CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers'
Retirement System
Sustainable Investment and Stewardship Strategies
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September 4, 2026

The Honorable Demetrios (Jim) Logothetis, Chair
PCAOB Board Members
Phoebe Brown, Office of the Secretary
PCAOB
1666 K Street, NW
Suite 300
Washington D.C., 20006-2803

RE: Request for Public Comment, Draft 2026-2030 Strategic Plan Goals and Objectives, PCAOB Release No. 2026-006

Dear Mr. Logothetis,

We write on behalf of the California State Teachers' Retirement System (CalSTRS), one of the largest public pension funds in the United States, with approximately $413 billion in assets under management as of July 31, 2026. CalSTRS exists for a single purpose: to provide retirement security for more than one million California public school educators and their beneficiaries. Every investment decision we make, and every governance position we take, flows directly from that mission.

As a long-term institutional investor, CalSTRS relies on high-quality, independent audits to allocate capital with confidence on behalf of our members. The PCAOB was created to protect investors and to further the public interest in informative, accurate, and independent audit reports. Much in the draft is investor-protective and commendable. In several places, however, the draft's repeated emphasis on cost, efficiency, and ability to implement could, unless expressly subordinated to investor protection and audit quality, result in standards and oversight that place undue weight on compliance burdens borne by audit firms.

Goal 1: Modernize Standard Setting and Implementation

We support modernization that improves audit quality, and we agree that standards should be implementable and clear. However, language in both Objectives 1.1 and 1.2 point to an emphasis on "expected costs and benefits," which could result in diluted standards that investors such as CalSTRS need from auditors. As we previously identified in our earlier comment letter, we support modernizing standards in areas of direct importance to investors, not language that could result in delays or dilutions to standards. Similarly, while we appreciate the goal of reducing “unnecessary differences” with international standards (Objective 1.3), we encourage the Board to preserve any difference necessary to maintain a higher level of investor protection.

Goal 2: Modernize the Inspections and Registration Programs

We strongly support a focus on the inspection of firms’ quality control systems (Objective 2.1), and the commitment to more relevant, transparent, and timely inspection reporting (Objective 2.2). As noted in our prior letter, we urge the Board to design inspections that test whether firms' quality control systems produce better audit outcomes, not merely whether those systems are formally documented.

Goal 3: Sharpen Enforcement Focus on Conduct Harmful to Investors

We agree that enforcement resources should be directed at conduct that meaningfully harms investors. Consistent and credible enforcement is what deters misconduct and provides confidence in the audit. Narrower enforcement does not benefit the investors the PCAOB exists to protect, so we ask the Board to make clear that a more focused enforcement strategy will not mean less accountability, and that coordination with the SEC (Objective 3.2) will accelerate.

Goal 4: Deepen Stakeholder Engagement and Communication

We support deeper, two-way engagement and the transparency and accountability commitments in Objective 4.2 and request that the Board name and strengthen the dedicated investor-engagement structures we highlighted previously so that the investor perspective is structurally protected rather than diluted.

Goal 5: Modernize Oversight Through Technology and Data

We support strategic investment in data-driven, risk-based oversight and in technology, data, and AI capabilities (Objectives 5.1 and 5.2). As we noted previously, the Board should consider how its own use of technology can improve the detection of audit deficiencies. We also encourage the Board to ensure that, as firms increasingly rely on automated systems and AI in the audit, its standards and inspections continue to hold auditors responsible for exercising professional skepticism and judgment. Technology should enhance oversight and the reliability of the audit for investors, without displacing professional skepticism, weakening auditor accountability, or diminishing the rigor of the audit.

Goal 6: Strengthen Organizational Effectiveness and Stewardship

Sound stewardship of the Board's resources is appropriate. However, we feel that “disciplined investment” and “cost-effective operations” must not translate into under-resourcing the PCAOB’s core investor-protection functions, including inspections, enforcement, standard setting, and investor engagement. We encourage the Board to fund these mission-critical functions at levels commensurate with the scale, complexity, and evolving risks of today’s capital markets.

A Standalone Priority on Firm- and Engagement-Level Transparency

Finally, we note that the draft goals do not carry forward, as a distinct priority, the firm- and engagement-level transparency metrics we underscored in our earlier comment letter. Information about partner involvement, workload, personnel experience, retention, internal monitoring, and restatement history gives investors and audit committees a meaningful basis for assessing the conditions under which an audit was conducted. This is among the most direct investor-serving work the Board can undertake. We strongly encourage the Board to increase transparency at the firm and engagement level as an explicit objective within the final Plan.

The organizing logic of “Advance, Clarify, and Transform” can serve investors well, provided investor protection remains the explicit north star against which every goal and objective is measured. We urge the Board to state that principle plainly in the final Plan and to ensure that clarity and efficiency are pursued in service of investors—not in service of reducing accountability for the firms the PCAOB oversees.

We appreciate the opportunity to contribute to this process and would welcome the chance to discuss these comments further.

Sincerely,

Lynn Paquin
Senior Portfolio Manager

CC:
The Honorable George R. Botic, Steven D. Laughton, Mark A. Calabria, and Kyle S. Hauptman