



Regular Meeting

Item Number 5 – Open Session

Subject: Review of CalSTRS Basic Financial Statements as of June 30, 2024

Presenter(s): Art Martinez / Bankole Fatunla

Item Type: Information

Date & Time: November 7, 2024 – 15 minutes

Attachment(s): CalSTRS fiscal year 2023-24 basic financial statements

PowerPoint(s): Review of CalSTRS basic financial statements as of June 30, 2024

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, 2024, and to provide 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, 2024, and may have impacts to CalSTRS' basic financial statements in subsequent years.

Recommendation

This is an information item only.

Executive Summary

CalSTRS' total net position increased by \$24.5 billion (from \$319.0 billion as of June 30, 2023, to \$343.5 billion as of June 30, 2024) mainly due to net investment income of \$26.4 billion, which is consistent with positive investment returns during the fiscal year. Additionally, total member, employer, and state contributions increased by \$1.5 billion, which was primarily driven by increases in active members and creditable compensation. The following are certain noteworthy figures from the basic financial statements for the fiscal year ended June 30, 2024, with comparative figures from the fiscal year ended June 30, 2023, for your reference.

<i>(Dollars in billions)</i>	6/30/2024	6/30/2023	\$ Change	% Change
Net position	\$343.5	\$319.0	\$24.5	7.7%
Member, employer, and state contributions	17.6	16.1	1.5	9.3%
Net investment income	26.4	19.9	6.5	32.7%
Benefit payments and refunds	19.2	18.4	0.8	4.3%
Net pension liability of the STRP*	67.2	76.2	(9.0)	(11.8%)

**For actuarial funding purposes, the Unfunded Actuarial Obligation of the Defined Benefit Program was \$86.6 and \$88.6 as of June 30, 2023, and June 30, 2022, respectively.*

Approximate membership data of the Defined Benefit Program

	6/30/2024	6/30/2023	# Change	% Change
Active members	467,000	458,000	9,000	2.0%
Inactive members	240,000	235,000	5,000	2.1%
Retirees and beneficiaries	333,000	329,000	4,000	1.2%
Total members, retirees, and beneficiaries	1,040,000	1,022,000	18,000	1.8%

New accounting pronouncements

Management actively monitors new accounting standards issued by the Governmental Accounting Standards Board (GASB) and evaluates them for impacts to CalSTRS' basic financial statements. For the fiscal year ended June 30, 2024, there was no impact to CalSTRS' financial statements resulting from the implementation of GASB standards.

Management is currently monitoring the following pronouncements that may have an impact to the financial statements in fiscal year 2024-25 and beyond:

GASB Statement No. 101, <i>Compensated Absences</i>	<p>This statement establishes accounting and financial reporting standards 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, this statement would be effective beginning in fiscal year 2024-25.</p>
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<p>GASB Statement No. 102, <i>Certain Risk Disclosures</i></p>	<p>This statement requires government entities to provide information about risks related to a government’s vulnerabilities due to certain concentrations or constraints which may limit a government’s ability to acquire resources or control spending.</p> <p>If applicable, this statement would be effective beginning in fiscal year 2024-25.</p>
<p>GASB Statement No. 103, <i>Financial Reporting Model Improvements</i></p>	<p>This statement aims to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.</p> <p>If applicable, this statement would be effective starting in fiscal year 2025-26.</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 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, 2024, 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.
