Crowe LLP
Independent Member Crowe Global

The Audits and Risk Management Committee of the
Teachers' Retirement Board of the California
State Teachers' Retirement System
West Sacramento, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit of California State Teachers' Retirement System ("CalSTRS" or the "System") that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the System for further information on the responsibilities of management and of Crowe LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of the System's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM THE SYSTEM

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to the System under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with the System that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you on March 1, 2023.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- The nature and extent of specialized skills or knowledge needed to plan and evaluate the results of the audit, including the use of an auditor's expert.
- Where the System has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.
- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The System's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications between the System and regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Critical Accounting Policies and Estimates: We are required to discuss with you our judgment about the System's critical accounting policies and estimates. Critical accounting policies and estimates are those that are both most important to the portrayal of the System's financial condition and results of operation and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We consider the following accounting policies and estimates to be critical, as defined above.

- Net Pension Liability of Employers and Nonemployer Contributing Entity - Note 3 to the System's financial statements provides a summary of the components of the net pension liability of the State Teachers' Retirement Plan ("STRP") for participating employers and the State of California (nonemployer contributing entity) in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This information is heavily reliant upon estimates and actuarial assumptions including the rate of return on investments, consumer price inflation, wage growth, and mortality. These assumptions are used to project the System's future returns and obligations which are then discounted to estimate the total current pension liability of the STRP. The projection of future cash flows assumes that contributions will be made at statutory contribution rates in accordance with Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumed that contributions, benefits payments and administrative expenses occur mid-year. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability. Should the funding levels per Assembly Bill 1469 not be achieved, projected benefit payments would likely be required to be discounted to their actuarial present value using a single (blended) rate that reflects 1) a long-term expected rate of return on pension plan investments to the extent that the pension plan's fiduciary net position is projected to be sufficient to pay benefits and pension plan assets are expected to be invested using a strategy to achieve that return and (2) a tax-exempt, high-quality municipal bond rate (CalSTRS' policy is to use The Bond Buyer's 20-Bond GO Index from Bondbuyer.com).

Fluctuations in the investment rate of return could have a significant impact upon the calculation of the net pension liability. As described in Note 3, as of June 30, 2022, the most recent actuarial valuation date, the System's independent actuaries determined that the value of STRP's total pension liability rolled forward to June 30, 2023 exceeded the STRP's fiduciary net position by $76.16 billion.

- Fair Value of Investments - Notes 5 and 6 to the System's financial statements describes deposits and investments, including disclosures required by GASB 72, *Fair Value Measurement and Application*. The financial statements include investments valued at approximately $139.29 billion as of June, 2023, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by CalSTRS' management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimate of values may differ from the values that would have been used had a ready market existed for the investments, and the differences could be material.

Significant Accounting Policies: The Audits and Risk Management Committee (ARM Committee) should be informed of the initial selection of and changes in significant accounting policies or their application. Also, the ARM Committee should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform the ARM Committee about such matters. There were no such accounting changes or significant policies requiring communication.

