



FINANCIAL STATEMENT AUDIT RESULTS JUNE 30, 2026

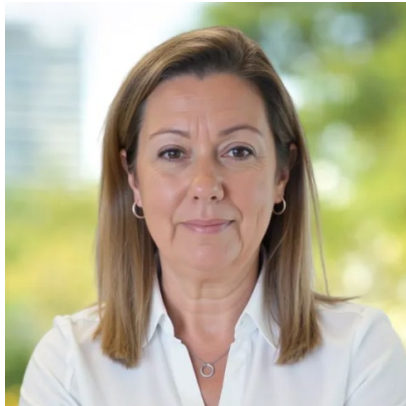
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM

Audits and Risk Management Committee
Presentation

November 5, 2026



With You Today



Jen Aras, CPA
Audit Signing Partner



Dan O'Malley, CPA
Audit Investment Approach
Partner

Scope of Services

- Audit of the financial statements of California State Teachers' Retirement System
- Audit of the Other Pension Information of the State Teachers Retirement Plan (STRP) and specified caption totals
- Independent Auditor's Report on Internal Control over Financial Reporting (ICFR) and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards (GAS)*

Audit Execution - Timeline



Independent Auditor's Report – Financial Statement Audit Opinion

Unmodified Audit Opinion

Opinion

We have audited the financial statements of the California State Teachers' Retirement System ("System" or "CalSTRS"), a component unit of the State of California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the California State Teachers' Retirement System, as of June 30, 2026, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Management's Responsibility

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report – Auditor's Responsibility

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Independent Auditor's Report – Emphasis of Matters

Net Pension Liability of Employers and Nonemployer Contributing Entity

As discussed in Note 3, based on the most recent actuarial valuation as of June 30, 2025, the System's independent actuaries determined that, at June 30, 2026, the value of the State Teachers' Retirement Plan (STRP) total pension liability exceeded the STRP fiduciary net position by \$32.5 billion. The actuarial valuation is sensitive to the underlying actuarial assumptions, including investment rate of return of 7.10%, consumer price inflation of 2.75%, wage growth of 3.5% and custom mortality tables based on CalSTRS most recent Experience Analysis. Our opinion is not modified with respect to this matter.

Components of the NPL — STRP¹

	(dollars in millions)
Total pension liability	\$452,253
Less: STRP fiduciary net position	419,720
NPL of employers and the State of California	\$32,533
STRP fiduciary net position as a percentage of the total pension liability	92.8%

¹ Includes all plans and programs in the STRP.

Actuarial methods and assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2025, and rolling forward the total pension liability to June 30, 2026. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2026, include:

Valuation date	June 30, 2025
Experience study ¹	July 1, 2007–June 30, 2022
Actuarial cost method	Entry age actuarial cost method
Investment rate of return ²	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%
Postretirement benefit increases	2% simple for DB (annually) Maintain 85% purchasing power level for DB, not applicable for DBS/CBB

¹ Both a five-year period (July 1, 2017–June 30, 2022) and 15-year period were considered in the 2024 experience study; however, assumptions were primarily based on the results of the 15-year study. Additional information is available in the 2024 experience analysis report available at CalSTRS.com.

² Net of investment expenses but gross of administrative expenses.

Independent Auditor's Report – Emphasis of Matters

Fair Value of Investments

As discussed in Note 5 and 6, the financial statements include investments valued at approximately \$175.7 billion as of June 30, 2026, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by the System's management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimated values may differ from the values that would have been used had a ready market existed for the investment securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Alternative investments	Fair Value (dollars in thousands)
Debt-privately held	19,393,290
Equity-privately held	110,141,843
Real estate-directly held	30,177,694
Real estate-non-directly held	15,972,493
Total alternative investments	175,685,320

Independent Auditor's Report – Other Pension Information (OPI)

- Audit of:
 - Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of State Teachers' Retirement Plan for the year ended June 30, 2026
 - Total net pension liability as of June 30, 2026
 - Total deferred outflows of resources
 - Total deferred inflows of resources
- Performed in accordance with both GAAS and GAGAS
 - Unmodified opinions issued
 - Includes same emphasis of matter paragraph regarding Net Pension Liability

Other Pension Information (OPI)

- **Purpose of Other Pension Information**
 - **Not required by GAAP**
 - **Issued by management to assist contributing entities in determining amounts for their financial statements**
 - **Opinion provides evidence for other auditors**

Restriction on Use

Our report is intended solely for the use and information of the California State Teachers' Retirement System, the California State Teachers' Retirement management, the governing body of the California State Teachers' Retirement System and the State Teachers' Retirement Plan employers and nonemployer contributing entity and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

