



2023-24 ENTERPRISE RISK APPETITE STATEMENTS

BENEFIT ADMINISTRATION

We have an **averse** appetite for inaccurate or untimely delivery of benefits and information to members, retirees, and beneficiaries. We will only accept minimal loss due to internal process errors that will affect the livelihood of our members, and we will not tolerate any reductions to our stakeholder confidence.

CLIMATE CHANGE

We have an **averse** appetite for failure to meet investment returns, employer's inability to pay required contributions, and disruption to CalPERS' operations resulting from the effects of climate change. We are working to minimize the absolute risk from climate change to our portfolio through our engagement and advocacy efforts. Our research and integration efforts are applied to understand the financial risks to our portfolio and prepare for the long-term changes that will accompany climate change.

GOVERNANCE AND CONTROL ENVIRONMENT

We have an **averse** appetite for material failure to comply with laws and regulations. Therefore, we will not tolerate increased likelihood of financial loss, reductions to member satisfaction or stakeholder confidence, or loss of delegated authorities due to weak governance or non-compliance.

HEALTH CARE ADMINISTRATION

We have an **averse** appetite for the decisions that may compromise our ability to offer member access to equitable, high-quality, and affordable health care. We are focused on minimizing or reducing increases to the total cost of care or adverse changes in the coverage that will negatively impact the health of CalPERS' covered population.

INFORMATION SECURITY

We have an **averse** appetite for failure to protect CalPERS' information assets. We support continuous improvement of CalPERS information assets security and will communicate risk readiness to maintain member satisfaction and stakeholder confidence. We will not accept loss of member data or negative member impacts from unauthorized or improper use of CalPERS' information assets.

LONG-TERM CARE

We have an **averse** appetite for failing to provide an actuarially sound, self-funded long-term care program which is valued by members and in compliance with all applicable laws and regulations. Plan funding risks are multifaceted, and the Board will continue to oversee these risks by taking an integrated view of plan assets and liabilities.

STAKEHOLDER CONFIDENCE

We have a **cautious** appetite for the inability to maintain stakeholder confidence in CalPERS as a trusted fiduciary. We support a proactive stakeholder engagement strategy and strive to enhance our communication and services with our stakeholders to manage public perception issues as they arise.

TALENT MANAGEMENT

We have a **cautious** appetite for talent recruitment and employee engagement. We are prepared to support flexibility in our recruitment and retention processes in light of the new hybrid working model to attract and retain the most talented team members for the achievement of our business objectives. We value employee engagement and have no tolerance in any loss of CalPERS' reputation as an employer of choice and closely monitoring the new working model to respond accordingly.

PENSION FUNDING

We have a **cautious** appetite for failure to meet benefit obligations to current and future members and beneficiaries. Pension funding risks are multifaceted, and the Board will continue to oversee these risks by taking an integrated view of pension assets and liabilities through the Asset Liability management framework.

RISK APPETITE SUMMARY

Averse	Cautious	Flexible
<ul style="list-style-type: none"> • Benefit Administration • Climate Change • Governance and Control Environment • Health Care Administration • Information Security • Long-Term Care 	<ul style="list-style-type: none"> • Stakeholder Confidence • Talent Management • Pension Funding 	