Accounting Matter	Financial Statement Impact
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the System's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investments and Derivative Instruments	The recording of investments and derivative instructions at fair value requires management to use certain assumptions and estimates pertaining to the fair values of its investments and derivative instruments.	We evaluated the reasonableness of management's estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Classification of Investment Securities and Derivative Instruments Within the Fair Value Hierarchy	GASB 72, Fair Value Measurement and Application, requires the reporting of investments and derivative instruments by classification level within a fair value hierarchy.	We examined the documentation maintained by management and performed procedure to test the reasonableness of management's judgements and accounting estimates relate to the classification levels of investments and derivative instruments within the fair value hierarchy as defined by GASB 72.
Total pension liability for the STRP	The actuarial pension data contained in Note 3 to the System's financial statements and required supplementary information is based on actuarial calculations performed in accordance with the parameters set forth in GASB 67. Amounts reported for total pension liability require management to use estimates that may be subject to significant changes in the near term. These estimates are based n investment rate of return, consumer price inflation, wage growth, post-retirement benefit increases and mortality assumptions.	We evaluated the reasonableness of management's estimates and assumptions.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the System's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the System, considering the need to balance the cost of providing information with the likely benefit to users of the System's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the System's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying the uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if it was concluded that the uncorrected misstatements are immaterial to the financial statements under audit. There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
Other Information Included in an Annual Report Information may be prepared by management that accompanies or includes the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether a material inconsistency exists between the other information and the financial statements. We are also to remain alert for indications that: • Material inconsistency exists between the other information and the auditor's knowledge obtained in the audit; or • A material misstatement of fact exists, or the other information is otherwise misleading. If we identify a material inconsistency between the other information and the financial statements, we are to seek a resolution of the matter.	We read the other information and noted no material inconsistencies or misstatement of facts based on our reading thereof. • Management's discussion and analysis (MD&A) • Schedule of changes in net pension liability of employers and nonemployer contributing entity • Schedule of net pension liability of employers and nonemployer contributing entity • Schedule of pension contributions from employers and nonemployer contributing entity • Schedule of money-weighted rate of return for State Teacher's Retirement Plan • Schedule of changes in net OPEB liability of employers • Schedule of net OPEB liability of employers Additionally, we will review those elements of the CalSTRS' Annual Comprehensive Financial Report when prepared by management. If inconsistencies are noted, we would inform the ARM Committee.
Significant Difficulties Encountered During the Audit We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
Disagreements with Management We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the System's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
Difficulties or Contentious Matters We are required to discuss with the Those Charged with Governance any difficulties or contentious matters for which we consulted outside of the engagement team.	During the audit, there were no such issues for which we consulted outside the engagement team.

	Results
Circumstances that Affect the Form and Content of the Auditor's Report We are to discuss with you any circumstances that affect the form and content of the auditor's report, if any.	The following circumstances affect the form and content of the auditor's report: We consider it necessary to include an emphasis-of-matter paragraph or other-matter paragraph in accordance with section 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report, of SAS 134 or are required to do so by other AU-C sections. The Emphasis of Matters paragraphs relate to the *Net Pension Liability of Employers and Nonemployer Contributing Entity* and the *Fair Value of Investments* estimates described in the "Critical Accounting Policies and Estimates" section of this letter starting on page 2.
Consultations with Other Accountants If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
Representations the Auditor Is Requesting from Management We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
Significant Issues Discussed, or Subject to Correspondence, With Management We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	• Our 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*. • We have previously communicated to management the internal control deficiencies that we identified during our audit. • Our engagement letter (previously discussed with and approved by you).
Significant Related Party Findings or Issues We are to communicate to you significant findings or issues arising during the audit in connection with the System's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Other Findings or Issues We Find Relevant or Significant We are to communicate to you other findings or issues, if any, arising during the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

We are pleased to serve your System as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the ARM Committee and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe LLP

Crowe LLP

Sacramento, California
October 5, 2023

Cassandra Lichnock
Chief Executive Officer

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers'
Retirement System
Post Office Box 15275
Sacramento, CA 95851-0275

916.414.2200 Tel
www.calstrs.com

October 5, 2023

Crowe LLP
Attention: Kevin W. Smith, Partner
400 Capitol Mall, Suite 1400
Sacramento, California 95814

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the basic financial statements of 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, 2023 for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the fiduciary net position and changes in fiduciary net position of the System in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than $840,000,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 17, 2023 for the preparation and fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States, and we believe the basic financial statements are fairly presented and include all properly classified fund and other financial information required by generally accepted accounting principles in the United States to be included in the financial reporting entity.

2. We are responsible for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free

from material misstatement, whether due to error or fraud. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

3. All transactions have been recorded in the accounting records and reflected in the basic financial statements.

4. We are responsible for compliance with the laws, regulations, and provisions of contracts and agreements applicable to us, including tax or debt limits and debt contracts, and we have identified and disclosed to you all laws, regulations and provisions of contracts and agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

5. With respect to the audit in accordance with *Government Auditing Standards*:

   - We are responsible for compliance with the laws, regulations, and provisions of contracts and agreements applicable to the System.

