Audits and Risk Management Committee

Item number 5b – Open session

Subject: CalSTRS Independent Financial Statement Auditor Reports for the Year Ended June 30, 2026 – Other Pension Information – State Teachers' Retirement Plan

Presenter(s): Crowe LLP – Jen Aras and Dan O'Malley

Item type: Action

Date and time: November 5, 2026 – 15 minutes

Attachment(s): Attachment 1 – Independent Auditor's Report

Attachment 2 – Auditor's Communication to Those Charged with Governance

Attachment 3 – Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

PowerPoint presentation(s): Refer to 5a PowerPoint Presentation

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Item purpose

The purpose of this item is to provide the reports prepared by the Teachers' Retirement Board's (Board) independent financial statement auditor, Crowe LLP, for CalSTRS Other Pension Information audit for the Fiscal Year Ended June 30, 2026.

Recommendation

Staff recommends the Audits and Risk Management (ARM) Committee accept the following CalSTRS Other Pension Information audit reports for the Fiscal Year Ended June 30, 2026:

1) Independent Auditor's Report (Attachment 1)
2) Auditor's Communication to Those Charged with Governance (Attachment 2)
3) Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Attachment 3)

Executive summary

Management is responsible for the preparation of the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2026, and the related notes.

The Board's independent financial statement auditor, Crowe LLP, is responsible for planning and performing an audit to express an opinion on the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers' Retirement Plan along with the captions titled total net pension liability, as of June 30, 2026; total deferred outflows of resources; and total deferred inflows of resources included in the Schedule of Aggregate Pension Amounts for Employers and Nonemployer Contributing Entity as of June 30, 2026, and the related notes. Crowe LLP prepared the following reports:

Independent Auditor's Report (Attachment 1)

The external auditor role is to provide an opinion on the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of State Teachers' Retirement Plan for the year ended June 30, 2026, and the related notes. Crowe LLP issued an unmodified opinion (i.e., free from material misstatements and presented fairly, in all material respects, in accordance with generally accepted accounting principles). The audit opinion is expressed in the Independent Auditor's Report.

Auditor's Communication to Those Charged with Governance (Attachment 2)

This report is intended to inform the ARM Committee and Board of matters related to the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2026, and the related notes that, in the judgment of the auditors, are significant and relevant to the Committee's and Board's responsibilities in overseeing CalSTRS' financial reporting process. The report covers the Auditor's responsibility under auditing standards generally accepted in the United States of America that includes:

- Planned scope and audit timing
- Significant accounting policies, management judgements, and accounting estimates
- Auditor's judgments about qualitative aspects of significant accounting practices
- Corrected and uncorrected misstatements
- Other communications

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Attachment 3)

CalSTRS management is responsible for the design, implementation, and internal control maintenance relevant to the preparation and fair presentation of the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2026, and the related notes that are free

from material misstatement. Crowe LLP considers CalSTRS' internal control over financial reporting to determine the extent of audit procedures necessary to express an opinion.

During the audit of CalSTRS Schedule of proportionate share of contributions for employers and nonemployer contributing entity and the specified caption totals included in the Schedule of aggregate pension amounts for employers and nonemployer contributing entity, the auditor may identify a material weakness or significant deficiency. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Any material weaknesses and significant deficiencies in internal control are included in this Report. Crowe LLP did not identify any material weaknesses or significant deficiencies in internal controls over the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2026, and the related notes.

Representatives of Crowe LLP will provide an overview of each report listed above to the Committee.

Strategic Plan linkage: Goal 1: Trusted stewards-ensure a well-governed, financially sound trust fund

Board Policy linkage: Board Governance Manual: ARM Committee Charter & Section 8-ARM Policy

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