

2021-22 DEVELOPING RISKS REPORT UPDATE

In September 2021, ERMD presented the 2020-21 Annual Enterprise Risk Assessment. Senior leaders and executives reviewed the Developing Risks as part of the assessment, which includes strategic and operational risks that are not yet well understood. This report provides updates on the developing risks reflecting changes identified in the emerging risk environment. 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.

	RISK	DEFINITION
STRATEGIC	Inflationary Pressures	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.
	The New Working Model	With the lingering pandemic and realization that remote work can produce sound results; CalPERS faces uncertainty in balancing the transition to a hybrid environment and maintaining and recruiting talent. State agencies and private sector organizations with more telework options may attract team members that place a higher importance and preference for remote work.
	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	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.