   - We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of laws and regulations that have a material effect on the determination of financial statement amounts, and that warrant the attention of those charged with governance.

   - We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and agreements that have a material effect on the determination of financial statement amounts.

   - We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.

   - We have a process to track the status of audit findings and recommendations.

   - If applicable, we have identified for you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

   - We have provided views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

6. We have provided you:

    - Access to all financial records, documentation and other information that is relevant to the preparation and fair presentation of the basic financial statements;
    - Additional information that you have requested from us for the purpose of the audit;
    - Unrestricted access to persons within the System from whom you determined it necessary to obtain audit evidence;
    - All minutes of open sessions of the Teachers' Retirement Board, Audits and Risk Management Committee, and Investment Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared;
    - Teachers' Retirement Law as of January 1, 2022 and 2023.
    - System instruments and related agreements, and amendments to such documents entered into during the year (including amendments made to comply with applicable laws).
    - All correspondence to and from regulatory agencies, including communications concerning compliance with laws and regulations.
    - Results of the assessment of risk that the financial statements may be materially misstated as a result of fraud.

7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

8. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements or required supplementary information.

9. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.

10. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the methods, data, and significant assumptions used in developing the accounting estimates and the related disclosures are appropriate in the circumstances. These estimates include:

    - The total pension liability of the State Teachers' Retirement Plan (STRP)

- The fair value of investments and derivative instruments and the classifications of investments and derivative instruments within the fair value hierarchy, pursuant to and in accordance with GASB Statement No. 72, *Fair Value Measurement and Application (GASB 72).*

11. Substantially all investments and derivative instruments are valued at fair value, as defined by GASB 72. Quoted prices in active markets for identical investments or derivative instruments are used to determine fair values, when available. All matters of judgment involved in the calculation and determination of the fair values of investments and derivative instruments, and all related valuation methods and assumptions are the responsibility of management. The valuation methods and assumptions used are reasonable and supportable, have been determined in compliance with GASB 72, and have been adequately disclosed in the basic financial statements.

    - Investments valued using unobservable inputs have been recorded as Level 3 within the fair value hierarchy table. Such investments primarily include directly-held real estate for which properties are appraised using discounted cash flows, income capitalization, adjusted comparable sales, and replacement cost (if recent) methods. The method chosen is the one most relevant to how an investor would assess a property as a potential buyer.

    - Partnership interests are valued using their respective net asset value (NAV) calculated in accordance with the general partner's fair valuation policy as of the measurement date, and are audited annually. The valuation assumptions are based upon the nature of the investment and underlying business. The valuation techniques vary by investment type and involve a certain degree of expert judgment.

    - NAV is calculated using measurement principles similar to investment companies. CalSTRS updates the NAV for cash contributions, cash distributions, and changes in the fair value of the underlying investments using capital account statements and estimates if the NAV is not as of the reporting date.

    - CalSTRS monitors account statements received from general partners subsequent to estimating fair value and accumulates the changes in fair value as a result of those statements. CalSTRS has determined these changes in fair value between estimated and actual final pricing to not be material and accordingly, no adjustment was recorded. The accumulated difference between estimated and actual final pricing for the years ended June 30, 2023 and 2022 was $1.18 billion, and $2.81 billion, respectively.

    - CalSTRS does not currently have any plans to sell any of these investments before their stated term.

12. Adequate consideration and provision has been made, when necessary, for any material losses likely to be sustained from:

    - Sales commitments;
    - Investments in default or considered to be uncollectable;
    - Impairment of long-lived assets when the carrying amount may not be recoverable;
    - Collection of receivables;
    - Environmental remediation liabilities.
    - Purchase commitments for inventory quantities in excess of normal requirements or at a price in excess of market;
    - Impairment of long-lived assets when the carrying amount may not be recoverable;
    - Collection of receivables;
    - Environmental remediation liabilities.

