Independent Financial Statement Auditor RFP Plan

A. Audit of Financial Statements and Schedules

Under the direction of the Audits and Risk Management (ARM) Committee or designee the independent financial statement auditor (external auditor) will provide all services necessary to audit CalSTRS basic financial statements, required supplementary information, and other supplementary information. Management is responsible for the financial statement preparation in accordance with generally accepted accounting principles and presentation of the basic financial statements to the Teachers' Retirement Board (Board) annually.

The external auditor will also provide all services necessary to audit CalSTRS' Other Pension Information. 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 and the related notes. The external auditor is responsible for expressing an opinion on the financial statements based on the results of the audit.

B. Plans, Funds and Schedules to be Audited

Information regarding the system's composition of funds, plans and schedules are available by reviewing CalSTRS' most recent Comprehensive Annual Financial Report including the schedule of proportionate share and schedule of aggregate pension amounts at www.calstrs.com. Proposers should note that the composition of CalSTRS funds is subject to change due to applicable laws, regulations, standards or other external factors.

C. Periods to be Audited

The financial statements and schedules for the periods ending:

- June 30, 2028
- June 30, 2029
- June 30, 2030
- June 30, 2031
- June 30, 2032

D. Auditing and Accounting Standards

The external auditor should possess knowledge and understanding of the following:

- Generally Accepted Auditing Standards in the United States of America (GAAS) set by the American Institute of Certified Public Accountants Auditing Standards Board
- Government Auditing Standards applicable to financial audits issued by the Comptroller General of the United States.
- Accounting and financial reporting standards established by the Government Accounting Standards Board

E. Terms of Agreement

The contract term will be up to six (6) years, commencing on December 1, 2027, and ending on December 31, 2033, with an option to extend the contract for an additional five (5) years. The final year of the contract will include a transition period during which the external auditor will support the orderly transfer of audit services to a successor auditor, should a successor be appointed.

F. External Auditor Responsibilities

1. Perform an annual financial statement audit and examination including an evaluation of CalSTRS internal controls, in accordance with GAAS. The audit and examination will include such tests of the accounting records and procedures as are necessary for the expression of the Auditor's opinion, in compliance with Rule 58.1 of the State Board of Accountancy on the financial statements taken as a whole, in conformity with Generally Accepted Accounting Principles as promulgated by the Federal Comptroller of the US, Government Auditing Standards, Governmental Accounting Standards Board (GASB).
2. Perform an audit of the Other Pension Information, which includes Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of State Teachers' Retirement Plan and accompanying Schedule of Aggregate Pension Amounts for Employers and Nonemployer Contributing Entity; and related notes for the fiscal years ending June 30, for each year of the contract.
3. Provide CalSTRS with a Letter of Engagement (LOE) which will set forth the specific objectives of the audit and further define the scope.
4. Assess CalSTRS' system processing and transaction data integrity edits and controls and determine whether they are sufficient to provide reasonable and complete data.
5. Assess control and oversight of changes to data collection processes to ensure that CalSTRS' data provides reasonable and complete information.
6. Confirm assets held by CalSTRS' Global Custodian and Pension2 custodian.
7. Review and comment on the actuarial experience studies and valuations made by CalSTRS' staff as they affect the financial statements of the State Teachers' Retirement Plan and its funds including the Medicare Premium Payment Program. Additionally, review and comment on the actuarial experience studies and valuations performed by CalSTRS or its outside actuarial consulting firms for the applicable audit year.
8. Assist CalSTRS in reaching the standard of excellence required to achieve the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).
9. Meet on dates to be specified by CalSTRS each year, with Executive Management, the Board's ARM Committee Chair, Vice-Chair and ARM Committee consultant as requested. Each year create and maintain a timeline with critical audit objective completion dates. The timeline must be provided to CalSTRS at the commencement of the audit, and thereafter during the course of the audit as updates occur. Any changes to

the timeline must be approved by the Chief Auditor. The timeline must allow for adequate and timely review of the statements and reports.

a. Submit audited financial statements to CalSTRS by the annual deadlines established for inclusion in the November Board meeting materials throughout the contract term. An audit report and audited financial statements which shall include "Combined Statements of Fiduciary Net Assets," "Combined Statements of Changes in Fiduciary Net Assets" in accordance with the Consolidated Annual Financial Report (CAFR) requirements, and other GASB required schedules for:

