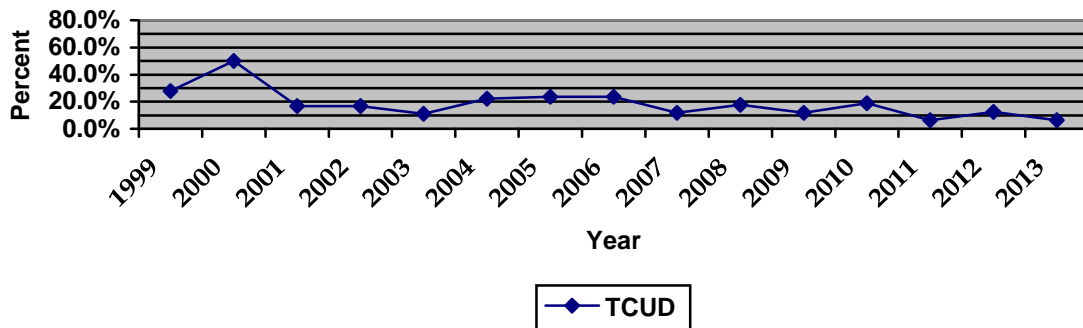
The ethnic breakdown of the workforce is 67 percent Anglo, 17 percent African-American, 12 percent Hispanic and four percent Other. The 2010 Census showed a Texas population that was 45.3 percent Anglo, 11.8 percent African-American, 37.6 percent Hispanic, and 4.6 percent Other. Most census projections 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, in some cases, a recruitment bonus.

During the period from FY 2008 to FY 2013, four examiners (average tenure of 78 months) were hired by credit unions and one examiner (tenure of 44 months) was hired by NCUA. Another 8 examiners left employment with an average tenure of 27 months.

Examiner 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 eleven 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 78th Legislature. At the beginning of FY 2013, two employees retired. At the current time, four employees are eligible for retirement, with one more employee becoming eligible within the next two years.

E. Other Considerations

While there is now an improved beginning salary for examiners, retention of experienced examiners will still be a problem as financial institutions and federal agencies still pay a higher salary and require less travel. Agency-wide, the turnover rate is expected to stay between 12percent - 16percent annually for at least the next few years. The Department is looking at other benefits and work condition enhancements to help with examiner retention.

III. Future Workforce Profile

A. Critical Functions

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

APPENDIX E
Workforce Plan 2015-2016 (Continued)

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

- The FTE count is anticipated to increase by 2 over the next two years to ensure continuity of service and address the increasing complexity of credit union examinations.

D. Future Skills Needed

To effectively perform and process examinations, the agency relies upon a competent and knowledgeable staff. The skills mentioned previously under *Critical Workforce Skills* should be constant for the future; no immediate new skill requirements are anticipated at this time. As employees gain more tenure and experience, their skills should become more refined; employees whose skills do not significantly improve or expand may not be retained.

IV. Gap Analysis

A. Anticipated Surplus or Shortage of Workers or Skills

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

1. Attracting and retaining the right employees for the job

- Competing for business majors with at least 6 hours of accounting
- Younger employees are not staying with 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.

APPENDIX E
Workforce Plan 2015-2016 (Continued)

Action Steps	<ul style="list-style-type: none">• Continue regular pay increases for performance• Allow employees who are seeking new challenges to work on special projects, or assign development projects• Provide training in specialized areas related to the examination process
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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 25 FTEs, retirements are not expected to adversely impact the organization. Other employee turnover is expected to stabilize with the salary increases and other incentives aimed at retention. Major organizational changes are also not anticipated.

APPENDIX F
Survey of Employee Engagement

During the strategic planning process, the Department encourages all employees to participate and provide feedback about the strategic plan. Throughout the year, employees are encouraged to provide feedback and input on agency’s policies and procedures.