13. Except as disclosed in the basic financial statements, or directly to you, there are or have been no material:

    - Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements;
    - Oral or written guarantees under which the System is contingently liable;
    - Other financial instruments with significant “off-balance-sheet” risk of accounting loss to which the System is a party;
    - Concentrations that make the System vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas, or markets);
    - Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date;

- Liens, encumbrances, or other title impairments, such as pledges as collateral, on System assets at the balance sheet date;
- Restrictions under borrowing agreements;
- Unrecorded transactions;
- Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the basic financial statements;
- Declines in market value of investments that are not temporary;
- Derivative financial instruments such as futures, forwards, swaps, options, or other financial instruments;
- Commitments to originate, purchase or sell loans or securities, or other financial instruments with off- balance sheet risk;
- Financial instruments, such as loans and securities, with significant individual or group concentration of credit risk.
- Significant impairments due to natural disasters subsequent to year end;
- Amendments to Teachers' Retirement Law during the year or subsequently;
- Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the System is a party;
- Securities lending arrangements, including the associated collateral and policy for requiring collateral;
- Guarantees, whether written or oral, under which the System is contingently liable to a bank or other lending institution.

14. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered by management when preparing the basic financial statements. These matters have been accounted for and disclosed in conformity with accounting principles generally accepted in the United States and GASB 62.

15. Except as disclosed in the notes to the basic financial statements:

    - The System has satisfactory title to all owned assets.

- None of the System's assets were mortgaged, assigned, pledged, or encumbered by law in any other manner.

- No security agreements have been executed under the provisions of the Uniform Commercial Code, there are no liens or encumbrances on assets, and no assets have been pledged.

16. All related parties and all related party relationships and transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, have been disclosed to you and have been appropriately accounted for and disclosed in the basic financial statements in accordance with the requirements of accounting principles generally accepted in the United States.

17. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the System involving:

    a. Management, whether material or not;

    b. Employees who have significant roles in internal control, whether material or not;

    c. Others when the fraud could have a material effect on the basic financial statements.

18. Except as disclosed to you, we believe the effects of cybersecurity risks and actual breaches are properly accounted for and disclosed in the basic financial statements.
19. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the System's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.

20. Except as disclosed to you, there have been no:

    - Instances of non-compliance or suspected non-compliance with budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered when preparing the basic financial statements;

    - Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*;

- Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the basic financial statements;

- Reservations or designations of fund equity that were not properly authorized and approved;

- Side agreements or other arrangements (either written or oral).

21. The System has complied with all aspects of contractual agreements that would have a material effect on the basic financial statements in the event of noncompliance.

22. In regard to the other information in the Annual Comprehensive Financial Report (CAFR) not yet provided to you, the final version of the document will be provided to you when available, and prior to the documents' issuance such that you can complete the required procedures. We expect to issue the ACFR prior to December 31, 2023.

23. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

24. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you. The methods of measurement or presentation have not changed from those used in the prior period for the schedules listed below:

- Schedule of changes in net pension liability of employers and nonemployer contributing entity

- Schedule of net pension liability of employers and nonemployer contributing entity

- Schedule of pension contributions from employers and nonemployer contributing entity

- Schedule of money-weighted rate of return for the State Teachers' Retirement Plan and Medicare Premium Payment Program
- Schedule of changes in net OPEB liability of employers
- Schedule of net OPEB liability of employers

25. We have included certain information within Management's discussion and analysis beyond the prescribed elements including forward looking statements; however, we believe this additional information is necessary for placing the basic financial statements in an appropriate operational, economic, or historical context.

26. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.

    - Harvest Investments, Ltd.
    - Gabriel, Roeder, Smith & Company
    - Travis McCleary

27. We agree with the findings of specialists in evaluating the total pension liability, total OPEB liability and investment valuations and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of matters that have had an effect on the independence or objectivity of the following specialists:

    - Milliman
    - Real Estate Research Corporation (RERC), a Situs Company
    - Various real estate appraisers whose reports were relied upon for fair values of real estate investments

28. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that the copies provided are an accurate and complete representation of the original documentation and that the copies have not been modified from their original version.

29. The basic financial statements include all component units that meet the criteria of financial accountability or which are otherwise considered misleading to exclude, the classification of these component units as discretely presented or blended is appropriate, and the relationships and criteria for inclusion are properly disclosed.