    1) The State Teachers' Retirement Plan for the fiscal years ending June 30, for each year of the contract.
    2) The CalSTRS Pension 2 Program and its related Plans and funds for the fiscal years ending June 30, for each year of the contract.
    3) The CalSTRS Teachers' Health Benefits Fund for the fiscal years ending June 30, for each year of the contract.
    4) The CalSTRS Teachers' Deferred Compensation Fund for the fiscal years ending June 30, for each year of the contract.
    5) The Required Supplementary Information and other Supplemental Information for the State Teachers' Retirement Plan, Pension 2, Teachers' Health Benefit Fund and Teachers Deferred Compensation Fund for the fiscal years ending June 30, for each year of the contract.

b. Report to ARM Committee by the annual deadlines established for the inclusion in the November board meeting material in accordance with Government Auditing Standards and provide a written report on consideration of the System's internal control over financial reporting and on tests of CalSTRS compliance with certain provisions of laws, regulations and contracts, and other matters. The report shall include recommendations for improvement, if appropriate. When accepted by the Board, CalSTRS' audited financial statements and the report to the ARM Committee will become public documents.

    The reports must have been reviewed by CalSTRS Executive Management and Key Personnel, as well as by the external auditor's Audit Partner prior to their submission on or before the annual deadlines established for inclusion in the November Board meeting materials throughout the contract term.

10. Arrange an exit conference to discuss the results of the audit and any material weaknesses, significant deficiencies, deficiencies, discussion items and recommendation(s) with Executive Management during the first (1st) week in October each year. Final reports, opinions, recommendations and management responses must be finalized and submitted for presentation to the ARM Committee by the end of the second (2nd) week of October each year.
11. Be available to answer questions and provide information to the incoming auditor as needed during the transitional period of January 1, 2033, through December 31, 2033 (or the extended contract transitional period, if applicable).

12. Other Significant Items due by deadlines established for inclusion in the November Board meeting materials throughout the contract term.

    a. Review the proposed reports with CalSTRS' staff prior to formally presenting the completed reports to the ARM Committee and/or Board. CalSTRS management's response to any recommendations for improvement must be included in the reports to the ARM Committee.

    b. Provide CalSTRS with one (1) electronic version, as well as five (5) bound copies of the final audit reports including schedules, with a provision for additional copies upon request. The reports are to be made available as soon as possible after the close of the fiscal year, but no later than October 15th of each year to meet reporting requirements established by the State Controller.

    c. Treat all information in a confidential manner, particularly information in member records, which is confidential pursuant to both the Information Practices Act and the Teachers' Retirement Law. All audit recommendations are to be stated solely in the report to the ARM Committee and provided to the Board for appropriate release as required by law.

    d. Participate in meetings with CalSTRS staff in addition to meetings required in the normal course of the audit completion. The additional meetings shall be on various subjects related to auditing, accounting, actuarial, and pension fund industry matters. These meetings will, in general, be less than four (4) hours in duration and will require no formal report. These meetings could include CalSTRS management, Board members and/or ARM Committee financial consultant, other audit firms, consultants or designees. Unless otherwise notified, these meetings will be held at CalSTRS' offices, with reasonable notice.

    e. Maintain working papers in support of audit work and reports. The working papers will remain the property of the external auditor and will be confidential. The external auditor will allow specified parties, only with written approval by CalSTRS' Chief Auditor, to review and make copies of the working papers.

    f. Use its own technology, equipment and tools in the conduct of this audit, except when it is determined the confidentiality of CalSTRS data may be compromised.

    g. Communicate directly with key CalSTRS' staff to coordinate activities as follows:

        1) Deliver an annual Prepared-by-Client ("PBC") Listing to CalSTRS management during interim work; no later than April 15th each year.
        2) Schedule meetings with individual CalSTRS staff during the audit fieldwork, as necessary.
        3) Select all test samples for confirmation.
        4) Provide CalSTRS with the description and details of all pertinent accounting pronouncements and promulgations that affect the financial statements.

5) Be available for consultations and meetings in-person or via telephone throughout the year upon reasonable notice for the Engagement Partner, Audit Director and On-Site Audit Manager.
6) Not substitute or reduce members of the audit team without prior written approval from CalSTRS. Resumes and required certifications of the proposed substitute personnel must be submitted to CalSTRS at the time the request to change team members is made.

