



Regular Meeting

Item Number 6 – Open Session

Subject: Review of CalSTRS Basic Financial Statements as of June 30, 2022

Presenter(s): Julie Underwood / Bankole Fatunla

Item Type: Information

Date & Time: November 2, 2022 – 15 minutes

Attachment(s): CalSTRS fiscal year 2021-22 basic financial statements

PowerPoint(s): None

Item Purpose

The purpose of this item is to provide the board with a review of CalSTRS' basic financial statements for the year ended June 30, 2022, 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, 2022 and may have impacts to CalSTRS' financial statements in subsequent years.

Recommendation

This is an information item only.

Executive Summary

Overall, CalSTRS' net position decreased by \$10.2 billion from \$312.0 billion to \$301.8 billion mainly due to net investment losses of \$7.5 billion which is consistent with the negative investment returns during the fiscal year. The net investment losses were slightly offset by increases in member, employer, and state contributions of \$1.6 billion, driven by increases in active members and creditable compensation. The following are certain noteworthy figures from the financial statements for the fiscal years ended June 30, 2022, and 2021, respectively.

Dollar amounts are in billions

	6/30/2022	6/30/2021
Net position	\$ 301.8	\$ 312.0
Member, employer, and state contributions	\$ 15.1	\$ 13.5
Net investment income (loss)	\$ (7.5)	\$ 67.3
Benefit payments and refunds	\$ 17.5	\$ 16.7
Net pension liability*	\$ 69.5	\$ 45.5

**For actuarial funding purposes, the Unfunded Actuarial Obligation as of June 30, 2021, and 2020, was \$89.7 and \$105.9, respectively.*

Membership Data

	6/30/2022	6/30/2021
Active members	449,000	430,000
Inactive members	227,000	231,000
Retirees and beneficiaries	326,000	320,000
Total members, retirees, and beneficiaries	1,002,000	981,000

New accounting pronouncements

Management actively monitors new accounting standards issued by the GASB and evaluates them for impacts to CalSTRS basic financial statements. During the fiscal year 2021-22, Management implemented GASB Statement No 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The implementation of the standard did not have a material impact on CalSTRS basic financial statements as of June 30, 2022. Management is currently monitoring the following pronouncements that may have an impact to the financial statements in fiscal year 2022-23 and beyond:

GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i>	Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). If applicable, effective starting in fiscal year 2022-23
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<p>GASB Statement No. 99, <i>Omnibus 2022</i></p>	<p>This standard addresses certain issues that have been identified during implementation and application of previously issued GASB Statements and provides guidance on the accounting and financial reporting for financial guarantees.</p> <p>If applicable, effective starting in fiscal year 2022-23</p>
<p>GASB Statement No. 100, <i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i></p>	<p>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>
<p>GASB Statement No. 101, <i>Compensated Absences</i></p>	<p>This Statement 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).</p> <p>If applicable, effective starting in fiscal year 2024-25</p>

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, 2022, 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.
