



California State Teachers'
Retirement System
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Via Email: comments@pcaobus.org

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

Re: PCAOB Rulemaking Docket Matter No. 044 – Proposed Amendments to Auditing Standards for Auditor's Use of the Work of Specialists

Dear Secretary Brown:

I am writing on behalf 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 the proposed amendments to auditing standards for auditor's use of the work of specialists, Release No. 2017-003, Docket Matter No. 044. CalSTRS appreciates the work of the PCAOB and its efforts in proposing these amendments to further investor protection by strengthening the requirements for evaluating the work of a company's employed or engaged specialist. We support the need to apply a risk-based supervisory approach to both auditor-employed and auditor-engaged specialists.

CalSTRS is the largest educator only pension fund in the world, with a global investment portfolio valued at approximately \$213.5 billion as of July 31, 2017.¹ CalSTRS' mission is to secure the financial future and sustain the trust of California's educators. We serve the investment and retirement interests of approximately 914,000 plan participants and their beneficiaries. It is important to us with long-term nature of CalSTRS liabilities, the composition of our portfolio with more than fifty six percent (~\$119.7 billion) of our current fund's assets being invested in the public equity market; that rules and regulations continue to evolve, especially since the Board observed substantial diversity in practice regarding the use of the work of specialists. CalSTRS has a vested interest in ensuring the integrity, stability and efficiency of the capital markets to pay out benefits to CalSTRS' beneficiaries, California teachers.

Just as CalSTRS employs and contracts with specialists, it is essential to clearly articulate the scope of work and adequately evaluate the work of specialists. Especially, since the "PCAOB

¹ CalSTRS Current Investment Portfolio for the period ending July 31, 2017.
<http://www.calstrs.com/current-investment-portfolio>

inspection staff continues to observe deficiencies related to auditors' use of specialists' work, and with these deficiency factors that enhancements to PCAOB standards on using the work of specialists are needed.”

CalSTRS commends the Board in its efforts to strengthen the requirements for evaluating the work of a company's specialist and applying a risk-based supervisory approach to both auditor-employed and auditor-engaged specialists. We agree these proposed amendments will promote an improved, more uniform approach to supervision of an auditor's specialists. CalSTRS is optimistic that improving the audit requirements in using the work of specialists may also enhance the reliability of the auditor's opinion.

CalSTRS supports amending the audit standards to strengthen the requirements for auditor's use of the work of specialists. If you have any questions or would like to discuss this letter further, please do not hesitate to contact me at 916-414-7410, ASheehan@calstrs.com or Mary Hartman Morris, Investment Officer at 916-414-7412, MMorris@CalSTRS.com.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anne E. Sheehan".

Anne Sheehan
Director of Corporate Governance
California State Teachers' Retirement System