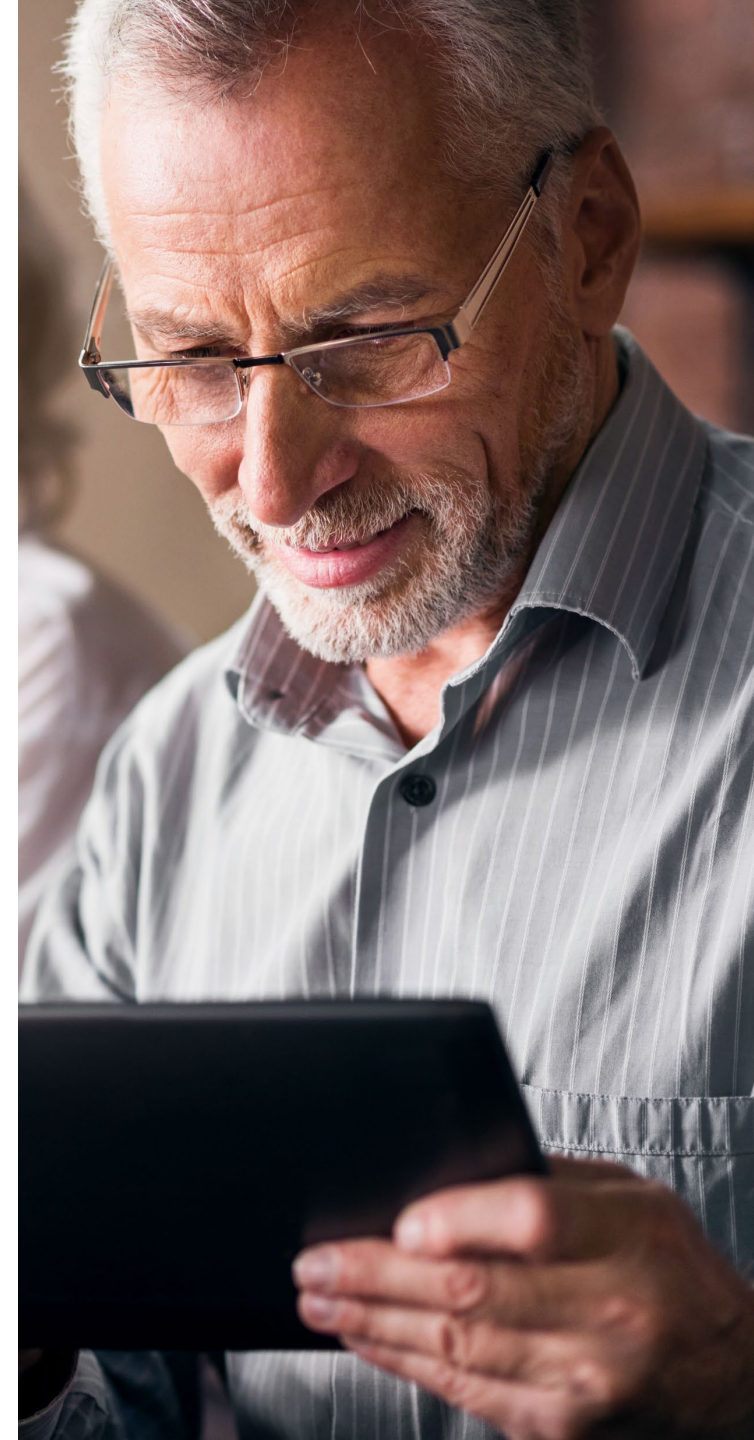
Required Communications to Those Charged with Governance

- Auditor's Judgments about Qualitative Aspects of Significant Accounting Practices
- Corrected Misstatements - None
- Uncorrected Misstatements - None
- Other Communications
- Other Information in Documents Containing Audited Financial Statements
- Significant Difficulties Encountered During the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Representations the Auditor is Requesting from Management
- Significant Issues Discussed, or Subject to Correspondence, with Management
- Significant Related Party Findings and Issues
- Other Findings or Issues We Find Relevant or Significant

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards (GAS)*.
- We obtain sufficient understanding of the entity and its environment, including internal controls, in order to plan the audit, but not to express an opinion on internal controls.
- Therefore, our consideration of internal control is for a limited purpose and is not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.
- No significant deficiencies or material weaknesses identified.
- Certain written deficiencies identified in a management letter.

Questions and Discussion





THANK YOU



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