30. The basic financial statements include all joint ventures with an equity interest and properly disclose these joint ventures and other related organizations.

31. The basic financial statements properly classify all funds and activities.

32. Special and extraordinary items are properly classified and reported.

33. Deposits and investment securities are properly classified in category of custodial credit risk.

34. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.

35. There are no present intentions to terminate the System or any of the Plans/Programs.

36. With respect to actuarial assumptions and valuations:

    - The System's management and Board agree with the actuarial methods and assumptions used by the actuary for computing the total pension liability and net pension liability of the STRP for participating employers and the State of California (employer and nonemployer contributing entity), and the total OPEB liability of the MPP Program and has no knowledge or belief that such methods or assumptions are inappropriate in the circumstances.

    - In connection with AB 1469, the System's management and Board agree with the actuarial assumption used by the actuary that with the provision of additional member, employer and state contributions, there is not a projected depletion of assets and therefore the use of the long-term rate of return on plan assets gross of administrative costs (currently 7.1%) is appropriate to calculate the total pension liability of the STRP.

    - There were no omissions from the members' data provided to the System's actuary for the purpose of determining the total pension liability, total OPEB liability and other actuarially determined amounts in the basic financial statements that management believes will have a significant impact upon the actuarially determined amounts.

    - The total pension liability and total OPEB liability were determined using actuarial valuations as of June 30, 2022, rolled forward to June 30, 2023. The System's management has evaluated relevant events and circumstances on this rollforward and have concluded a new actuarial valuation as of June 30, 2023, is not necessary as there have not been any significant changes in the size or composition of the member population or benefit terms.

- The following have been properly recorded or disclosed in the basic financial statements:

    - The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the basic financial statements.

    - Changes in the Teachers' Retirement Law between the actuarial valuation date and the date of this letter that have an impact upon the actuarially determined amounts.

- We did not give any, nor cause any, instructions to be given to the System's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the System's actuary.

37. Under current Board policy, the assets set aside from future employer contributions to CalSTRS to fund the MPP Program are equal to its actuarial obligation less the value of any assets already in the Teachers' Health Benefits Fund (THBF).

38. The funding mechanism for the MPP Program of assets set aside from future employer contributions to CalSTRS is in compliance with Teachers' Retirement Law.

39. We are not aware of any violations of stated investment policies and guidelines which occurred during or subsequent to the year ended June 30, 2023.

40. The STRP and THBF are organized as tax-exempt retirement or benefit plans under the Internal Revenue Code (IRC). Pension2, which includes IRC sections 403(b) and 457(b) plans, is organized as a tax-deferred supplemental program under the IRC. We believe that we have operated these funds and programs within the constraints imposed by federal law.

41. CalSTRS is involved in litigation relating to various matters. After consultation with internal legal counsel, we believe the outcome of these matters is not expected to have a material adverse effect on the basic financial statements.

42. Due to the fact that substantially all investment assets and liabilities held by CalSTRS are carried at fair value, there are no hedgeable items in the portfolio. Therefore, all of the derivative instruments held by CalSTRS as of June 30, 2023, are considered investments and not hedges for accounting purposes. All changes in fair value are recognized in earnings as they occur. This limits the substantive application of GASB

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, by CalSTRS to certain disclosure requirements.

43. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, we recorded the System's proportionate share of the net pension liability for the System's participation in the related cost-sharing program, as well as the related deferred inflows of resources and outflows of resources, but did not provide related financial statement disclosures or supplementary information as the amounts recorded are immaterial. With respect to the GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, we recorded the System's proportionate share of the net OPEB liability for the System's participation in the related cost-sharing program as well as the related deferred inflows of resources and outflows of resources, but did not provide related financial statement disclosures or supplementary information as the amount were considered immaterial.

44. We believe the STRP is a single plan, as defined by GASB Statement No. 67, *Financial Reporting for Pension Plans*, but is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program.

Very truly yours,

CM Lichnock

Julie Underwood

Cassandra Lichnock
Chief Executive Officer

Julie Underwood
Chief Financial Officer