

CalSavers Retirement Savings Board

Risk Monitoring Heat Map – Quarter 1 2022

IMPACT	Very High	Cybersecurity: Remote Work + Interagency Data Sharing	Pending Litigation			
	High	Contractors' Corporate Issues	<u>Customer Service Staffing</u>	Employer Compliance		
	Medium	Cannabis Industry Regulatory Complexity	Stakeholder Relationships	COVID Impact on Growth Revenue/Loan Repayment		
	Low			Third Party Misinformation <u>Enforcement Perception</u>		
	Very Low					
		Very Low	Low	Medium	High	Very High
		LIKELIHOOD				

Changes from Prior Quarter (shown above with underline):

- Customer Service Staffing: downgraded likelihood due to 12 months of strong performance; remains on monitoring list due to unprecedented large upcoming Wave 3 volume.
- Enforcement Perception: new category to reflect possibility of reputational issues because of the imposition of penalties.

Risk Mitigation Strategies for Higher Risk Areas:

- Pending Litigation
- Employer Compliance

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Categories of Ongoing Risk Monitoring

Operational Risks

- Issues that could cause a delay in producing deliverables (e.g., platform, programming or documentation, among others) resulting in a delay in operational capabilities
- Program staffing, including professional resources dedicated to CalSavers
- Program participation (e.g., initial education and outreach less effective than desired to employers and employees and/or opt-out rate is higher than expected)
- Budget variances and potential for delay in repayment of General Fund loan
- No direct control over Program Administrator and Investment Manager but exposure to headline risks associated with each (e.g., privacy breaches)
- Customer service insufficiencies
- Business interruption
- Breach of contract provisions leading to possible default

Reputational Risks

- Image and branding
- Stakeholder relationships
- External and third-party communications
- Marketing and educational materials
- Market downturn; anxious investment experience for savers

Information Technology and Cybersecurity Risks

- Integrity of recordkeeping, customer service and custodial platforms
- Data privacy of eligible and participating employees
- Digital communications

Legal, Regulatory and Compliance Risks

- Legal challenges to Program regarding status
- Lawsuits from participants and other interest groups
- New and modified regulations and statutory provisions (both federal and state)
- Non-compliance with statutes and regulations (both federal and state) by Program Administrator, Investment Manager, their subcontractors, or CalSavers' third-party outreach partners (part of headline and reputational risk also)

Financial Risks

- Capital markets environment (e.g., risk of investment losses)
- Performance of investment managers
- Calculations of individual account values
- Accounting and audit issues

Governance and Fiduciary Risks

- Board actions not compliant with governance and fiduciary standards
- Fraudulent activity by State/Board employees, the Program Administrator, the Investment Manager (including any of their subcontractors), or CalSavers' outreach partners
- Continual oversight of all aspects of Program operations