Audits and Risk Management Committee

Item number 5a – Open session

Subject: CalSTRS Independent Financial Statement Auditor Reports for the Year Ended June 30, 2026 – Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information

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

Item type: Action

Date and time: November 5, 2026 – 30 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

Attachment 4 – Proposed Resolution

PowerPoint presentation(s): Annual Independent Financial Statement Audits

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Item purpose

The purpose of this item is to present for acceptance the reports prepared by the Teachers' Retirement Board's independent financial statement auditor, Crowe LLP, regarding the audit of CalSTRS' Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the year ended June 30, 2026.

Recommendation

Staff recommend the Audits and Risk Management (ARM) Committee accept the following reports and adopt the Proposed Resolution (Attachment 4) for the audit of CalSTRS Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information for the 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 preparing and fairly presenting CalSTRS' financial statements in accordance with generally accepted accounting principles to the Teachers' Retirement Board annually. Crowe LLP, the Board's independent financial statement auditor, is responsible for expressing an opinion based on its audit. For the year ending June 30, 2026, Crowe LLP audited CalSTRS' basic financial statements and issued the following reports:

Independent Auditor's Report (Attachment 1)

The Independent Auditor's Report and accompanying basic financial statements of CalSTRS include the following opinion issued by Crowe LLP (Attachment 1):

"In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of 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."

This report also outlines the roles and responsibilities of management for the preparation and fair presentation of the financial statements along with the role of the auditor for expressing an opinion.

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

This report is intended to inform those charged with governance of matters related to the financial statement audit that, in the judgement of the auditors, are significant and relevant to the ARM Committee's and the Board's responsibilities in overseeing the financial reporting process. The Auditor's Communication to Those Charged with Governance covers the following topics:

- Auditor's responsibility under auditing standards generally accepted in the United States of America
- Auditor's responsibility under government auditing standards
- Planned scope and timing of the audit
- Significant accounting policies and management judgments and accounting estimates
- Auditor's judgment 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)

This report describes the scope and result of Crowe LLP's testing of internal control and compliance. The report does not provide an opinion on the effectiveness of CalSTRS' internal control or on compliance. CalSTRS management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement. Crowe LLP considers CalSTRS' internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing an opinion on the basic financial statements.

During the audit of CalSTRS basic financial statements, 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 the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Crowe LLP did not identify any material weaknesses or significant deficiencies in internal controls over financial reporting for the year ended June 30, 2026.

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