

2022-23 DEVELOPING RISKS REPORT UPDATE

During the 2022-23 Annual Enterprise Risk Assessment, senior leaders and executives reviewed the emerging risks as part of the assessment, which includes strategic and operational risks that are not yet well understood. These risks may be fast moving and uncertain and therefore will be assessed and monitored. By tracking these potential risks, CalPERS will have a better opportunity to determine if risk mitigation strategies are warranted.

STRATEGIC RISK	DEFINITION
Inflationary Pressures/ Macroeconomic Downturn	The risk that increased prices of goods and services during an unforeseen period will raise the cost of doing business and/or reduce consumer buying power. Additionally, the Federal Reserve raising interest rates in response to inflation may slow economic growth thereby impacting CalPERS investment assets and employers' ability to pay retirement contributions.
Organizational Culture	The risk is that CalPERS cannot maintain its strong organizational culture within extended remote work and hybrid work environments. Additionally, organizational continuous improvement efforts encouraging team member creativity and innovation to foster new ideas may be impacted.
OPERATIONAL RISK	DEFINITION
Third-Party	The risk is that CalPERS cannot 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.