



Regular Meeting

Item number 3 – Open session

Subject: Review of CalSTRS Basic Financial Statements as of June 30, 2026

Presenter(s): Art Martinez and Julie Underwood

Item type: Information

Date and time: November 5, 2026– 15 minutes

Attachment(s): CalSTRS fiscal year 2025-26 basic financial statements

PowerPoint presentation(s): Review of CalSTRS basic financial statements as of June 30, 2026

Item purpose

The purpose of this item is to provide the board with a review of CalSTRS' basic financial statements for the fiscal year ended June 30, 2026, and an update on new accounting standards promulgated by the Governmental Accounting Standards Board that had an impact on our basic financial statements as of June 30, 2026, and may have impacts to CalSTRS' basic financial statements in subsequent years.

Recommendation

This is an information item only.

Executive Summary

CalSTRS' total net position increased by \$50.1 billion, rising from \$373.2 billion to \$423.3 billion as of June 30, 2026, primarily due to \$52.6 billion in net investment income reflecting strong investment returns. Member, employer, and state contributions grew by \$0.7 billion, driven by higher creditable compensation, while statutory contribution rates remained unchanged. Benefit payments and refunds rose by \$0.7 billion to \$21 billion, reflecting growth in the retiree population and routine annual adjustments. The State Teachers' Retirement Plan's (STRP)'s net pension liability declined by \$31.2 billion, from \$63.7 billion to \$32.5 billion, largely due to robust investment gains. The following are certain noteworthy figures from the CalSTRS basic financial statements for the fiscal year ended June 30, 2026, with comparative figures from the fiscal year ended June 30, 2025, for your reference. These figures are for CalSTRS as a whole, which includes the STRP, Pension2, the Medicare Premium Payment Program, and the Teachers' Deferred Compensation Fund.

(Dollars in billions)	6/30/2026	6/30/2025	\$ Change	% Change
Net position	\$423.3	\$373.2	\$50.1	13.4%
Net investment assets	483.8	417.5	66.3	15.9%
Net investment income	52.6	31.8	20.8	65.4%
Member, employer, and state contributions	19.0	18.3	0.7	3.8%
Benefit payments and refunds	21.0	20.3	0.7	3.4%

The following are certain noteworthy figures for the STRP from the CalSTRS basic financial statements for the fiscal year ended June 30, 2026, with comparative figures from the fiscal year ended June 30, 2025, for your reference. The STRP includes the Defined Benefit, Defined Benefit Supplement, Cash Balance, and Replacement Benefits programs. These collectively account for approximately 99% of CalSTRS' net position.

(Dollars in billions)	6/30/2026	6/30/2025	\$ Change	% Change
Net position	\$419.7	\$370.2	\$49.5	13.4%
Net investment assets	480.2	414.6	65.6	15.8%
Net investment income	52.1	31.6	20.5	64.9%
Member, employer, and state contributions	18.5	17.9	0.6	3.4%
Benefit payments and refunds	20.8	20.1	0.7	3.5%
Net pension liability*	32.5	63.7	(31.2)	-49.0%

**For actuarial funding purposes, the Unfunded Actuarial Obligation of the Defined Benefit Program was \$82.0 and \$88.7 billion based on the actuarial valuations as of June 30, 2025, and June 30, 2024, respectively.*

Approximate membership data of the Defined Benefit Program

	6/30/2026	6/30/2025	# Change	% Change
Active members	471,000	471,000	0	0.0%
Inactive members	252,000	244,000	8,000	3.3%
Retirees and beneficiaries	343,000	339,000	4,000	1.2%
Total members, retirees, and beneficiaries	1,066,000	1,054,000	12,000	1.1%

New accounting pronouncements

Management actively monitors new accounting standards issued by the Governmental Accounting Standards Board (GASB) and evaluates them for impacts to CalSTRS' basic financial statements. For the fiscal year ended June 30, 2026, GASB Statement No. 103, *Financial Reporting Model Improvements*, was adopted, which introduced updated requirements for the format and content of certain financial statements and the Management's Discussion and Analysis for state and local governments. For CalSTRS it resulted in minimal changes to disclosures within Management's Discussion and Analysis. GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was also implemented; however, it did not have a material impact on CalSTRS' financial statements given the immateriality of the affected capital assets to our operations.

Management is currently monitoring the following pronouncements that may have an impact on the financial statements in fiscal year 2026-27 and beyond:

GASB Statement No. 105, <i>Subsequent Events</i>	<p>This statement aims to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.</p> <p>If applicable, this statement would be effective starting in fiscal year 2026-27.</p>
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Background

CalSTRS management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the GASB.

The basic financial statements have been audited by Crowe LLP (Crowe), who are responsible for planning and performing an audit to obtain reasonable assurance that the basic financial statements are free of material misstatements. Crowe completed their audit of the basic financial statements and expressed an unmodified opinion (the basic financial statements are free of material misstatement and presented fairly, in all material respects for the fiduciary net position of CalSTRS as of June 30, 2026, and the changes in fiduciary net position for the year then ended in accordance with U.S. GAAP).

The basic financial statements are an integral part of the Annual Comprehensive Financial Report (ACFR). The ACFR is prepared each year following the close of the fiscal year and is typically finalized and posted on CalSTRS website in late December. It provides a comprehensive overview of the System's financial position and operating results, including investment performance. The basic financial statements presented in this item serve as the foundation for ACFR and will be incorporated into the full report upon its completion.

Strategic Plan linkage: Goal 1 of CalSTRS' 2025 – 28 Strategic Plan is to “Ensure a well-governed, financially sound trust fund”.

Board Policy linkage: Pursuant to [*Appendix I of the Teachers' Retirement Board Governance Manual*](#), the Chief Executive Officer has the duty and the authority to prepare and submit to the Board the ACFR, which covers the operations of the System for the preceding fiscal year including investment results, and thereafter send copies of the report to the Controller, the Governor, the Legislature and any other persons/entities as appropriate, which occurs each December.