The most recent opportunity for employee input was in November 2013. Staff participated in the biennial *University of Texas Survey of Employee Engagement*. This employee assessment tool is designed to solicit candid feedback from staff on a variety of areas and seeks to identify where employees may be generally satisfied and which areas can be improved. With 80% of staff participating, the November 2013 survey results identified a significant area of concern with respect to pay. Senior leadership is committed to finding remedies for the pay issues and will remain vigilant in its efforts to continually improving working conditions for all employees.

2013 SURVEY OF EMPLOYEE ENGAGEMENT (Selected Results)

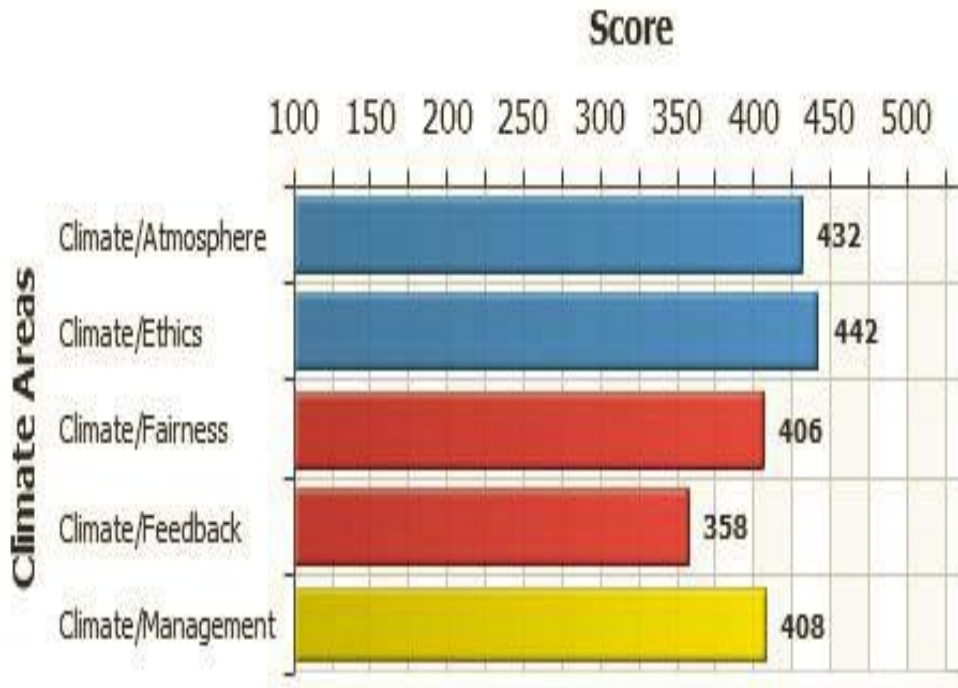
Respondent Information

	<u>2010</u>	<u>2011</u>	<u>2013</u>
Number of employees who completed the survey	20	20	20
Supervisory	6	6	6
Non-supervisory	14	13	13
Not indicated	0	1	1
Female	6	8	5
Male	13	11	13
Not indicated	1	1	2

APPENDIX F
Survey of Employee Engagement (Continued)

Scores on Survey Climate and Constructs

Each Climate Area is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



Climate Definitions:

Atmosphere: The aspect of climate and positive Atmosphere of an organization must be free of harassment in order to establish a community of reciprocity.

Ethics: An Ethical climate is a foundation of building trust within an organization where not only are employees ethical in their behavior, but that ethical violations are appropriately handled.

