



California State Teachers'
Retirement System
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November 7, 2017

Phoebe W. Brown, Secretary
Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Re: Release No. 2017-005, Public Company Accounting Oversight Board (PCAOB) Rulemaking Matter No. 042 - **Supplemental Request For Comment: Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the Audit with Another Accounting Firm**

Dear Ms. Brown and PCAOB Board Members:

I am writing on behalf of the members of the California State Teachers' Retirement System (CalSTRS) in response to the Public Company Accounting Oversight Board's (PCAOB, Board) request for written comments to Docket Matter No. 042 - Supplemental Request regarding the supervision of audits involving other auditors and Proposed Auditing Standard – Dividing responsibility for the audit with another accounting firm.

CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We serve the investment and retirement interests of more than 914,454 plan participants and their beneficiaries.¹ CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$215 billion as of September 30, 2017.²

The long-term nature of CalSTRS liabilities, the composition of its portfolio and the Teachers Retirement Board's fiduciary responsibility to its members, make the fund keenly interested in the rules and regulations that govern the securities market. With such a large part of our investment portfolio exposed to the risks and rewards of the public equity markets, CalSTRS is grateful for the work done by the PCAOB to promote investors' protection. We have a vested interest and rely on the quality and integrity of financial reporting and believe a robust auditor's report is integral to our capital allocation analysis done on behalf of our beneficiaries. We appreciate the opportunity to comment since audits of many international companies may include significant amount of work that

¹ CalSTRS at a Glance, Fact Sheet: <http://www.calstrs.com/sites/main/files/file-attachments/calstrsataglance.pdf>

² CalSTRS Current Investment Portfolio for the period ending September 30, 2017.
<http://www.calstrs.com/current-investment-portfolio>

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is performed by accountants other than the firm issuing the audit report. CalSTRS agrees with the PCAOB the work of other auditors may account for a significant share of the audit and may involve areas of high risk of material misstatement. We appreciate the importance of the proposed audit standard to ensure the sufficient appropriate evidence is obtained through the work of the lead auditor and other auditors to support the lead auditor's opinion in the audit report.

CalSTRS support the proposed changes which will improve and increase the accountability of the lead auditor and should increase audit quality and performance. We agree the lead auditor should inform the other auditor of the necessary level of detail of the other auditor's information to articulate and document the responsibilities of the lead auditor in the supervision of the other auditor's work. Additionally, we continue to support the requirement of the lead auditor to communicate to the audit committee about the other auditor's involvement as well as provide a copy of the written representation from the referred to auditor that provides appropriate representation of independence, and licensed to practice under the laws of the jurisdiction.

We believe the proposed amendments and audit standard will support the intent of the PCAOB's new auditor's reporting standard with additional clarification of responsibilities and guidance on the work of other auditors. CalSTRS believes the new auditor reporting standard recently approved by the SEC is the foundation for robust communication not only to audit committees but to investors which depend on the independence and critical judgment of the auditor.

We commend the PCAOB for taking steps to improve meaningful disclosures and improvement in audit standards. If you would like to discuss this letter further, please feel free to contact me at my number above or Mary Hartman Morris at 916-414-7412, MMorris@CalSTRS.com.

Sincerely,



Anne Sheehan

Director of Corporate Governance

California State Teachers' Retirement System