



Audits & Risk Management Committee

Item Number 4b – Open Session

Subject: CalSTRS Independent Financial Statement Auditor Reports for the Year Ended June 30, 2022 - Other Pension Information – State Teachers’ Retirement Plan

Presenter(s): Crowe LLP - Kevin Smith & Jen Aras

Item Type: Action

Date & Time: November 2, 2022 – 15 minutes

Attachment(s): Attachment 1 – Independent Auditor’s Report

Attachment 2 - Auditor’s Communication to Those Charged with Governance

Attachment 3 – Independent Auditor’s Reports on Internal Control Over Financial Reporting, on Compliance, and Other Matters

PowerPoint(s): Annual Independent Financial Statement Audits

Item Purpose

This item’s purpose is to provide the reports prepared by the Teachers’ Retirement Board’s (Board) independent financial statement auditor, Crowe LLP, for CalSTRS Other Pension Information audit for the Fiscal Year Ended June 30, 2022.

Recommendation

Staff recommends the Audits and Risk Management Committee (ARM committee) accept the following CalSTRS Other Pension Information audit reports for the Fiscal Year Ended June 30, 2022:

- 1) The Independent Auditor’s Report (Attachment 1)
- 2) Auditors Communications to Those Charged with Governance (Attachment 2)
- 3) Independent Auditor’s Reports on Internal Control Over Financial Reporting, on Compliance, and Other Matters. (Attachment 3)

Executive Summary

Management is responsible for the preparation of the Schedule of Proportionate Share of Contributions for Employers and Non-employer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2022, and the related notes.

The Teachers' Retirement Board's (Board) independent financial statement auditor, Crowe LLP, is responsible for planning and performing an audit to express an opinion on the Schedule of Proportionate Share of Contributions for Employers and Non-employer Contributing Entity of the State Teachers' Retirement Plan along with the captions titled total net pension liability, as of June 30, 2022; total deferred outflows of resources; and total deferred inflows of resources included in the Schedule of Aggregate Pension Amounts for Employers and Non-employer Contributing Entity as of June 30, 2022, and the related notes. Crowe LLP prepared the following reports:

Independent Auditor's Report

The external auditor role is to provide an opinion on the Schedule of Proportionate Share of Contributions for Employers and Non-employer Contributing Entity of State Teachers' Retirement Plan for the year ended June 30, 2022, and the related notes. Crowe LLP issued an unmodified opinion (i.e., free from material misstatements and presented fairly, in all material respects, in accordance with generally accepted accounting principles). The audit opinion is expressed in the Independent Auditor's Report (Attachment 1).

Auditor's Communication to Those Charged with Governance

This report is intended to inform the ARM Committee and the Board of matters related to the Schedule of Proportionate Share of Contributions for Employers and Non-employer Contributing Entity of the State Teachers' Retirement Plan for the year ended June 30, 2022, and the related notes that, in the judgment of the auditors, are significant and relevant to the Committee's and the Board's responsibilities in overseeing CalSTRS' financial reporting process. The report (Attachment 2) covers the Auditor's responsibility under auditing standards generally accepted in the United States of America that includes:

- Planned scope and audit timing
- Significant accounting policies, management judgements, and accounting estimates
- Auditor's judgments about qualitative aspects of significant accounting practices
- Corrected and uncorrected misstatements
- Other communications.

Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

CalSTRS management is responsible for the design, implementation, and internal control maintenance relevant to the preparation and fair presentation of the Schedule of Proportionate Share of Contributions for Employers and Non-employer Contributing Entity of the State Teachers’ Retirement Plan for the year ended June 30, 2022, and the related notes that are free from material misstatement. Crowe LLP considers CalSTRS’ internal control over financial reporting to determine the extent of audit procedures necessary to express an opinion.

During the audit, the auditor may identify a deficiency in internal control. A deficiency in internal control exists when a control’s design or operation does not allow management or staff, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. Any material weaknesses and significant deficiencies in internal control are included in this Report (Attachment 3). Crowe LLP did not identify any material weaknesses or significant deficiencies in internal controls over the Schedule of Proportionate Share of Contributions for Employers and Nonemployer Contributing Entity of the State Teachers’ Retirement Plan for the year ended June 30, 2022, and the related notes.

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

Strategic Plan Linkage: [Strategic Plan - CalSTRS](#)

Board Policy Linkage: <https://www.calstrs.com/files/f3854845f/BoardGovernanceManual-August2022.pdf>