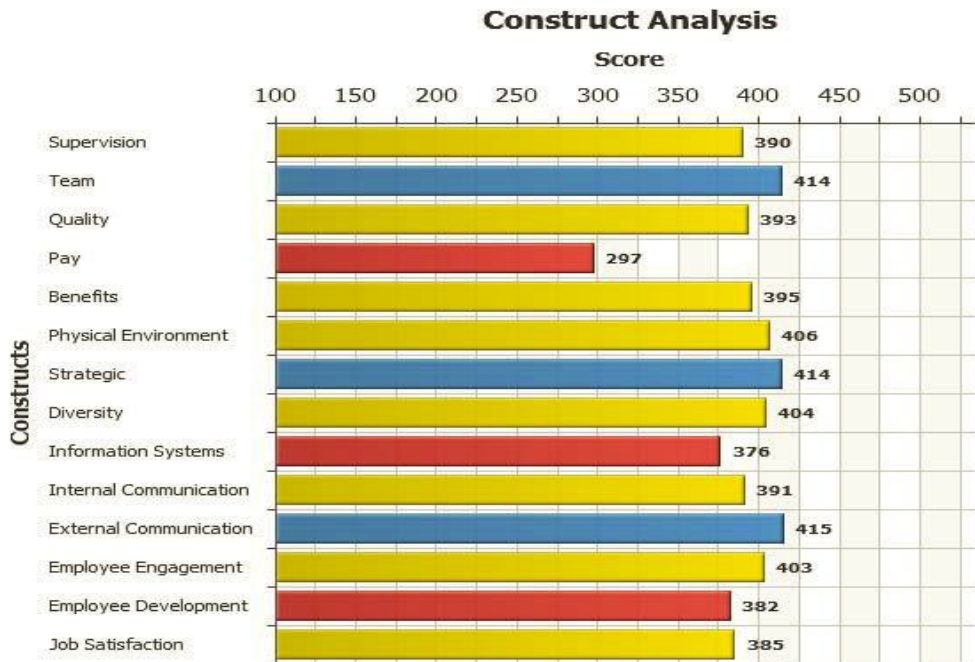
Fairness: Fairness measures the extent to which employees believe that equal and fair opportunity exists for all members of the organization.

Feedback: Appropriate feedback is an essential element of organizational learning by providing the necessary data in which improvement can occur.

Management: The climate presented by Management as being accessible, visible, and an effective communicator of information is a basic tenant of successful leadership.

APPENDIX F
Survey of Employee Engagement (Continued)

Each construct is displayed below with its corresponding score. Highest scoring constructs are areas of strength for this organization while the lowest scoring constructs are areas of concern. Scores above 350 suggest that employees perceive the issue more positively than negatively, and scores of 375 or higher indicate areas of substantial strength. Conversely, scores below 350 are viewed less positively by employees, and scores below 325 should be a significant source of concern for the organization and should receive immediate attention.



APPENDIX F
Survey of Employee Engagement (Continued)

Primary Questions

	<u>Credit Union Department</u>				<u>State</u>
	<u>2008</u>	<u>2010</u>	<u>2012</u>	<u>2013</u>	<u>2010</u>
1. We are known for the quality of service we provide	3.74	3.90	3.95	4.06	3.95
2. My work group's goals are consistently met or exceeded.	3.78	3.90	3.95	4.00	3.87
3. Every employee is valued	3.72	3.90	4.00	3.89	3.53
4. The right information gets to the right people at the right time	3.74	3.60	3.90	3.79	3.33
5. The work atmosphere encourages open and honest communication	3.39	3.60	4.00	3.84	3.49
6. Work groups are trained to incorporate the opinions of each member	3.28	3.79	3.90	4.00	3.49
7. Employees have an opportunity to participate in the goal setting process	3.28	3.56	3.68	3.76	3.65
8. We work well with our governing bodies (the legislature, the board, etc.)	3.68	4.15	4.37	4.11	3.88
9. Decision making and control are given to employees doing the actual work	3.61	3.90	4.25	4.05	3.52
10. There is a basic trust among employees and supervisors	3.56	3.70	3.85	3.94	3.45
11. Employees have adequate resources to do their jobs	3.89	3.80	3.95	3.84	3.89
12. Training is made available to employees so that they can do their job better	4.06	4.05	3.85	3.89	3.56
13. There is a feeling of community within this agency	3.47	3.63	3.95	4.16	3.68
14. Salaries are competitive with similar jobs in the community	2.79	3.15	3.00	2.74	2.52

