

2020-21 DEVELOPING RISKS REPORT

During the 2020-21 Annual Enterprise Risk Assessment, senior leaders and executives were introduced to Developing Risks that include strategic risks that have been identified by external sources that are not yet well understood. In addition, operational risks were identified by internal sources that are not presently included in the Enterprise Risk Profiles. These risks may be fast moving and uncertain and therefore will be assessed and monitored. By tracking these risks, the Committee will be able to evaluate and mitigate these threats.

	RISK	DEFINITION
STRATEGIC	Extended COVID-19 Wave	A prolonged outbreak of COVID-19 may hinder financial recovery and delay return to work plans. Current mitigations include formal phased return to work plans with return to remote work triggers tied to metrics the organization is tracking.
	The New Working Model	CalPERS may struggle with its attempt to reconcile a traditional work environment with a greater demand to telecommute due to social distancing requirements and related workplace transformations. Sustainability of maintaining the strong culture of the organization is also a concern. Mitigations include the telework stakeholder group recommendations, formal return to work plans mentioned above that include accommodations for safety protocols and, virtual touch points to maintain culture such as our weekly CEO webchats.
	Policy Uncertainty/ Social Instability	The risk that policy uncertainty can lead to volatility in global markets and social unrest. CalPERS has been progressive in anticipating investment risks associated with increased volatility and has taken action to address racism and economic inequality issues.
OPERATIONAL	Third-Party	The risk that CalPERS is unable to protect its data, financial, and reputational interests from actions taken by vendors which may result in non-compliance, litigation, and financial loss to the organization.