



Regular Meeting

Item Number 12 – Open Session

Subject: Review of CalSTRS Basic Financial Statements as of June 30, 2023

Presenter(s): Julie Underwood / Art Martinez

Item Type: Information

Date & Time: November 2, 2023 – 15 minutes

Attachment(s): CalSTRS fiscal year 2022-23 basic financial statements

PowerPoint(s): Review of CalSTRS Basic Financial Statements as of June 30, 2023

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, 2023, and an update on new accounting standards promulgated by the Governmental Accounting Standards Board that have an impact to our basic financial statements as of June 30, 2023, and may have impacts to CalSTRS' basic financial statements in subsequent years.

Recommendation

This is an information item only.

Executive Summary

Overall, CalSTRS' net position increased by \$17.2 billion from \$301.8 billion to \$319.0 billion mainly due to net investment income of \$19.9 billion, which is consistent with positive investment returns during the fiscal year. Additionally, total member, employer, and state contributions increased by \$0.9 billion, which was primarily driven by increases in active members, the total employer contribution rate, and creditable compensation. The following are certain noteworthy figures from the basic financial statements for the fiscal year ended June 30, 2023. Comparative figures for fiscal year ended June 30, 2022, are also provided for your reference.

Dollar amounts are in billions

	6/30/2023	6/30/2022	\$ Change	% Change
Net position	\$319.0	\$301.8	\$17.2	5.7%
Member, employer, and state contributions	16.1	15.1	1.0	6.6%
Net investment income (loss)	19.9	-7.5	27.4	-365.3%
Benefit payments and refunds	18.4	17.5	0.9	5.1%
Net pension liability of the STRP*	76.2	69.5	6.7	9.6%

**For actuarial funding purposes, the Unfunded Actuarial Obligation of the Defined Benefit Program as of June 30, 2022, and 2021, was \$88.6 and \$89.7, respectively.*

Approximate Membership Data of the Defined Benefit Program

	6/30/2023	6/30/2022	# Change	% Change
Active members	458,000	449,000	9,000	2.0%
Inactive members	235,000	227,000	8,000	3.5%
Retirees and beneficiaries	329,000	326,000	3,000	0.9%
Total members, retirees, and beneficiaries	1,022,000	1,002,000	20,000	2.0%

New accounting pronouncements

Management actively monitors new accounting standards issued by the GASB and evaluates them for impacts to CalSTRS' basic financial statements. For the fiscal year ended June 30, 2023, there was no impact to CalSTRS' basic financial statements resulting from the implementation of GASB standards.

Management is currently monitoring the following pronouncements that may have an impact to the basic financial statements in fiscal year 2023-24 and beyond:

<p>GASB Statement No. 100, <i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i></p>	<p>This standard prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.</p> <p>If applicable, effective starting in fiscal year 2023-24</p>
--	--

GASB Statement No. 101, <i>Compensated Absences</i>	This standard establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). If applicable, effective starting in fiscal year 2024-25
--	---

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 Governmental Accounting Standards Board (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, 2023, and the changes in fiduciary net position for the year then ended in accordance with U.S. GAAP).

Strategic Plan Linkage: Goal 1 of CalSTRS’ 2022 – 25 Strategic Plan is to “Ensure a well-governed, financially sound trust fund”.

Board Policy Linkage: The basic financial statements are an integral part of the Annual Comprehensive Financial Report (ACFR). 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.