13. Provide in writing any other significant items coming to the attention of the external auditor to CalSTRS.
14. Provide to CalSTRS' designated staff a written weekly audit status report as necessary based upon a mutual agreed timeframe including an updated timeline. The report will be utilized by CalSTRS staff to monitor audit progress and expenditures.

G. CalSTRS responsibilities

1. Provide the external auditor with the pre and post-closing trial balances for the plans and funds that are administered by CalSTRS and discussed in "Plans, Funds and Schedules to be Audited" and subsidiary ledgers for the programs within those funds, such as Defined Benefit Program, Defined Benefit Supplement Program, the Cash Balance Benefit Program (available approximately August 15th of each year), and all available accounting records and data as may be determined necessary for the performance of the work described herein.
2. Provide at CalSTRS discretion, if space is available, desks and/or tables and chairs in the CalSTRS' headquarters in West Sacramento, CA. All other equipment or material is to be provided by the external auditor, including equipment and tools of whatever type to be used by the external auditor's staff.
3. Access to CalSTRS' financial accounting systems records, its investment accounting systems records, and other systems records as needed in compliance with confidentiality requirements.
4. Provide to external auditor reasonable information necessary to conduct any additional review of investment valuation reports as deemed necessary.

H. Allowable Services that the External Auditor May Perform

External auditor, including its subsidiaries or affiliates, should in general, provide services that are included in the Statements of Auditing Standards, Statements of standards for attestation Engagements, and Independence Rule promulgated by the Auditing Standards Board of the American Institute of Certified Public Accountants and the Government Auditing Standards set by the Government accountability Office, as amended. The external auditor, its subsidiaries or affiliates should also comply with the Teachers' Retirement Board Governance Manual Section 8: Audits and Risk Management Policy (Teachers' Retirement Board Governance Manual)

I. Unallowable Services that the External Auditor Will Not Perform

The external auditor, including its subsidiaries and affiliates, shall not perform the services outlined the Teachers' Retirement Board Governance Manual Section 8: Audits and Risk

Management Policy (Teachers' Retirement Board Governance Manual) for CalSTRS or any other services for CalSTRS that the Board believes will impair auditor's independence while engaged to perform CalSTRS' financial statements audit.

J. Proposed Minimum Qualification

The firm must meet the following minimum qualifications (MQs) as of the final date of the proposal submission:

1. Professional public accounting firm registered with the California State Board of Accountancy to perform audit and other attest services in accordance with the Accountancy Act, Article 4, Section 5070-5079 and/or Article 5 Section 5080-5095 as applicable.
2. Legal business entity licensed and in good standing to do business in California.
3. Experience in performing actuarial work on two (2) defined benefit pension plans with assets totally ten billion dollars ($10,000000000.00) through employment of actuarial staff or contract with Actuary.
4. Ability to prepare Independent Auditor's Report in accordance with GAAS and Government Auditing Standards.
5. Seven (7) years of experience in conducting financial statement audits of defined benefit pension plans with assets that exceeded ten billion dollars ($10,000,000,000.00). This requirement may be met with either (a) or (b) directly below:
   a. Two (2) years of auditing the same defined benefit pension plan of a minimum size of $10 billion; or
   b. Simultaneously auditing in each of two (2) years, more than one (1) defined benefit pension plan with combined total assets exceeding $10 billion provided that one (1) of the individual plans has at least $3 billion in assets;
6. Knowledge of the Governmental Accounting Standards Board (GASB) and at least one year of experience conducting audits using the GASB Standards:
7. Seven (7) years of auditing experience in the areas of:
   a. Public equity securities
   b. Debt securities
   c. Real Estate
   d. Private Equity
   e. Securities lending and collateral
   f. Currencies
   g. Derivative Instruments
   h. Cash equivalents
8. The firm must have an established office located within the United States.

K. Proposed RFP Timeline:

Input on External Auditor RFP Plan	November 2026
Approval of RFP	May 2027
RFP Posting Date	June 2027
RFP Advertisement	June 2027
Final Filing Date	August 2027
Evaluation Period	August 2027
ARM Committee Interviews	September 2027
Notice of Intent to Award	September 2027
Contract Negotiations	October 2027
Contract Submission	October 2027
Contract Effective Date	December 1, 2027